HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

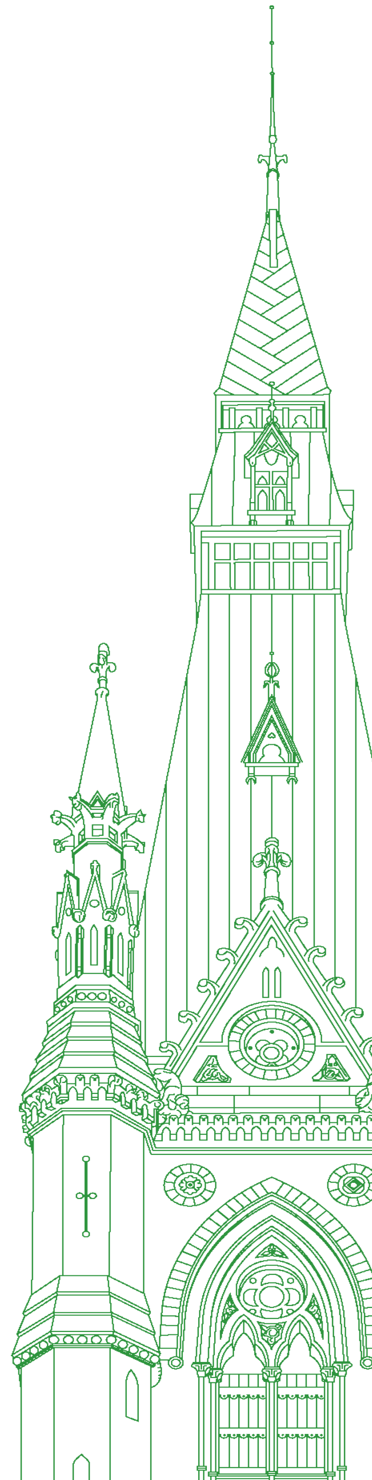
43rd PARLIAMENT, 1st SESSION

Standing Committee on International Trade

EVIDENCE

NUMBER 009

Tuesday, February 25, 2020



Chair: The Honourable Judy A. Sgro

Standing Committee on International Trade

Tuesday, February 25, 2020

● (0905)

[*English*]

The Chair (Hon. Judy A. Sgro (Humber River—Black Creek, Lib.)): I'm calling the meeting 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.

For witnesses this morning, we have Maryscott Greenwood from the Canadian American Business Council, by video conference from Washington. Welcome and thank you for joining us.

Then we have, by teleconference, Jennifer Mitchell, a director on the board of directors at Music Publishers Canada.

From the Society of Composers, Authors and Music Publishers of Canada, we have Andrea Kokonis, general counsel, and Gilles Daigle, consultant.

We are waiting for some folks from the Fédération des chambres de commerce du Québec who have not arrived.

We will start now with Maryscott Greenwood from the Canadian American Business Council.

Please proceed.

Ms. Maryscott Greenwood (Chief Executive Officer, Canadian American Business Council): Good morning.

Thank you, Madam Chair and members of the committee. Happy Fat Tuesday.

Thank you for inviting me to speak with you today, and for allowing me to beam my testimony from Washington, D.C. It is an honour to advise parliamentarians on a topic as important for our two countries as the one under discussion, the most significant trade agreement on Earth, updated and modernized for the third decade of the new millennium.

You will recall that the new North American free trade agreement was first announced on October 1, 2018. As you've had a number of experts provide background on the elements of the agreement, I'm not going to take up your time with a recap of the history of the rather tortuous path that brought us to this moment. We know what made it into the deal and what didn't. We know that it didn't hit 100% of every constituent's wish list, including ours at the Canadian American Business Council, but a deal that doesn't fully satisfy any party is called a compromise, and compromise is the soul of trade.

Further, I think everyone acknowledges that CUSMA substantially improves not only our trade policies but also government relations in North America. It reaffirms our commitment to the rule of law, our commitment to our economic interdependence, and our belief that Mexico is a crucial partner in our shared prosperity. All three governments agreed that NAFTA needed updating, and frankly, the successful negotiations were a tremendous relief to business.

As you can probably guess, the Canadian American Business Council wants to see it become law sooner rather than later. I speak for businesses in both countries, and I am here to tell you that this new deal is a set of stable rules that we will be able to depend upon for years. Business loves stability. Business loathes uncertainty. You've probably heard that formulation before. A lot has been written about how companies and financial institutions have been sitting on capital since the 2008 meltdown, despite efforts by central banks to encourage spending and lending. It's because of uncertainty.

The global trade environment at the moment is volatile. Stable, mutually agreed-upon trade rules are reassuring. Don't we all want to see businesses confidently spending on growth and expanding commerce right here in North America?

As a former American diplomat to Canada, and someone who has woken up every single morning for the last two decades working on the Canada-U.S. relationship, it is my mission to know the pulse of both Congress and the White House on the issues of bilateral concern that affect our business coalition. Believe me when I tell you that we are in a rare moment today. If anyone thinks it's still possible to find leverage and rewrite CUSMA, I think they misunderstand this moment in time. We are truly at a point where the Parliament of Canada must say “yea” or “nay”, up or down.

That said, let me go a little bit further and tell you what I think would happen from a Washington perspective if the vote in Canada is "nay" and the deal goes down. You all know that the U.S. House of Representatives and the Senate ratified what we in Washington call the USMCA in December and January. Do you know how many bills have been introduced so far this session in Congress? There have been thousands. Do you know how many have passed the House? There have been nearly 500. Do you know how many have made it through the House and the Senate so far? There have been 91, and most of those were to name post offices or veterans affairs buildings. We really don't have much agreement down here on anything.

Do you remember when Speaker Pelosi actually tore up the State of the Union address, moments after the President delivered it on live national television? Well, she didn't tear up the modernized NAFTA, as some in her party would have wanted her to do. Instead, she led a comprehensive, thoughtful effort to pass it. The USMCA didn't just pass; it passed with overwhelming bipartisan majorities. In the current political climate here, that was an achievement.

Then, President Trump signed it into law at the end of last month, and as you know, President Trump doesn't always do what Congress asks him to do, so the stars in Washington have aligned.

Now let me put my advocate hat back on for a moment and speculate on what might happen if, now that the agreement has passed both chambers of Congress, has been signed at the White House and, importantly, has been ratified in Mexico, it were to fail in the Canadian Parliament.

As you have probably heard, President Trump instinctively tends toward protectionism. His slogan is “America First”. He has described himself as “a Tariff Man”. He doesn't react happily when he's embarrassed, which he certainly would be if the new agreement fails in Canada. He rightly regards the agreement as his signature legislative accomplishment in his first term.

His fallback would be tariffs. Canada, Mexico and the United States have already been through that unfortunate chapter. If trends in the current democratic primary race continue, President Trump's opponent this fall may well be Senator Bernie Sanders.

Senator Sanders describes himself, as you know, as a democratic socialist. Like other people on the political left, he not only dislikes trade deals, like the original Canada-U.S. Free Trade Agreement and NAFTA, but he has made his opposition to this new agreement plain. He, too, would prefer to rely on tariffs to protect what he sees as America's economic interests. Let's not forget that Senator Sanders was one of the few members of Congress who voted against the USMCA.

I imagine you can see where I'm going here. Does anyone really think it's a good idea to prod this president or his potential rival into a tariff war with Canada and Mexico? An irritated president, with the snap of his or her fingers, can thicken our international border, clogging traffic and giving businesses in both countries migraines. But given the size of our respective economies, I'd submit that the migraines would be worse in Canada.

As someone who speaks for leading Canadian and American businesses, I would point out here that our members already have a few headaches. There is the rather delicate issue of the rail blockades. And there are questions about the ability to site and fund new infrastructure projects, particularly in the energy sector, as you know.

I would suggest that rejecting the new trade agreement in this environment would amount not just to an unforced error but to a serious self-inflicted wound.

That said, let me take a more optimistic tack here just for a moment. Unlike the United States, Canada has, since the 1980s, seen free trade agreements as being in its crucial national interests. Given the relative size of your market, Canadians have had a greater interest than most in clear, transparent, agreed-upon rules, which is probably why Canada has had free trade agreements with Europe, Chile, Jordan, Israel, Costa Rica, Honduras, Korea, Panama and Peru.

Otherwise put, Canadian businesses have clear and preferential rules with markets representing trillions of dollars. Does it not make sense to update and pass an agreement with Canada's single largest trading partner? I dare say a long list of other countries would love to have preferential access to the American market at this point. Proximity without access is frustrating, to say the least. An agreement with the biggest market in the world is ready and available right now. Everyone is waiting.

The position of the Canadian American Business Council is that your choice is clear. The updated agreement strengthens a commercial relationship that has existed since the earliest days of our countries. The effort of the last three years has been intense, sometimes nerve-racking, but we are nearly there. Canadian parliamentarians have a simple question before them, and I submit that to ask it is to answer it.

Thank you very much.

I'm happy to take your questions.

● (0910)

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

Now we will go on to the Fédération des chambres de commerce du Québec, with Charles Milliard, chief executive officer; Kathy Megyery, vice-president, strategy and economic affairs; and Louis Lyonnais, adviser, strategy and economic affairs.

I will turn the floor over to you. Thank you very much. Go ahead, please.

[*Translation*]

Mr. Charles Milliard (Chief Executive Officer, Fédération des chambres de commerce du Québec): Allow me to introduce myself. My name is Charles Milliard, and I am the president and CEO of the Fédération des chambres de commerce du Québec, or the FCCQ for short. Joining me is Kathy Megyery, vice-president of strategy and economic affairs.

I'd like to thank the committee for having us despite a few technical problems. We had a bit of trouble with the connection for our appearance this morning, so I thank you for your patience.

The Fédération des chambres de commerce du Québec represents 132 chambers of commerce across Quebec and 1,100 member businesses. The federation's members are active in every sector of the economy throughout the entire province. As Quebec's largest network of business people and businesses, the federation also serves as a provincial chamber of commerce, advocating for public policies on behalf of its members.

I want to start by saying that the federation welcomes the signing of the trade agreement between Canada, the U.S. and Mexico, which, as we know, puts an end to more than a year of business uncertainty. The prevailing uncertainty prior to the conclusion of the agreement was quite detrimental to business and investment in Canada. While the federation fully recognizes the importance of the new agreement, it has serious concerns about certain aspects that warrant rigorous federal oversight.

The federation recognizes that the agreement was unfortunately concluded to the detriment of our supply management system and Quebec's dairy farmers, who were to some extent sacrificed. That is true of the negotiations leading to all three of the major trade deals recently signed, the Canada–European Union Comprehensive Economic and Trade Agreement, or CETA, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, or CPTPP, and CUSMA.

In addition, despite the very clear calls of Quebec's aluminum sector regarding regional content rules, it will not see its fate improve under the agreement. Conversely, the steel sector, 53% of which is based in Ontario, obtained the protections it had been calling for. Going forward, interprovincial equity should be the guiding principle for any concessions the federal government makes in negotiating international agreements.

What's more, this agreement causes a third breach in supply management, thereby undermining the system's viability and long-term sustainability, especially for the smallest farms. Government announcements regarding compensation for CETA and the CPTPP were long in coming, and the payments have taken even longer, unfortunately. To date, dairy processors and poultry and egg farmers continue to wait for their compensation payments. Nothing has yet been announced in connection with CUSMA.

The FCCQ is calling on the government to swiftly establish the terms of the compensation program for dairy farmers and producers further to CUSMA. The federation also submits that Quebec farmers should receive compensation commensurate to the share of Quebec's agri-food sector in the Canadian economy as a whole.

As for the aluminum sector, the government must remain vigilant. Initially, CUSMA contained a provision requiring that 70% of steel and aluminum originate in North America. Accordingly, Mexico was supposed to purchase 70% of its supply from North America. However, a grey area in the definition would likely have allowed Mexico to continue buying cheap metal from China, as it has been for months now.

The flaw was corrected in the new version of CUSMA, but only for steel, not for aluminum. This new dynamic will impact Quebec's market share. American companies supplied by Quebec have already begun relocating operations to Mexico so they can pay less for metal. Consequently, we will probably lose more and more of the U.S. market as we watch metal processing capacity move to Mexico. The FCCQ is therefore calling on the federal government to ensure the industry maintains its competitiveness in a market that has just undergone a significant change, by engaging the Americans through all diplomatic channels necessary to force Mexico to play by the rules.

Under the provisions of CUSMA, Canada agreed to an increase in the duty collection threshold, the de minimis threshold, which went from \$20 to \$150 for duties. A longtime demand of online retailers in the U.S., the increase could lead to a spike in cross-border shopping, which would have obvious consequences for Quebec retailers and their employees. The higher threshold could prompt U.S. online retailers to start offering customers free shipping to Canada, something many already offer their customers in the U.S. The FCCQ is therefore calling on the federal government to pay close attention to the retail sector overall to ensure it can remain competitive with foreign companies.

Furthermore, the federation's members, especially small and medium-size businesses, share a common concern, one we want to convey to the government today: information on the benefits of these trade agreements is lacking. They feel the government should be doing a better job when it comes to the trade deals and after-sales service.

● (0915)

Although a number of mechanisms are in place, the information doesn't always seem to flow as effectively as our business network in Quebec would like. The government should be more proactive when it comes to educating companies about the benefits of leveraging trade agreements and conquering foreign markets.

Accordingly, it is necessary, in our view, to provide businesses with support as they enter the export market for the first time. It would also be a good idea to provide smaller businesses with more online support and high-potential companies with tailored support.

The FCCQ has always advocated the importance of diversifying export markets and leverages its network of well-established local chambers of commerce across the province to help Quebec companies discover the benefits of export markets and seize new business opportunities.

Against the current backdrop of American protectionism, it's important for Quebec companies to focus on other high-potential markets and increase their proportion of non-U.S. exports. As you know, 70% of Quebec exports last year were destined for the U.S.

Diversifying our trade partners is even more important considering the uncertainty caused by American surtaxes, which has taken its toll on our economy in recent years.

Finally, I want to highlight the fact that numerous products that are not compliant with current regulations seem to be making their way across the border, because the Canadian Food Inspection Agency is short on resources. With added restrictions, it's essential to increase the level of screening and analysis to make sure imported products adhere to the same requirements our products do.

Clearly, the purpose of Canada's regulatory framework is to foster better consumer health, but to do that, companies subject to the regulations must incur the associated costs. Harmonization is thus vital to the competitiveness of Quebec's agri-food industry. The FCCQ is recommending that the government increase controls and inspections by the agency to ensure imported products meet the same standards and rules as Canadian products.

Thank you. We would be pleased to answer any questions you have.

● (0920)

[*English*]

The Chair: Thank you very much.

Now we go on to the Music Publishers Canada, with Jennifer Mitchell by teleconference.

Good morning.

Ms. Jennifer Mitchell (Director, Board of Directors, Music Publishers Canada): Good morning and thank you, Madam Chair and honourable members, for this opportunity. I'm sorry I'm not available to be there in person.

I've had the pleasure of owning and running a Canadian-owned independent music publishing business for almost two decades. I'm here today with Casey Chisick of Cassels, who is external legal counsel to both Music Publishers Canada and my companies.

I'm here to talk to you about the need to fully implement copyright term extension, in accordance with CUSMA, immediately, completely and with no conditions. This will allow songwriters to succeed and small businesses like mine to thrive. Quickly ratifying CUSMA and implementing copyright term extension goes straight to the heart of their and our creative and business efforts.

Bill C-4 would extend the term of copyright for a few works but would leave out musical compositions—otherwise known as songs. On behalf of Music Publishers Canada and the songwriters and composers I work with, I urge committee members to amend Bill C-4 to align Canada with its global trading partners by including all musical, literary, dramatic and artistic works.

Canadian music publishing is a $329-million industry, just one sector of the $53-billion creative industry. Music publishers are innovators. Their strong export strategies have allowed entrepreneurs like me to better compete internationally. A total of 67% of music publishers' revenue now comes from foreign sources, a dramatic increase from 28% in 2005. The key to dealing with changes in technology has been our ability to expand globally. In order to do so, we take financial risks and invest our time, energy and money in building the international careers of songwriters, including emerging songwriters.

For example, we signed 23-year-old Tom Probizanski, which allowed him to move to Toronto. We then paid for him to go to L.A. and Denmark to co-write, and we set up his co-writing sessions. We also paid for his blog and playlisting promotion so that he was featured in Clash magazine, Earmilk and various Spotify playlists. We were able to take these risks and invest that money only because I could rely on the income of several songs for which my companies hold the copyright—for example, *Imagine* by John Lennon; *What a Wonderful World*; *My Way*; *Y.M.C.A.*; *Start Me Up* by the Rolling Stones; *Skinnamarink* by Sharon, Lois and Bram; and even the theme to *The Simpsons*. But a number of songs will soon fall into the public domain because Canada's copyright legislation is not aligned with international standards.

Holding on to these valuable copyrights for an extra 20 years would translate into hundreds of thousands of dollars to pay for good middle-class jobs, reinvestment in the Canadian economy and Canadian songwriters, and the ability to scale our business and export our music to international markets. Immediate action should be taken to prevent countless valuable works from falling into the public domain between now and the end of 2022. Otherwise, we risk stifling innovation, creativity, export potential and growth for small businesses like mine. We also risk creating more confusion, as remaining out of step with our international trading partners continues to complicate licensing for users instead of providing any relief.

I would like to quickly speak about the industry committee's report on its review of the Copyright Act in the last Parliament. Some believe that copyright registration is needed in order to have a seamless transition. I respectfully disagree. Publishers and songwriters already register all of their works with SOCAN and CMRRA in Canada in order to be paid. A second government registration system would create nothing more than an unnecessary burden for copyright owners and the potential to introduce abuse into a system that already works very well to the benefit of creators, users and the public. Mandatory registration would also violate Canada's international treaty obligations, even if it only applies to the last 20 years of an extended term. It is a basic tenet of copyright law internationally that protection must be granted without formality.

In conclusion, adding another 20 years to the life of a copyright means a robust creative sector, more Canadian cultural exports, and the growth of many innovative businesses that have embraced the digital market.

● (0925)

It is long past time for Canada to catch up to its international trading partners in this respect. We urge committee members to amend Bill C-4 to include immediate implementation of copyright term extension, with no conditions. Music Publishers Canada has prepared draft legislative language to accomplish this, which we've submitted to the clerk for the committee's consideration.

I understand that SOCAN will be presenting shortly. We've read their submissions and are in full agreement with them.

Thank you again for the opportunity to speak to this important issue. Casey Chisick and I are happy to answer any questions you may have.

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

We'll now go on to Andrea Kokonis and Gilles Daigle from the Society of Composers, Authors and Music Publishers. Welcome.

[*Translation*]

Ms. Andrea Kokonis (General Counsel, Society of Composers, Authors and Music Publishers of Canada): Thank you, Madam Chair and members of the committee.

My name is Andrea Kokonis, and I am the chief legal officer and general counsel at the Society of Composers, Authors and Music Publishers of Canada, or SOCAN for short. With me is Gilles Daigle, a lawyer with more than 30 years of experience in Canadian copyright law.

SOCAN is Canada's largest music rights society and administers public performance, communication and reproduction rights of authors, composers and publishers of music. We currently have more than 160,000 Canadian members and clients, and we also represent the repertoire of all foreign performing rights societies and several reproduction rights societies in the Canadian territory.

SOCAN is deeply committed to fair compensation for Canadian music creators and their business partners for the use of their work, under a protective regime in Canada that is in line with that of its biggest trading partners.

The new NAFTA has opened the door to implement an important and long-awaited change in the term of copyright—extending it from 50 to 70 years after the life of the author—and to do so immediately. Yet, despite the clear intention and wording in the new NAFTA, Bill C-4 as it now stands does not address basic term extension.

There is no valid reason for Canada to delay, yet again, term extension of copyright in our country. We therefore urge this committee to recommend, in the strongest possible way, that the necessary term extension amendments be added to Bill C-4.

As it stands, Canada's copyright protection term is not meeting the current international standard. This places our members and all Canadian creators at a disadvantage compared with our major trading partners. An extension to copyright term would increase Canadian investment and business in copyright-based industries located in Canada by removing disparities between Canada and other major economies.

[*English*]

The current term of copyright protection in Canada—life plus 50 years for creators of musical and other works—is out of line with modern copyright law. After the original NAFTA was ratified, the United States, in 1998, increased its term to life of author plus 70 years. In 2003, Mexico increased the term of protection to life of author plus 100 years. As part of the NAFTA renegotiation, we asked for provisions that reflected this new reality, recommending that the minimum term of copyright protection be life plus 70 years. Our position was supported by all major organizations in the North American music ecosystem.

While in Canada protection for musical works is life of the author plus 50 years, by contrast the majority of Canada's largest trading partners recognize a general standard of the life of the author plus at least 70 years. These countries include all of the European Union members, the United Kingdom, Australia, Israel, Norway, Switzerland, Peru, Brazil, Iceland, Japan and even Russia. Canada's current law is consistent with only the minimum protections set out over a century ago in the Berne Convention for the Protection of Literary and Artistic Works. The intention at that time was to establish a term of protection that was enough to benefit two generations of descendants of the creator of the work. With longer life expectancies, a term of life plus 50 years no longer reflects the underlying intention of that treaty. Around the time that Canada joined the Berne Convention, in 1928, the average life expectancy was 60 years. It rose to about 81 years between 2007 and 2009.

As a result, the current term of protection afforded under the Canadian Copyright Act is insufficient to cover two generations of descendants of a songwriter, and the current term is therefore out of line with the policy objectives of the Berne Convention. As mentioned, this has been recognized and remedied by Canada's major trading partners. Canada's shorter term is also out of step with the emphasis and value that Canada has otherwise placed on the creation of works, both domestically as part of our heritage and internationally as leaders of cultural exports.

Canadians authors and composers of music, and their publishers, can be at a disadvantage as cultural exporters because their works may be subject to lesser protections internationally because of Canada's outdated term of protection. This is unfair and most unfortunate, as Canada's laws should not place limits on the ability of Canadian creators to exploit their works around the world.

● (0930)

A longer term of protection in Canada would better allow music publishers to reinvest the revenues they derived from the exploitation of copyright-protected works in the discovery, support and development of songwriters and composers. Additionally, from a multinational perspective, longer terms of protection in a market provide incentives for foreign companies to invest in repertoire in that market. In both cases, providing for a longer term of copyright protection in Canada would strengthen domestic reinvestment in cultural development and diversity, as well as foreign investment in Canada's substantial local talent. There is no justifiable reason to further delay the implementation of the extension. The government should fulfill its commitment immediately.

When Bill C-100 was introduced in the House last year, replaced by Bill C-4 in this Parliament, SOCAN and other music organizations were disappointed to see that, while some copyright modifications were made in the implementation bill, the term extension was not modified. It is our understanding that Canada has two and a half years to fully implement all of CUSMA, but we strongly believe the term extension was—and remains—a key piece of the renegotiation in light of the same extensions that our trading partners have implemented in their own home copyright laws.

The embarrassing reality at the moment is that Canadian authors have the same limited copyright protections as creators from countries such as Iran, Liberia, Pakistan, Syria, Zimbabwe, Afghanistan, Angola and the Democratic People's Republic of Korea. Our members deserve better than that. All Canadian creators deserve better than that.

SOCAN, therefore, recommends that Canada amend the Copyright Act to extend the term of copyright protection for musical works to the life of the author plus 70 years, in recognition of current international copyright norms as well as the underlying intention of the Berne Convention and other such benchmarks for valuing intellectual property. Specifically, SOCAN recommends that the basic term of copyright be extended under section 6 of the Copyright Act, as well as the very few other provisions that need to be added.

As part of the submission that we have handed out, we have also included with the speaking notes the chart that Music Publishers Canada created to show where the amendments should be made.

Thank you very much.

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

Before I open it up to the members, I've had confirmation for the chief economist, Dr. Paquet. Her availability tomorrow would be from 12:45 until 1:45. Is the committee in agreement with that?

Some hon. members: Agreed.

The Chair: Thank you very much.

We'll go on to Mr. Hoback.

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

That's good news. We're actually going to get that economic analysis.

Parliamentary Secretary, can we get a copy of the economic analysis before she comes? Can you check to see if that's possible?

Ms. Rachel Bendayan (Outremont, Lib.): I'll certainly check. As I committed to last week, I did request an update on where that report stands. I spoke to officials. I understand that they're working very hard to get it to us as soon as possible. I had encouraged them to come as soon as possible. I think they were supposed to come on Thursday, and now they are coming on Wednesday at 12:45.

Mr. Randy Hoback: I only have five minutes, so....

The Chair: This is not part of your five minutes.

Mr. Randy Hoback: I look forward to seeing it. If we could have it the day before or even later this afternoon, that would give us a chance to at least go through it tonight. I'm sure it's a big document, so it's a lot to go through, but we'll do our best. Hopefully we can see it.

Witnesses, thank you for being here this morning.

Scotty, we've been friends for five years, but we usually just meet in airports. I can't believe we're actually meeting somewhere other than an airport. It's an inside joke: It seems like she has a seat at the Ottawa airport and my seat is right next to hers.

I going to start off with you, Scotty. Can you give us a sense, in the U.S., of how many times Lighthizer actually went over to talk to Nancy Pelosi and the Democrats before they went to renegotiations?

● (0935)

Ms. Maryscott Greenwood: I don't have the exact number, Mr. Hoback, but I would say quite a few times. One of the underappreciated elements of the Trump administration's negotiation strategy is that Ambassador Lighthizer, who has been a real trade warrior for many years, knew that the opposition party controlling the House would hold the fate of this agreement in its hands. He absolutely did a lot to coordinate with the Speaker and also the members of the Ways and Means Committee.

Mr. Randy Hoback: That's where we get frustrated here. People are being told that we're stalling and delaying, which is far from the truth. In fact, I offered to bring a pre-study to it last spring. The Libs said no. We offered to come back in the summer if we needed to; there was no need to. When it was renegotiated, we asked for more information. We got a briefing. When we asked questions at the briefing, we didn't get a response until January. In fact, Wayne Easter and I were at a CABC meeting when you were here in Ottawa, and we both said we could do this as a committee of the whole and have it done in December before Christmas.

Ms. Maryscott Greenwood: I do remember that.

Mr. Randy Hoback: Of course, there was no appetite from the Liberal Party to do that.

This will pass, and I want to make sure that you understand that we are not going to vote against it. That being said—and you would understand this too—Trump got elected by the Rust Belt states that felt neglected, that weren't included or thought about after the last NAFTA agreement, and I don't want to make that same mistake. We've had some 200 submissions to appear in front of this committee, and we were proposing March 5 to have it out of committee, which would have been during the break week, which means it would have hit the House at exactly the same time it will right now. The Liberal Party said no, and I can see why, because as we start to go through it, we start to see the economic analysis that the C.D. Howe Institute did. It said it will be a $10-billion hit for Canada. If you compare it to TPP, if we had all signed on as Obama wanted us to, it would have been a $4-billion plus. So there's lots to absorb.

When you're looking at this $10-billion hit, there are a lot of groups and organizations and companies that are negatively impacted. I'm not going to vote against it and they understand that, but they at least want a mitigation plan. They want to understand what it means for them and how the government is going to help them, and that's all we're trying to do here. So we will get through this, and I hope we will be in clause-by-clause by Thursday and it will be back into the House and then hopefully the Senate. Now, I can't control the Senate. That's a different can of worms, and good luck there.

One of the things we talked about before was the de minimis and the changes to the de minimis, going from $20 to $40. I know you probably wanted it to be $800, but it's not there. Then there's the tax-free status to $150, but a lot of people don't understand that Canada Post, which is the biggest carrier here in Canada, is not included in that.

Do you have any thoughts on that and why Canada Post wouldn't have been included and only private couriers were included in that scenario?

Ms. Maryscott Greenwood: Mr. Hoback, I don't know what the puts and takes were with the various carriers. You are right to say that we thought very strongly that it would make sense to align the de minimis level among all three countries. Why was that? Quite simply, we didn't think it made sense to penalize Canadians who engage in e-commerce. When you think about all the remote communities and all the places in the vast country that is Canada, there just aren't retailers that have every single item that somebody might want on a given day. Our thought was that it didn't make sense to penalize Canadians for that, and actually the government loses money when it does that.

As for your particular question about why some carriers were included and not others, I don't know. I think you'd have to ask the negotiators themselves.

Mr. Randy Hoback: Okay. So you have no insight on that, then.

I'll go to the composers, SOCAN. You were talking about the changes to copyright, and you mentioned an amendment. Both you and the Music Publishers are saying we should try to amend it. Now that's not an option, from what I understand. We can't amend it. We don't have that choice, but we can make a mental note to lay down some talks and discussions moving forward. Maybe even in implementation we can look at doing that. Maybe it's just Canadian legislation that needs to change. So maybe this should go back to the industry committee and go that route.

Is that fair to say?

Mr. Gilles Daigle (Consultant, Society of Composers, Authors and Music Publishers of Canada): To be clear, our request would not require a change to CUSMA. It's Bill C-4, the implementation act, and we're talking about changing the number five to the number seven in about half a dozen places or fewer. This is as simple as can be. We could do it here in less than five minutes.

I would hope that this committee, taking that fact into account, will do everything it can to change those few numbers. I have to say that our organizations have been told many times that this change was coming. I've been in this industry for 30 years now. That's where the grey hair comes from.

● (0940)

Mr. Randy Hoback: You've heard it for 30 years.

Mr. Gilles Daigle: And throughout the early 2000s, how many times were we told that, as part of this now ongoing copyright revision process, they'd extend the term? The final output of that came in 2012, with major changes to the Copyright Act. Term extension was left out.

The Chair: I'm sorry, Mr. Hoback, but your time is up.

Mr. Dhaliwal.

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

I want to thank the presenters as well.

My first question is going to Washington, for Ms. Greenwood.

Ms. Greenwood, you said businesses love stability. I come from a small business background. It is my understanding that workers love stability as much as the businesses do. How do you feel that CUSMA will help not only businesses but also middle-class workers?

The Chair: Ms. Greenwood?

I think there was a translation issue, or something, because it's showing in French rather than.... I think that's what the delay was.

Ms. Greenwood, did you hear the question?

Ms. Maryscott Greenwood: Madam Chair, I [*Inaudible—Editor*] French. I apologize.

If I could hear the question in English, I'd be happy to answer.

The Chair: I think something happened to our system, because I have French here rather than English, and I don't know why.

Let's do a restart here. It was only a minute and 22 seconds anyway, so we're going to start again.

Ms. Maryscott Greenwood: I apologize. It's my fault.

Mr. Sukh Dhaliwal: It's not your fault.

The Chair: No, it's not. We had a bit of a problem on our end.

Please start again, Mr. Dhaliwal.

Mr. Sukh Dhaliwal: Thank you, Madam Chair.

Thank you to all the presenters.

My question goes to you, Ms. Greenwood. You said that businesses love stability.

I come from a small business background, being a professional engineer, a land surveyor and into land development. I personally see that the workers love stability as much as businesses do. Do you agree with that?

The second question will be, how would this agreement help the middle-class workers, not only the businesses?

Ms. Maryscott Greenwood: Absolutely.

To your first question, absolutely, workers love stability as much as business owners do. We all have to figure out how we're going to balance our chequebook at the end of the day. We have to figure out how we're going to pay our bills, pay for our kids to go to college—and, in the United States, pay for health care. Certainty an ability to predict that you're going to be able to make it through to the end of the month and pay your bills is absolutely important to everybody, to every family—workers, ranchers, farmers, you name it.

In terms of how it benefits workers, in addition to business owners, it's interesting to note that for the first time in our modern history, the AFL-CIO, the big umbrella trade union in the United States, came out in favour of the USMCA, the new NAFTA. I also note that there are representatives of workers in Canada, including Mr. Jerry Dias, who have been strong proponents all along.

Whether it's for large manufacturers of automobiles, which is a huge part of our economy in Canada, the United States and Mexico, or some mom-and-pop shops, there is benefit, absolutely, to not only knowing what the rules of the road are, but also knowing how you address a dispute if you have one, which this agreement also has—at Canada's insistence, I would add. But it's just knowing what your cost of inputs are and that you're going to be able to keep doing what you do at the end of each month.

● (0945)

Mr. Sukh Dhaliwal: Thank you.

My next question goes to Mr. Milliard. You said that SMEs don't take full advantage of all these agreements and they need to be aware of the advantages they have. Could you elaborate on some of the things government should be doing, and you as an organization representing small businesses should be doing, so that the small and medium-sized businesses can take full advantage of CUSMA?

[*Translation*]

Ms. Kathy Megyery (Vice-President, Strategy and Economic Affairs, Fédération des chambres de commerce du Québec): Thank you for your question.

For businesses big and small in Quebec, the United States is usually their first export market. Two-thirds of Quebec's exports go to the U.S., so it's important that all small and medium-size businesses, not just large sophisticated companies, be able to take advantage.

In order for that to happen, we are recommending that the government do a better job of supporting small and medium-size businesses by helping them understand the business opportunities available to them. They often don't know in which parts of the country those opportunities lie. We are also recommending financial support to help those businesses as they endeavour to break into new markets, something that is often new to them.

[*English*]

Mr. Sukh Dhaliwal: Thank you.

My next question is for the music publishers. It is my understanding that CUSMA is an agreement that has protected cultural communities throughout Quebec and British Columbia. Could you elaborate? Do you agree with that?

Mr. Gilles Daigle: In respect of the particular issue that is of concern to us, which first and foremost is term extension, CUSMA does; the implementation legislation, Bill C-4, does not, or at least it does not today. It is not acceptable to our constituency that we have to wait perhaps as long as two and a half years, because, as I don't have to tell this group, in politics and in government a lot could happen that could potentially change that obligation.

In a response to Mr. Hoback, I started talking about the fact that we've been told on so many occasions that the extension was going to be implemented. In 2012, it didn't happen. For the TPP, the extension was in the draft text. Canada pulled it. We now get to the new NAFTA. It's in CUSMA, but not right away. We're going to take as long as two and a half years to implement it. Why?

The message it sends to our members and to Ms. Mitchell as a publisher is "Your music is not as worthy of protection, the longer protection, as that of your peers." In the U.S., Bruce Springsteen's works are protected for 70 years. For Bryan Adams and Jim Vallance, it's 50 years. In Canada, we are not prepared to make that change today. We're going to see if we can do it in the next two and a half years. That's not good enough for our members anymore. We've heard that too many times. I'm sure that Ms. Mitchell, as a publisher, would probably have some thoughts on that as well.

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

Mr. Savard-Tremblay.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay (Saint-Hyacinthe—Bagot, BQ): I, too, would like to thank all the witnesses for their varied and relevant comments.

My question is for the FCCQ representatives. I think the picture they've painted thus far is consistent with how the Bloc Québécois sees the situation. Far from being anti-free trade, we nevertheless believe the agreement, as it stands, contains some irritants.

You did a good job of explaining that, contrary to repeated statements, the agreement does not treat aluminum and steel in the same way, and that the bulk of the aluminum sector is in Quebec, unlike the steel sector, which is concentrated in Ontario.

You also brought up supply management and the fact that it took a beating further to the negotiations, as with so many negotiations in the past. You talked about the importance of swift and adequate compensation. That brings me to my question, since you are still in favour of ratifying the final agreement.

Yesterday, we heard from the Dairy Farmers of Canada, and I asked its representatives about an appropriate ratification date. They said no earlier than May 1, to comply with the coming into force date of three months, which would take us to August 1, the beginning of the fiscal year in the dairy sector.

Is there a particular date you would prefer, or do you also think it's urgent and should be done swiftly?

● (0950)

Ms. Kathy Megyery: You summed up our comments well. Indeed, it's not an ideal agreement, but it's the best one we were able to get. It's important that it be ratified in a timely manner, in other words, as quickly as possible, to put an end to the uncertainty hanging in the air. It's also important, of course, that the government put in place the necessary compensation programs for affected sectors, especially the aluminum industry and supply-managed sectors.

Mr. Simon-Pierre Savard-Tremblay: I'd like you to tell me what you mean by “as quickly as possible”.

Mr. Charles Milliard: We mean the soonest that the current legislative process would allow. I think the feeling of urgency has to do with the compensation package. As we pointed out, compensation further to the other agreements was long in coming, and the payments even more so. Consequently, the feeling is that the compensation plan is urgently needed and must be implemented. As for the ratification of the agreement, it depends to some extent on how fast you work.

Mr. Simon-Pierre Savard-Tremblay: Believe me, we are doing our best. This week, we are spending 40 hours on it, and last week, we spent about 30 hours. Everything else has been put on hold.

Something else you talked about was the need to educate small and medium-size businesses, mainly. What form should that education take? What would be the right way to convey that information?

Ms. Kathy Megyery: As you are aware, we have trade commissioners in Quebec and in Canada. In Quebec, we strengthened their role in the world by giving them an increasingly economic mandate. We think that is an important way to reach out to businesses and help them better understand the opportunities available to them under trade agreements.

Mr. Simon-Pierre Savard-Tremblay: I want to be sure I understand correctly. When you say that you gave trade commissioners an increasingly economic mandate, who are you referring to?

Ms. Kathy Megyery: I am referring to the commissioners that are active in various cities around the world.

Mr. Simon-Pierre Savard-Tremblay: You're referring to Quebec's trade commissioners abroad.

Ms. Kathy Megyery: Precisely.

Mr. Simon-Pierre Savard-Tremblay: Great. I see now.

I'd like to ask Ms. Greenwood the same question.

You talked about the importance of moving very quickly, as soon as possible, and not challenging the agreement. Conversely, don't you think that sometimes it's a good idea to give the more disadvantaged sectors the time they need to at least adjust to the agreement?

[*English*]

Ms. Maryscott Greenwood: It is important to seize a moment in time to ratify. I don't have a particular view on accommodations that will be made to sectors that are impacted, and what that should look like in each of the three countries, although I understand it's very important.

My point was about the legislative process at the federal level, recognizing that Mexico has already begun and the United States has been through a process. I worry that we'll miss a window in time if not ratifying. I understand your point, and it's an important one, about how affected sectors are impacted, and I'm not speaking to that point.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: I must say I'm a bit surprised by your answer. On one hand, you're telling us how important it is to ratify the deal quickly, to move forward without question and not to raise any red flags. On the other hand, you're telling us that you didn't consider the compensation issue and avenues to correct certain areas where the agreement went too far.

I have to tell you I'm extremely surprised by your answer.

● (0955)

[*English*]

Ms. Maryscott Greenwood: The agreement was negotiated over almost a year, and there was a lot of back and forth between the three countries. As trade agreements go, it was a fairly fast negotiation, but now that we are at the end of that process, the negotiation period is really over.

I don't have an opinion, and I'm not an expert on what the compensation, accommodations or phase-in period should be for any particular sector within Canada. I'm not saying it's not important; that's just not my expertise. I'm only talking about the legislation, and the negotiations of the trade agreement itself.

The Chair: Mr. Blaikie.

Mr. Daniel Blaikie (Elmwood—Transcona, NDP): Ms. Greenwood, in your opening remarks you talked a bit about the interplay between the executive and the legislature in the United States, and the effect that had on this particular deal.

You may know, being familiar with Canada's trade process, that there really isn't much interplay at all between the legislature and the executive. Members of the NDP have worked in this process to create some, because we think that would be to the benefit of Canadians.

Could you expand a little more on that interplay? What is it that the executive owes to the legislature in the United States with respect to trade agreements? How do you see that having played out, not necessarily in the context of this agreement but if you have some thoughts on other instances where that has been a productive interplay?

Ms. Maryscott Greenwood: Sure. Thank you for that.

What I would note at the outset is the difference between our constitutional form of democracy and your parliamentary form. They're very different.

In the United States, our system was set up to have separate branches of government that truly have different power bases. They were designed by our founders to be really jealous of each other, and they have different authorities. The states came first in our system. Then when the federal government came, historically, Congress was set up as a check to the executive branch, and you really need both to get anything done.

As you know much better than I do, the parliamentary system is a completely different animal. It's different in a majority government, as you know, versus a minority government. I'm not an expert on the parliamentary system, and I wouldn't want to weigh in on the appropriate level of back and forth between the parties.

What I will say is that, in our system, even when you have the same parties in the White House administration as in Congress, they're still separate branches of power, and they have to negotiate with each other. That's a long-standing tradition here, so the Trump administration knew that it would have to negotiate with Congress because that was baked in ever since the founding of our democracy.

Mr. Daniel Blaikie: Right on. Thank you very much for taking a little time to offer those reflections.

I want to ask our guests from the publishing industry a question. I certainly hear your representations loud and clear with respect to term extension. Clearly, there's frustration there that it hasn't happened sooner. Presumably, government isn't acting simply out of spite towards your industry. Who would you say are the winners of not moving ahead quickly with term extension?

Mr. Gilles Daigle: I think we'll let our colleagues from Toronto address the question. They're trying to get into the fray, but it's hard.

Mr. Daniel Blaikie: Sure, that works for me.

Ms. Jennifer Mitchell: Who would I say are the winners from not extending the copyright term? I'm not sure that there are any winners, to be honest. The songwriters themselves, of course, are not the winners because what happens when you extend copyright is that we are able to continue to receive revenue on hit songs and songs that we have been publishing for many years. We take that revenue, and we reinvest it in songwriters.

For example, when I find songwriters, those songwriters don't just sit at home and write songs. If they want to be successful, I need to send them around the world to write with other writers—which is called co-writing—which is fairly expensive. We need to have those relationships in place so that they are able to write songs that are then going to be recorded by artists who generate revenue.

My inability to do that would definitely impact their ability to have careers. It would also mean less Canadian content for Canada, so I'm not sure that the public benefits either.

● (1000)

Mr. Daniel Blaikie: Am I to understand from that, then, that successive Canadian governments of different political stripes have stubbornly refused to grant a copyright extension and nobody's asking for that?

Ms. Jennifer Mitchell: I don't know if I would quite phrase it that way, but we have agreed through certain conventions, including the Berne Convention, where we were supposed to be aligned with our international trading partners. I'm sure that there are a lot of reasons why they decided not to proceed, including the point that copyright is kind of a complicated subject. Certainly, it's something that should have been done. Now that we have agreed, we'd like to see it implemented right away and not wait the 30 months.

Mr. Casey Chisick (Legal Counsel, Music Publishers Canada): If I may, there are criticisms from academia in particular and concerns raised about the importance of a robust public domain. The difficulty with that argument is that there's very little evidence in practice that the economic or other implications of term extension are in fact a net negative for creativity in the public domain.

Then there's also the very practical consideration that, in reality, all that happens is that third party commercial entities end up taking advantage of works that fall into the public domain. The most recent example that I can think of in Canada was a record label that began to put out re-releases of public domain sound recordings for its own commercial gain, with no benefit for the artists who recorded them or for the entities that originally financed those recordings. It's very difficult to see who wins from the refusal of the government over the last many years to follow suit and join its international trading partners with a longer term for copyright.

Ms. Jennifer Mitchell: I would also add that—

The Chair: I'm sorry, but I have to cut you off. I'm going on to my next member here. Thank you very much.

Go ahead, Mr. Carrie.

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

I want to thank all the witnesses for being here.

I wanted to start off, too, by thanking Scotty. When these negotiations started, we all knew we were on a tight timeline. Whenever we went down to the U.S., you were always very quick to get good groups together so that we could get our input, and I want to thank you very much for that.

You mentioned in your opening that business loves certainty. We certainly are in agreement with that. We know that there has been a bit of a campaign in the U.S. saying that Conservatives are going to try to slow down this deal, but we want to be very clear with you: We're not. What we're trying to do is our due diligence.

It was very frustrating for us here in committee. Mr. Hoback actually wanted to do a pre-study on this last spring before the election. We were unable to do that. We knew that the U.S. International Trade Commission came out with some numbers saying that this deal would be a net positive for the U.S. and the number is about $68.2 billion.

We were just trying to get some Canadian lens on it. We were told before the election it was a win-win-win. We were told it was going to be a victory for Canadians, a positive. We've been asking the minister, and she's been very uncooperative in releasing any advice she's had. Just Friday, the C.D. Howe Institute came out and said this would be a $10-billion hit to Canadians' GDP. Even though that is a hit, they also commented that, if we don't have an agreement, it's going to be far worse, so we're in agreement with you that we do need to pass this and move on from there.

I was wondering if the Canadian American Business Council has any independent economic analysis that you might be able to share with this committee. As you heard, we're only going to get that information from the Canadian lens tomorrow, and we expect to go through clause-by-clause by the end of the week.

Do you have anything you could share with us, even today, or over the next couple of days, that would enlighten us somewhat?

Ms. Maryscott Greenwood: I wish I had a barnful of economists I could make available to you for this. We're a pretty lean and mean operation here. That said, our members have done analysis over the last year about this. We're happy to provide that, or I'm sure the committee can avail itself of information from the chief economists of the various banks in Canada, for example, each of whom has looked at this.

I think it's important to do your homework, but I also think people can take statistics out of context sometimes. I think you have to think about, as you did in your remarks, the big picture and what the alternative is. It's not just in a vacuum. You either have the status quo or you have this new deal, but if you don't pass the deal, what happens then? What would be the impact of that? That gets into the realm of speculation. There are some think tanks that have done some work on it, but the only data I have would come from our members, and we're happy to provide that to everyone. The economists of TD, RBC and CIBC would be the relevant Canadian economists.

● (1005)

Mr. Colin Carrie: That's great, and if you're able to flip that over, that would be wonderful.

I know we've had conversations and I know you guys were very supportive of the original TPP. One of the frustrations occurs when you look at that analysis through the Canadian lens. It was going to be a net positive, over $4.3 billion to our GDP, and now to see the only Canadian lens we have seeing a net negative of $10 billion is a little bit frustrating for us.

We will do our due diligence, but we want to make sure that, for Canadian families, businesses and sectors that are negatively affected, the government puts in programs and supports to help them get through the implementation of this agreement.

Thank you for that, and thank you for your continued support.

I wanted to talk to SOCAN as well, because the minister was here saying she consulted extensively with all the different sectors—

The Chair: Make it not too long a question, Mr. Carrie.

Mr. Colin Carrie: Basically, we had the dairy people and the pharmaceutical ones, who said they really weren't listened to when this agreement was formalized.

Would you be able to comment on whether your industry was listened to and whether what you said to the government was indicated in the agreement?

The Chair: Make it a short answer, please.

Mr. Gilles Daigle: They heard us, but they did not want to hear what we had to say.

The Chair: Thank you very much.

We will move on to Ms. Bendayan.

[*Translation*]

Ms. Rachel Bendayan: Thank you, Madam Chair.

Thank you all for being here.

My question is for the FCCQ representatives.

First of all, thank you for supporting the agreement and calling for its swift ratification. As you know, trade between Quebec and the U.S. is extremely important, valued at more than $90 billion. As you so eloquently mentioned during your presentation, we need to provide businesses with the support they need to understand the opportunities that trade deals open up to them.

We strengthened the role of our trade commissioners, and to be clear, they are federal trade commissioners who work in more than 160 cities worldwide with a mandate to help small and medium-size businesses navigate international markets. We also have the Economic Development Agency of Canada for the Regions of Quebec, which provides funding and highly specialized tailored support to business owners with a focus on small businesses. As well, we have Export Development Canada and CanExport, which provide support to small and medium-size businesses.

I'd like to know what you and your members think about all of those organizations and how we could make them more effective.

Ms. Kathy Megyery: You're right to acknowledge all these organizations. These people are doing a very good job.

Furthermore, what our members are telling us concerns the agreement with the European Union. Businesses are finding that France has a much greater presence in Quebec than Quebec businesses have in France. That's one example. This shows once again that, despite everything in place, we must still do more to ensure that Quebec businesses benefit from a very natural relationship with France, for example, and, of course, with the United States, which is the first choice of businesses, especially in northern and northeastern United States. However, SMEs are often unaware of the opportunities. They don't necessarily have the funding needed to proceed with exports. With all the mechanisms in place, we must do more and better.

● (1010)

Ms. Rachel Bendayan: Thank you, Ms. Megyery.

[*English*]

Ms. Greenwood, my colleague raised some private sector research and I've seen that research, as well as others, as I'm sure you have. Significant private sector research demonstrates the potential impact of U.S. withdrawal from a North American free trade agreement. As you mentioned at the beginning of your testimony, that was a very real possibility at the beginning of these negotiations.

I refer here to Scotiabank, which said that a U.S. withdrawal from NAFTA would have created a situation where “the Canadian economy would stand a strong chance of falling into a recession”. Similarly, the Royal Bank of Canada raised alarm bells.

The research appears clear to me that the preservation of a free trade agreement with our largest trading partner can't be understated. I was wondering if you could comment on that.

Ms. Maryscott Greenwood: I completely agree with you.

The question is, what are the possible scenarios? You as policy-makers quite rightly look at that. It's not just whether we like the new agreement better or whether we like it less than the current agreement. The question is what happens if you don't go along with this agreement that you've been negotiating for the last year. What does the United States do then? What does Mexico do?

You're right that the current situation is quite volatile. You can't underestimate the current occupant of the Oval Office in retaliation, in self-inflicted wounds in the United States, with the purpose of gaining leverage or punishing our partners and our allies.

It's the largest economic relationship in the world, and it hangs in the balance, quite frankly, with this agreement.

From a United States point of view, what the policy-makers look at is this: If we can't get to an agreement with Canada and Mexico, our neighbours and close allies, how are we going to trade with the rest of the world? As goes the U.S. economy, so goes the economy of our friends and neighbours.

We really are interlinked. There is quite a huge stake in our thriving together with this agreement.

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

We will move on to Mr. Kram.

Mr. Michael Kram (Regina—Wascana, CPC): Thank you to all the witnesses for joining us here today.

Ms. Greenwood, I would like to address some of the concerns you mentioned in your opening statements. I am completely confident that the House of Commons is going to pass the new NAFTA. You seemed a bit uncertain of that in your opening statement. Certainly the Conservatives, and I'm sure the other parties, will support this agreement.

You also mentioned the importance of certainty in the marketplace so that businesses can function. The new NAFTA has a lifetime of 16 years and then it will be up for renewal.

What can the Government of Canada and politicians do over the lifetime of this 16-year agreement to facilitate a greater degree of certainty in the marketplace so that businesses can do business?

Ms. Maryscott Greenwood: Institutionalizing our agreements as much as we can is a key to extending the life of the agreement. Going deeper on things such as regulatory mutual recognition, all the details in how we collaborate, how our regulators work together or work at cross purposes, those are the types of things that will help ensure that the agreement lasts well beyond the sunset period.

Mr. Michael Kram: Could you talk a bit about the relationship, the back and forth between the business community and the government? Should we be having more regular meetings? What can we do to facilitate all of that?

Ms. Maryscott Greenwood: We believe that dialogue with all of your stakeholders and constituents, including the business community, workers and advocates from all walks of life is a good practice in a democracy, and we try to facilitate that, as many of you have experienced.

Having an honest dialogue where you can exchange ideas and concerns and help educate each other is really important. By the way, we believe it's not just the politically elected officials and their staff, but also the civil servants, the back and forth between the civil servants in our three respective countries, to figure out where there are areas in which they can learn from each other and recognize each other's regulations. That's a huge area of co-operation that in some areas goes well and in some areas needs a lot of improvement.

● (1015)

Mr. Michael Kram: You also raised the possibility of Bernie Sanders being the next president after November. What advice could you give to the Government of Canada to facilitate free trade and cross-border trade in the event that we see Bernie Sanders in the White House in November?

Ms. Maryscott Greenwood: The Government of Canada—and not just the government but all of Canada, Canada as a country—did an extraordinarily good job after the election of President Trump, which is not something that I think anybody, including Donald Trump, predicted.

The whole-of-Canada approach to engagement in the United States to remind all types of people, inside the Beltway and outside the Beltway, of how interconnected we are was a really good effort. It wasn't just one party or another. It wasn't just federal leaders. The premiers and mayors were involved. It was quite a comprehensive effort to remind Americans that we are in this together and that you can't just turn your back on Canada.

That type of intensive effort to help continually remind Americans is something that we do at the Canadian American Business Council, but it's also something that is incredibly important for you, as policy-makers, in your travels and in your interactions with your counterparts.

I would imagine that type of effort would continue regardless of the outcome of this year's presidential election here.

Mr. Michael Kram: Thank you.

Madam Chair, how much time is left?

The Chair: You have 30 seconds.

Mr. Michael Kram: I'll be very brief. I have a question for the representatives from Quebec.

You have raised the issue of the dumping of aluminum from Mexico. Could you briefly give us an idea of some of the tricks they play to get Chinese aluminum into the Canadian and American markets by going through Mexico?

The Chair: Give a very short answer to a difficult question.

[*Translation*]

Mr. Charles Milliard: I didn't fully understand your question. However, we discovered that, between May and July 2019, Mexico obtained its aluminum directly from China. Unfortunately, the new agreement hasn't resolved this issue. The steel issue has been resolved, but the Canadian government must verify the situation, because we've seen an increase. Chinese aluminum imports into the United States have decreased by 60%, whereas Chinese aluminum imports into Mexico have increased by 240% in a few months. We can see that Mexico is really exploiting this gap—

[*English*]

The Chair: I'm sorry, sir. I have to interrupt. Thank you very much.

Mr. Arya.

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

My question is for Ms. Greenwood.

Ms. Greenwood, before this new NAFTA, we had the old NAFTA for decades, but the trade between Canada and the U.S. has not gone up much. It has remained fairly stable. To quote some numbers, in 2011 Canadian exports were at $315 billion, and in 2019 they were at around $319 billion, so basically Canadian exports to the U.S. have remained stable. U.S. exports to Canada are also stable, between $281 billion and $291 billion. Even with this new agreement, do you foresee the trade undergoing any dramatic change?

Ms. Maryscott Greenwood: If you're looking at statistics about whether or not the Canada-U.S. Free Trade Agreement has impacted trade volumes, and then NAFTA, I think you have to actually go back to the 1965 Auto Pact and look at how free trade between our two countries—and then when we added Mexico—has created what is really the largest and most prosperous economic region in the world.

Once you have the tremendous growth—

● (1020)

Mr. Chandra Arya: I understand. It does create a very stable economic zone, probably the biggest in the world. I understand that, but it has not increased the trade amongst these three countries.

Ms. Maryscott Greenwood: Are you saying that you don't think the North American Free Trade Agreement has increased trade between our three countries?

Mr. Chandra Arya: Exactly. It has remained stable for quite some time.

Ms. Maryscott Greenwood: Well, I think the agreement itself actually did increase trade quite a lot. I think what you have to look at with the modernized agreement are cross-border data flows, professional services and some of the digital worlds. There are all kinds of areas where, were you not to modernize the agreement, you would see a backsliding, because the original NAFTA didn't address some of the more modern elements of the economy.

We know that there is an awful lot of competition that occurred—

Mr. Chandra Arya: I'm sorry. You mentioned that the agreement didn't address certain modern elements of the economy. Can you elaborate on that, please?

Ms. Maryscott Greenwood: Sure. When the original Canada-U.S. Free Trade Agreement was passed, and then when the North American Free Trade Agreement was passed, e-commerce didn't exist. Now, e-commerce fuels a lot of our economy and a lot of different elements of how small businesses and large businesses operate and do business together.

The original NAFTA didn't address any of that. There are things like how we manage data, which is a really important topic. It's important in a lot of different areas that are subject, I'm sure, to reviews from a privacy point of view. There are all sorts of different elements of data, but the new North American free trade agreement does address elements like data flows and data localization, and that's enormously important in the economy today.

Mr. Chandra Arya: Thank you.

My next question is for you, Mr. Milliard. You talked quite a bit about the aluminum sector and how we need more protection for the aluminum industry here in Canada, but the aluminum industry has not grown for quite a long time. If I am not wrong, during the last 15 years only one new smelter was added in Canada.

Even with this stable market that is there, do you see the aluminum sector increasing investments and increasing its capacity, not only to cater to the North American market but also to look for other markets in the world?

[*Translation*]

Mr. Charles Milliard: Good question.

However, we're more concerned about GHG emissions, and this will continue over the next few years. The Quebec market, particularly the aluminum market, is developing technology to make aluminum almost carbon neutral. This could increase—

[*English*]

Mr. Chandra Arya: I'm sorry, but my question is not about that.

The Chair: You have 10 seconds left.

Mr. Chandra Arya: I will give up my 10 seconds.

The Chair: For our guest, you have a short time. Would you like to try to complete an answer to Mr. Arya's question?

[*Translation*]

Mr. Charles Milliard: I was saying that Quebec aluminum will become more and more appealing because it's clean aluminum. Given the climate crisis, I believe it will become more and more appealing to sell on the markets.

[*English*]

The Chair: Mr. Savard-Tremblay, you have two and a half minutes.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: My question is again for the representatives of the Fédération des chambres de commerce du Québec. If people from Quebec are here, we might as well make the most of it.

I want to acknowledge Mr. Lyonnais, whom I've known for years. I hope that he's doing well.

You said earlier that this agreement wasn't perfect, but that it was the lesser of two evils under the circumstances. This agreement contains many new provisions, including a chapter on the environment. However, this chapter is very weak. We know that the environment is, in many ways, the issue of the day.

Would you be ready to say that this agreement, unfortunately, doesn't meet the standards of an agreement in 2020?

Ms. Kathy Megyery: Good question. We surveyed our members regarding this agreement. The survey very strongly indicated that industries are afraid of losing their competitiveness because of this agreement. That's the message that we want to get across today.

● (1025)

Mr. Simon-Pierre Savard-Tremblay: You're basically saying that, with respect to aluminum, there hasn't been any progress in relation to the former NAFTA when there should have been, and that there has been a setback for agriculture. That's your assessment to some extent.

Ms. Kathy Megyery: We must ensure that compensatory measures are put in place and implemented, because in the case of the other agreements, these measures are slow to take effect.

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

Do you have anything to add, Mr. Milliard?

Mr. Charles Milliard: I was simply saying that, regardless of the growth of the aluminum industry, the bulk of this industry is in Quebec. I think that organizations such as ours must highlight the importance of preserving the strength of this industry in Quebec. The federal government must remain vigilant with regard to both compensatory measures and diplomatic efforts to promote this industry, regardless of its growth.

Mr. Simon-Pierre Savard-Tremblay: It's very—

[*English*]

The Chair: Thank you. I'm sorry, your time is up.

Mr. Blaikie.

[*Translation*]

Mr. Daniel Blaikie: I'll continue on the same topic.

What should the federal government do to promote the aluminum industry, both in Quebec and in British Columbia?

Ms. Kathy Megyery: We fear that Mexico is importing aluminum from China and processing this aluminum in a very minor way so that it will be considered aluminum made in the signatory countries. We must keep a very close eye on this situation so that this doesn't happen, because this would really reduce aluminum exports to the United States and Mexico.

Mr. Daniel Blaikie: Do we have the necessary data to know how much aluminum from China is entering Mexico? Should the federal government put measures in place to ensure that it has the necessary information?

Mr. Charles Milliard: The information is already available. As I was saying, between May and July 2019, aluminum exports from China to the United States decreased by 60%, whereas exports from China to Mexico increased by 240% and exports from Mexico to the United States increased by 260%, all in just a few months. We wanted this issue addressed in the free trade agreement. The steel matter was addressed. However, unfortunately, because of the unclear definition of aluminum, we're still concerned about this issue.

CUSMA stipulated a minimum of 70% North American content. Given the failure to address the lack of clarity with respect to aluminum, this type of unfortunate consequence could happen again. However, there are still legislative foundations. The government must work with the Americans and Mexicans to ensure that they comply with the minimum content of 70%. That's our option for now. We would have preferred something stronger, such as the protection provided for steel. We don't have this, and we must take steps in that direction. That's what we can do for the time being.

[*English*]

The Chair: Thank you very much.

To all our witnesses, thank you for a very interesting morning, and for taking the time to contribute.

I will suspend until the next panel.

● (1025)

_____________________(Pause)_____________________

● (1035)

The Chair: I call the meeting back to order.

We are continuing our study of Bill C-4, an act to implement the agreement between Canada, the United States of America and the United Mexican States.

With us for this segment, we have the Canadian Centre for Policy Alternatives, Stuart Trew, researcher and editor; the Chamber of Commerce of Metropolitan Montreal, Michel Leblanc, president and chief executive officer by video conference; and the Dairy Processors Association of Canada, Mathieu Frigon, president and chief executive officer, and Dominique Benoit, treasurer and member of the board of directors.

Welcome to you all. We're going to start with the video conference.

Mr. Leblanc, the floor is yours, sir.

[*Translation*]

Mr. Michel Leblanc (President and Chief Executive Officer, Chamber of Commerce of Metropolitan Montreal): Good morning. Thank you for your invitation. If I had received it sooner, I could have joined you.

The Chamber of Commerce of Metropolitan Montreal has been in place for nearly 200 years to represent the business community of Metropolitan Montreal. For 36 years, we've been connecting businesses to export markets. To do so, we're supported by the Government of Canada through Canada Economic Development for Quebec Regions. We raise funds from businesses and the private sector. We're also supported by the Government of Quebec.

This experience in international markets first led us to understand the importance of the American market. For decades, Montreal's business community has been acutely aware of the importance of American markets, both for their growth and supply and, in the case of many businesses, for the efficiency of their production chain. This chain is well integrated and it crosses the border in both directions. As a result, for more than 20 years, the Chamber of Commerce has supported the implementation of free trade agreements in a sustainable, strong and permanent manner. From our point of view, the agreement with the United States is obviously the cornerstone of our economic development.

Seventy percent of Quebec's exports are destined for the United States. We estimate that 20% of Quebec's GDP depends on this fluid trade relationship with the United States. Over the years, the number of jobs here directly related to trade with the United States has grown steadily. In many cases, these positions are very well-paying jobs, either in the Montreal region or throughout Quebec.

The free trade agreement that needed to be renewed and that became CUSMA was crucial. We supported this renewal from the beginning. In addition, nearly two years ago, we invited 24 chamber of commerce leaders from major North American cities—eight leaders from the United States, eight from Canada and eight from Mexico—to Montreal to discuss what we could do to ensure that the agreement was renewed. We were extremely pleased to see the progress made and, ultimately, the renewal of an agreement.

As part of the renewal of this agreement, we've heard that things could have been even better, particularly with regard to aluminum. Similarly, during the negotiation of the agreement with the European Union, issues arose among agricultural producers. We believe that no agreement is perfect and, in this case, we probably have the best agreement that we could have hoped for with the United States. We believe that some areas could have been improved, with regard to aluminum, for example. However, our challenge is to find out how we can help the aluminum sector and not in any way to block, reject or delay the implementation and ratification of the agreement.

Our message to you and to all politicians is that there's no ambiguity from the point of view of the economy of Quebec, the Montreal region and Montreal-based businesses, and that the agreement must be ratified without delay and implemented as quickly as possible.

Thank you.

● (1040)

[*English*]

The Chair: Thank you very much, Mr. Leblanc. I appreciate your comments.

We'll go to Mr. Trew from the Canadian Centre for Policy Alternatives.

Mr. Stuart Trew (Researcher and Editor, Canadian Centre for Policy Alternatives): Thanks very much to the committee on behalf of the CCPA for the opportunity to present here on the CUSMA ratification legislation.

The CCPA is Canada's longest-standing independent research institute. In fact, we're celebrating our 40th anniversary this year. From our earliest days, the CCPA has rooted its policy recommendations in values of social justice and environmental sustainability. That goes for our trade and investment research as well. We've been recently working internationally on the NAFTA negotiations with some friends in the United States and Mexico as well.

I'd like to start by agreeing with something that Michael Geist said to the committee last week, which is that the most important thing here is maybe not the implementing legislation itself, but the impact that the agreement is going to have on Canadians and Canadian public policy in the future. This is something that I think multiple witnesses have brought up as well.

At this point, Parliament obviously has little leverage to alter the CUSMA. Still, there are steps that Canada can take on its own without reopening the deal to enhance the treaty's positive features and to mitigate the harm from its worst. I'm going to briefly list some of those here today.

The first issue is making medicines more affordable. The original intellectual property rights chapter in CUSMA would have required Canada to increase data protection term limits on biologic drugs from eight to 10 years. Biologics are increasingly important for the treatment of Crohn's disease, rheumatoid arthritis and many other illnesses. The Parliamentary Budget Officer predicted that the original CUSMA data exclusivity extension would have increased their costs through public and private drug plans by about $160 million a year.

Thanks to U.S. Democrats, that change was dropped from the agreement. The Democrats also successfully removed provisions in CUSMA that would have facilitated patents for new uses on existing drugs—the evergreening issue—which blocks cheaper generics from hitting the market.

Canada should build on these victories to get serious about the high costs of medicines here in Canada. We can do this by moving forward on the proposals to improve the way that we regulate brand name drug prices. Health Canada estimates, for example, that simply by removing the U.S. and Switzerland from the basket of countries it uses to determine prices in Canada, we could save, on average, about $1.2 billion a year in drug costs.

Second, I think we should swiftly adopt a universal, single-payer pharmacare program, as recommended by the government's expert panel on pharmacare, since this would significantly reduce drug costs by increasing the bargaining power of public buyers. Both of these measures are already in the sights of the USTR, for example, which is looking to pressure Canada not to introduce these things, because their pharma industry will take the hit on them. So I think we need to move fast.

The second issue is on enforcing labour rights in the new CUSMA. As the committee has heard from several witnesses already, CUSMA's labour provisions are a significant improvement on NAFTA. The challenge to all three countries now is enforcement.

Beyond a commitment to receive and consider public complaints of labour violations in Canada, Mexico or the U.S., CUSMA's labour provisions are enforceable only through government-to-government dispute settlements. For a number of reasons, this isn't ideal. Governments can't always be relied on to bring cases forward on behalf of workers.

A way that Canada could address this would be to set up an independent, domestic complaint process that would allow labour unions, citizens and citizen groups to initiate complaints when international labour standards are violated. There should be an impartial body that could hear these complaints in the same way that impartial bodies hear procurement complaints under other parts of trade agreements. If they're credible, the complaints will move forward no matter what.

On environment and the climate emergency, we would say that the new NAFTA is decidedly less satisfactory. This reflects, obviously in part, the fact that we were negotiating with a climate-denying U.S. administration. Still, the CPTPP, the trans-Pacific partnership, and the EU trade deal are not all that much better on the environment, so not all of the blame can go on the obstructionism of the U.S. administration.

CUSMA's environmental chapter is technically enforceable through state-to-state dispute settlement, but again, what's the likelihood? Its obligations are so weak it really hardly matters. Outside of a few hard rules regarding matters like fisheries subsidies and wildlife trafficking, the chapter's commitments are mostly vague and voluntary. It also contains a gigantic loophole in the sense that it only applies to three federations, three federal states. It only applies to the federal level in all three countries.

CUSMA's most significant step forward on the environment was getting rid of ISDS, the investor-state dispute settlement process. Canada has faced dozens of ISDS cases, more than any other country in the NAFTA region, and many of those have challenged legitimate, lawful and non-discriminatory environmental and resource management decisions. The elimination of ISDS in CUSMA is indeed important, as Minister Freeland told committee last week, and it should be precedent setting. The challenge now is how Canada removes ISDS from its many dozens of investment treaties with other countries.

● (1045)

I want to speak a bit about deregulation in CUSMA. CUSMA's chapters and annexes dealing with how governments regulate in general have gotten relatively less attention in all three countries than other parts of the agreement, yet they may prove to be as significant and controversial as ISDS became in NAFTA. Remember, we didn't know much about investor-state dispute settlement when NAFTA was signed or how it would operate. The same logic is at play with the good regulatory practices chapter, which, for the first time in any free trade agreement, locks in a very specific ideology about regulation, which says that commerce should reign supreme and precaution should take a back seat or be thrown to the wind.

Central regulatory agencies, for example Treasury Board here or OIRA in the United States, are required in CUSMA to ensure that federal agencies avoid unnecessary restrictions on competition in the marketplace when they're deciding on appropriate health or environmental protections. There is significant potential for multinational companies to abuse a new notice and review process in CUSMA, which requires regulators to seek and respond to any recommendation to modify or repeal a regulation that is set to create a burden on business.

Global producers of chemicals, pesticides, pharmaceuticals, GMOs, cosmetics, tobacco, food additives, etc., are continually disputing good science on the risks that their products pose to human health and the environment. Now under CUSMA, a government could be taken to dispute settlement, by another country on behalf of one of its industries for example, for sustained or recurring unwillingness to heed corporate complaints about public interest regulations. The so-far voluntary Canada-U.S. regulatory co-operation council, a process that is now enshrined in CUSMA, can lead to delays in removing known toxins, known carcinogens, bioaccumulative compounds and endocrine disruptors from consumer products due to pressures to harmonize across borders for the sake of commerce, again, built up into the good regulatory practices chapter.

As the CCPA's former executive director Bruce Campbell has expertly shown, such pressures led to the downward harmonization of rail safety standards in Canada and aviation safety standards, leading to the tragedies of Lac-Mégantic and the Boeing disasters. In theory, CUSMA's good regulatory practices chapter leaves the door open for government to regulate in a more cautionary, protective way, however the primary objective of the chapter is clearly to reduce the burden on business. In fact, regulatory co-operation is defined in CUSMA as, first and foremost, a means to facilitate and promote economic growth, not as a means to enhance public protections.

It's more important than ever, therefore, that Canada counterbalance the deregulatory pressures in this agreement and other free trade agreements by enshrining the precautionary principle in law. A directive reasserting our regulators' authority to give the benefit of the doubt to protecting public health; removing potentially toxic substances from circulation, plastics for example; protecting animal populations; etc., would fit most Canadians' understanding of what good regulation means.

In conclusion, CUSMA is a mixed bag, at least from a progressive point of view. But is it a model for future Canadian trade deals? We would say no, not at all. Canadians recognize that securing this deal was a defensive measure. Despite the new agreement, just like NAFTA, our access to the U.S. market remains precarious. The U.S. is the most powerful country in the world. It will do what it wants to do. There is no way out of this reality for Canada. Canada's challenge now is to find ways to work around and outside of CUSMA to improve working standards and environmental protections across North America, lower drug costs for Canadians, rapidly decarbonize our economy in line with the Paris Agreement commitments and fully recognize the UN Declaration on the Rights of Indigenous Peoples on a path to real reconciliation.

Thanks very much.

● (1050)

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

We'll move on to the Dairy Processors, Mathieu Frigon and Dominique Benoit.

[*Translation*]

Mr. Dominique Benoit (Treasurer and member of the Board of Directors, Dairy Processors Association of Canada): Good morning, committee members. On behalf of the Dairy Processors Association of Canada, I want to thank you for the invitation to appear this morning to discuss the bill to implement the Canada—United States—Mexico Agreement, or CUSMA, and the impacts of the agreement on Canada's dairy processing industry.

I'm the treasurer and an executive member of the board of directors of the Dairy Processors Association of Canada. I'm also the senior vice-president of institutional affairs and communications at Agropur, the largest dairy cooperative in Canada. With me today is Mathieu Frigon, our president and chief executive officer.

This morning, we first want to bring to your attention to the harm that CUSMA will cause to our industry. We then want to focus on the government mitigation measures that would help our industry adjust to the new market environment that we're now facing as a result of CUMSA and other recently signed agreements.

[*English*]

Mr. Mathieu Frigon (President and Chief Executive Officer, Dairy Processors Association of Canada): As the second-largest food processing industry in Canada, dairy processing contributes more than $14 billion annually to the country's national economy. Dairy processors directly employ 24,000 Canadians in 471 facilities across the country, with an aggregate payroll of $1.2 billion. Our industry is a major employer in rural and urban communities, providing high-paying jobs to middle-class Canadians.

Canadian dairy processors have invested $7.5 billion over the past decade in their business. This includes capital investment to expand and update existing facilities as well as to build new ones to support increased production. It also includes investment in research and development to spur innovation and bring new products to market.

Dairy processors are dedicated to investing in a vibrant industry to support Canadian jobs and the Canadian economy. However, recent trade agreements threaten to curb this growth and diminish the long-term competitiveness of the Canadian dairy industry.

[*Translation*]

Mr. Dominique Benoit: At full implementation, access granted under CUSMA, in addition to existing concessions pursuant to other agreements, will represent about 18% of our Canadian market. When considering the latest three trade agreements, Canadian dairy processors will lose $320 million per year on net margin once the agreements have been fully implemented.

On top of the market access concessions, CUSMA includes a clause that imposes export caps on worldwide Canadian shipments of milk powder, protein concentrates and infant formula. For example, for skim milk powder and milk protein concentrates, a cap of 55,000 tonnes will be imposed for the first year, and 35,000 tonnes for the second year.

Considering that, in the 2017-18 dairy year, Canada exported more than 70,000 tonnes of skim milk powder, there's no question that a clause in CUSMA limiting our exports worldwide will drastically impact Canadian dairy processors and domestic milk supply requirements from Canadian dairy farms. We estimate that the export caps could result in an annual loss of $60 million for dairy processors.

We also want to note the extremely peculiar aspect of imposing caps on Canadian exports of milk powder to all countries, including countries that aren't part of the Canada-United States-Mexico Agreement. This is a first in an international trade agreement, and a dangerous precedent for Canada.

One way for the government to mitigate the negative impact of the export caps is to ensure that CUSMA enters into force on August 1, 2020, or later, so that the industry operates an additional full year under an export cap of 55,000 tonnes.

● (1055)

[*English*]

Mr. Mathieu Frigon: To mitigate the negative impact of the increase in market access under CUSMA, we propose a twofold approach: first, the allocation of dairy import licences to Canadian dairy processors; and second, a dairy processor investment program.

We want to reiterate today that dairy import licences, commonly known as dairy TRQs, must be allocated to dairy processors. Dairy processors possess the expertise and the distribution network to import a wide variety of dairy products that complement the domestic offering, as opposed to replacing it. The government must refrain from repeating the same mistake it made for CETA, where it allocated more than half of the CETA cheese TRQ to non-dairy stakeholders such as retailers and brokers. Those non-dairy stakeholders do not have a vested interest, as dairy processors do, in importing dairy products that would minimize the impact on existing production line and manufacturing platforms in Canada without displacing Canadian farm milk. In addition, dairy processors continue to invest, maintain and generate well-paying jobs across the country, particularly in rural areas. Additional imports that are poorly planned or poorly targeted will undermine the survival of many businesses.

The second mitigation tool we recommend is a dairy processor investment program. The diary-processing industry is made up of businesses of various sizes and product mixes, all of which will experience the impact of these trade agreements in different ways. As such, we recommend that the government create a program for dairy investment and compensation that would aim at supporting investment in dairy-processing capacity, competitiveness and modernization. That program would include tools such as non-repayable investment contributions and refundable tax credits. The program would work on a matching principle basis. In order to receive funds, a dairy processor would have to commit to making investments here at home.

[*Translation*]

Mr. Dominique Benoit: Last year, recommendations were submitted to the Department of Agriculture and Agri-Food by the mitigation working group—created by the government in October 2018—on programs to address the financial impact of the three trade agreements on the dairy processing sector. We actively participated in this work. We made recommendations based on the government's commitment to provide full and fair compensation to the sector, meaning to both dairy producers and dairy processors.

We're hopeful that the coming budget will instill much needed confidence in the future of dairy processing through an announcement regarding a dairy processing investment program.

Rightly done, these two measures—the allocation of import quotas to processors and a dairy sector investment program—taken together could fairly and fully compensate Canada's dairy processing industry for the negative impact of the trade agreements. Only through these types of mitigation measures will the dairy processing industry be able to safeguard existing jobs and significant investments in Canada, while continuing to develop our future.

Thank you for your time and consideration. We're ready to answer your questions.

[*English*]

The Chair: Thank you very much.

We'll move to Mr. Lewis.

Mr. Chris Lewis (Essex, CPC): Thank you, Madam Chair, and to all the witnesses for coming out today.

Let me start by saying we certainly are the party of free trade. It's not our intention at all to hold up CUSMA in any way, but we also have to do our due diligence. It's for our families, our businesses and our country. That's why we ask a lot of these questions. As many of you will know, unlike the U.S. Congress that was provided with an in-depth economic study, Canadian parliamentarians have received no analysis despite repeated requests. We've had to depend on other studies, most recently the C.D. Howe Institute's report and the testimony before this committee.

Some industry leaders have described CUSMA in less than glowing terms, saying the deal is better than no deal, while others have offered their enthusiastic support. Most have welcomed the stability it will provide after three years of uncertainty. Some have said the devil is in the details.

To the chamber of commerce, sir, you represent a number of sectors in Quebec. Does the level of enthusiasm for this agreement differ from sector to sector?

● (1100)

Mr. Michel Leblanc: It does, because it's not the same, but in general, it's a very high level of enthusiasm. It's not equal in every sector, but as a community, it is really behind this accord.

Mr. Chris Lewis: Have you or has the chamber done its own economic impact analysis? Does it line up with the C.D. Howe's assessment that Canada's GDP will drop by 0.4% and that the Canadian economy will lose up to $10 billion?

Mr. Michel Leblanc: No. From various exchanges that I've had over the years, the impact of not having an agreement was immense. If we had numbers, they were more about the impact on our export businesses, on our companies here, if we were not to have such an agreement with the U.S. Of course, the CGI of Montreal, the Couche-Tarde of Montreal, the Saputos of Montreal, are all businesses that are now very active in outside markets, including the U.S.

Clearly, the signal from all of our companies was that the price we would have to pay as an economy if we were to not have an accord would be immense.

Mr. Chris Lewis: I heard you say the word “export”. Does the chamber have any concerns about implementation, particularly the short 90-day time frame from ratification to implementation? Do you share the C.D. Howe Institute's concern about the potential for a thickening at the border, in other words, issues with tariffs, issues with the CBSA not having additional resources and/or funding to implement all this stuff?

Mr. Michel Leblanc: We do have concerns, as always, when there are new agreements and new rules, that they will have an impact. We have what we call “trade missions”, and one of our most attended trade missions brings new exporters to the border, where they get a chance to understand the processes and the treatment of exports. Clearly, we expect over the next months to have lots of demand to make sure that everybody understands what, if anything, has changed.

In effect, there will be probably an adaptation period, but again, this is seen as a positive evolution from our community's standpoint. We were very concerned that because of President Trump's position, we might not have such an agreement. We're very happy that we do have one, and we want to move forward as quickly as possible.

Mr. Chris Lewis: Thank you very much for your answers.

Thank you, Madam Chair.

The Chair: We'll go on to Mr. Sarai.

Mr. Randeep Sarai (Surrey Centre, Lib.): Thank you, Madam Chair.

Thank you all for coming.

I'll start with you, Mr. Trew. My question is on the ISDS. When it originally was implemented, a lot of people thought it would be helpful for Canadian companies and protect them against any regulatory changes that might be imposed in the U.S. Later on, it was actually the reverse. We faced more.

Do you think the absence of that, though, might have some implications going forward, where it might get abused just because we might have taken an action thinking it was more discriminatory to Canadian businesses and less the other way around? Do you think that not having that dispute settlement system might pose a challenge in the future?

Mr. Stuart Trew: If I understand the question, do you mean is it going to be more bad for Canadian business than for the United States if we don't have the ISDS?

Mr. Randeep Sarai: Yes.

Mr. Stuart Trew: The record is pretty bad for Canadian companies using ISDS to challenge U.S. policies. They've never won a case. I think that probably says something about how it works going up against a country as powerful as the United States. There are many opportunities, many means that Canadian companies have to assert their rights under U.S. law, their rights to do business in the United States, which are extensive. The U.S. legal system is one of the most established and elaborate in the world with respect to protecting private property. I don't think Canadian businesses are under any threat operating in the United States without ISDS.

● (1105)

Mr. Randeep Sarai: Thank you. That's what I wanted to hear.

In terms of labour, you said the new improvements are a lot better having it in there. Do you think there could be improvements on how we can access those? I think your concern was the fact that a government would have to bring the labour complaint. This would be at national levels, not on perhaps individual levels. How do you see the labour provisions being enforced?

Mr. Stuart Trew: The idea we're thinking through—and I just mentioned it briefly in my presentation—would be to have some kind of prima facie means by which labour unions, individuals or community groups could bring forward a challenge related to the labour protections and have it decided in an independent way. Is there a value to this? Is there a reason to move forward with this?

If the panel said there was, and they do this similarly with procurement disputes, then the government would be obliged to take this forward to government-to-government dispute.

Mr. Randeep Sarai: That is currently not in the system. That would be something that would have to be devised amongst the three countries.

Mr. Stuart Trew: Exactly.

Mr. Randeep Sarai: My next question is to you, Mr. Leblanc.

In terms of small and medium-sized businesses, how can you, in your experience as the chamber representative, increase the knowledge of and access to those new opportunities and, quite frankly, some of the existing opportunities that were there in NAFTA to help Canadians, especially SMEs, increase their businesses in the other two countries?

Mr. Michel Leblanc: We do several things, and perhaps we could do more. Of course it always depends on the funding. I would send a message that the federal government can play a role here.

First, at the entrepreneurship level, we try to put in place everything we can to have them “born global”, as we call it, which means that right from the inception and the development of their initial business plans, we incite and work with those SMEs to make sure they take into account the possibility of exporting, which means if they develop their website, to make sure it's transactional. From Quebec it can be transactional in English. Internationally we make sure that, if they hire people, they hire people with the intent eventually to develop their international markets. That's one.

Second, we have lots of training activities, and as part of those training activities, as I was mentioning, we have all those groups that we take to the border. It's really to explain it and make it as simple as possible for those SMEs to see the American market as part of their backyard, part of their growth area.

Last, we organize missions in the U.S., where we take SMEs.... Usually we do not take large companies—they don't need us—but we will take SMEs into the U.S., into the New York area or to Silicon Valley. There we facilitate with the personnel who are either from the delegation of Quebec, the embassies or the consulate. We work with them to make sure we develop those one-on-one contacts. The whole strategy is to make sure that, as quickly as possible, our SMEs realize that their growth opportunity is to have access to that market.

Now with the new—

Mr. Randeep Sarai: Have you also—

The Chair: I'm sorry, Mr. Sarai, your time is up.

I was just waiting for a moment to interrupt our witness.

I have to go on to Mr. Savard-Tremblay now.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: My first question goes to Mr. Trew, from the Canadian Centre for Policy Alternatives.

You are delighted with the disappearance of chapter 11, on the settlement of disputes between investors and states, which was fundamentally designed to ensure stability for investors at a time when different places had less stable governments. Basically, it was seen to threaten the ability to adopt social measures dealing with the environment and public health. It was realized that there were quite strong adverse effects, and Canada was the champion in terms of the number of claims against it. In those cases, the multinational is always the complainant and the state is always the defendant. These treaties have no recourse the other way around to protect citizens harmed by a multinational. This chapter in NAFTA was a first, but the measure has been imitated in basically all subsequent agreements.

Do you believe that the disappearance of the chapter foreshadows anything good as things proceed? As of now, we cannot consider that it is a given when future agreements are signed.

● (1110)

Mr. Stuart Trew: Thank you very much for your question. I will answer it in English.

[*English*]

Yes, I really do agree with the minister that this should be precedent setting. Say what you will about whether the rule of law is as strong in other countries as it is in Canada, the fact is that Canadian companies have abused this system—like they did in Canada—to challenge completely legitimate environmental and resource management decisions.

I would say that in the kind of world we're operating in, where it's becoming obvious that certain types of economic activity are harming the environment, contributing to the climate crisis and, in some cases, contributing to inequality in other countries—or at least not giving the benefits that are meant to come from investment from northern countries—we really need to think about scaling back or rebalancing the kinds of rights we have in trade agreements.

Corporate rights are obviously very strong in these processes. We need to rebalance so that environmental rights, indigenous rights and human rights are much more prominent.

[*Translation*]

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

My questions now go to the gentlemen from the Dairy Processors Association of Canada.

You said that there has been compensation for many producers. That is often said, although, with the current agreement, no compensation has yet been paid. With preceding agreements, it took time, but payments were eventually made. But the processors were not compensated.

First, what form would you like the compensation to take and in what timeframe?

Then, how is your community reacting to the elimination of class 7? We know that milk protein has been an issue for a long time. I think you are from Agropur. Before it was politically fashionable to criticize the issue, you were one of the first to ban diafiltered milk, if I am not mistaken. The fact remains that a lot of processors have been using the practice for some time.

Mr. Mathieu Frigon: Yes, indeed, last summer, money was announced for dairy farmers only. Nothing was announced for dairy processors, and that was certainly a great disappointment for us, as we said in our brief.

Mr. Simon-Pierre Savard-Tremblay: Are you talking about the previous agreement?

Mr. Mathieu Frigon: Yes, I am not talking about CUSMA.

We were disappointed. We hope that it will be in the next budget. As we said in our brief, we were part of the working group that looked at the financial impacts and the ways to mitigate them. We need an investment program and tariff quotas, import licences, as we call them, to be given to our members, the dairy processors.

We would like compensation measures in two areas.

[*English*]

The Chair: I'm sorry, your time is up.

Mr. Blaikie.

Mr. Daniel Blaikie: Thank you very much.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: We will talk about that later.

[*English*]

Mr. Daniel Blaikie: Mr. Trew, I just wanted to follow up on something that Mr. Sarai said at the end of his remarks. He said that what you were suggesting was something that would remain to be negotiated among the three parties.

In terms of what you were saying, my understanding was that this was actually something Canada could do domestically without having to consult the other two parties. I just want to be clear, for the record, which version is true.

Mr. Stuart Trew: That's right, and I apologize if I implied we would negotiate. No, this would be something Canada could establish on its own. It could be made available, for example, to citizens from any country, possibly from Mexico and the United States, to bring cases. That's in the event that, for example, a similar process isn't established in the United States and Mexico. It shouldn't preclude people being able to enforce the labour rights that are in this agreement. Canada could be a leader there.

Mr. Daniel Blaikie: It might be a process that involves interested persons from the other parties, but it's something that Canada could do on its own to help mitigate some of the impact of this agreement.

Mr. Stuart Trew: Yes.

Mr. Daniel Blaikie: With respect to chapter 28, the NDP salutes the removal of investor-state dispute settlement clauses from NAFTA, but there's some concern that chapter 28 is quite prejudicial against public interest regulation.

I'm wondering if there might be some remedial work that Canada could do on its own, including a more wide-ranging definition of who an interested party, or an interested person would be, so that it's not narrowly defined as someone with a business interest in the regulation, but also recognize the interests that citizens might have. It is with respect to the environment or indigenous people worrying about any infringement of their rights, or workers who are concerned about the effect that a regulation, or lack of regulation, of a particular sector might have for them.

Could you offer some remarks to that effect in terms of how we might try to mitigate some of the potential negative impacts of chapter 28?

● (1115)

Mr. Stuart Trew: In one sense, yes, there's a lot of room in CUSMA for Canada to change how it regulates. The good regulatory practices chapter is meant to enshrine a very specific kind of pro-commerce way of regulating that does push the precautionary principle quite far down the list in terms of priorities.

There are parts of the CUSMA that require Canada, in perpetuity, to regulate in the area of cosmetics, for example, in what they call a risk-based way, so it would be in contrast to a precautionary way in, say Europe, or other jurisdictions, or in a hazard-based way, which can be more protective of public health in other ways.

For the most part, Canada could simply issue a cabinet directive, as it has done every few years now on regulation, changing the way it regulates, so that these other interest groups are brought more into the picture, and so that regulations do a better balance between the commercial interests of companies that will be affected by these rules and the interests of the environment, the animals, the people who are affected by some of the products that get put on the market.

Mr. Daniel Blaikie: As we look past this particular CUSMA process to future agreements, whether it's a Canada-China agreement, or Canada-U.K.—there's certainly talk about other kinds of agreements—how important do you think it is that we learn some lessons from this process?

We were talking earlier with a witness from the United States who described that interplay between the executive and legislative branch in the United States. We've negotiated with the government to get it to be more transparent about the negotiating objectives up front, and to provide an economic analysis, as a matter of course, with future agreements when it tables ratifying legislation.

What can we learn from what hasn't gone right with this process, and how important do you think early civic engagement is in order to get better deals for Canada in the future?

Mr. Stuart Trew: One thing that the CCPA and others have advocated for in the alternative federal budget for the past few years is that we need to rethink our trade policy, in general, for this era of climate emergency and growing inequality. We need to rebalance how these agreements work.

Parliament has a role to play in that, and Parliament should have a stronger role in determining our objectives when we pursue a trade deal with Mercosur, or with China, or elsewhere. As it is now, it seems, like you said, you get a moment at the very end of the process to say yes or no, but you don't get any input into the mandate or the objectives of the Canadian government.

Two things need to happen. We need to have hearings or consultations in Canada where we determine our trade agenda for the 21st century, taking into account things like the climate crisis and—

The Chair: Mr. Trew, I have to interrupt.

Mr. Kram.

Mr. Michael Kram: Thank you to all the witnesses for joining us today.

My question is to Mr. Frigon and Ms. Benoit from the Dairy Processors Association. You said that $60 million will be the cost of the new export tariff to your industry. That's the cost of the export tariff that applies not just to the United States and Mexico but to the rest of the world.

Can you give us an idea of what that means to the typical dairy processor? Is that a big hit to each dairy processor, or is it a minor inconvenience?

Mr. Dominique Benoit: Obviously that impact varies between processors, depending on their activities. I will talk to you about Agropur's perspective.

We're a large player in Canada. We process quite a bit of solid-not-fat into skim milk powder and other products.

I'll give you an example. In the last year, our organization exported close to 35,000 tonnes of skim milk powder. Therefore, it has a huge impact on our organization. It has a huge impact on those processors who process quite a bit of milk into these ingredients.

The issue is how to adapt to it, what we're going to do with the solid-not-fat that is surplus to our Canadian requirements. That is why we're saying we need support to invest in the development of new technologies to manage that solid-not-fat.

● (1120)

Mr. Michael Kram: When did your group find out about this new dairy export tariff?

Mr. Dominique Benoit: We found out at the same time as everybody, because we were not consulted on this notion of putting a cap on exports to all the countries around the world.

There was no consultation with us about the fact that Canada could consider limiting its exports to all the countries. That is something we'd never heard about and we were caught off-guard.

Mr. Michael Kram: Okay, but you must have found out sooner or later. Was it late last year, or in 2018?

Do you remember when you were first made aware?

Mr. Dominique Benoit: We found out when the agreement was announced.

Mr. Michael Kram: Okay.

How much do you expect your industry to pay to the new dairy export tariff?

Mr. Dominique Benoit: In terms of processors, I can speak for our organization. We will not pay the 54¢ duty to export our surplus. We will not because it's not economically profitable to do that business.

Therefore, at some point, companies such as our organization will have to make a decision on whether they buy the milk or not, because if we cannot export, we need to find another home for it. The question is, what is that home for that milk?

Mr. Michael Kram: Have the processors who will be paying the tariff had any consultations with the government about what the new revenue from that tariff will be used for?

Mr. Mathieu Frigon: We suspect there won't be any processors paying the tariff. I stand to be corrected, but that's our expectation at this point, because the tariff makes it uneconomical to export to foreign markets.

Mr. Michael Kram: You said that with this new tariff in place the industry is going to have to make changes and adjust to this new reality.

What plans does the industry have, moving forward, and what can the government do to help?

Mr. Dominique Benoit: As an industry, we have to comply with the elimination of class 7, and the industry is working on this right now. Then we have to limit our exports of those products to the quantities that were decided.

Each and every company is now looking into its business plan to see what can be done. It's going to take investment. That's why we're looking for support to adapt to that new context.

The Chair: Thank you very much.

We'll go on to Mr. Sheehan.

Mr. Terry Sheehan (Sault Ste. Marie, Lib.): Thank you very much for the presentation today. It is very important for this 43rd Parliament to undertake this task.

During the 42nd Parliament, we began a pre-study. We heard from a number of witnesses verbally and through written submissions. Among the groups of people who presented during our pre-study for NAFTA were the Dairy Farmers of Canada. I want to hear your thoughts on this particular statement by them, and whether you agree, disagree or want to expand upon it:

> Full and fair compensation, as committed by the federal government, is key to sustaining the dairy sector following concessions made in recent trade agreements. Maintaining previous import levels was the objective of dairy farmers.

They also said that compensation was the government's response to trading off the Canadian dairy sector against other potential gains in recent trade deals.

Could I have your comments on that statement? Do you agree with that?

● (1125)

Mr. Mathieu Frigon: Yes, we agree with full and fair compensation for both dairy farmers and dairy processors.

Mr. Terry Sheehan: Yes, very much so.

Could you please explain this to me? I think it's important and critical for people not only in my riding of Sault Ste. Marie but across Canada to understand the importance of supply management. People need to wrap their heads around it.

In particular, when Trump made the position very clear that his objective was to dismantle supply management, that was absolutely.... I come from a steel town. When he says something, whether it's on the section 232 tariffs on steel and aluminum or dismantling the dairy sector, I take those words seriously. They're not just comments made during a trade negotiation, as some may have thought at the beginning.

How critical is the supply management system for the dairy sector? I think we have to get that on record for people who are watching on TV to understand. If he had met the goal of dismantling supply management, where would the dairy sector be today?

Mr. Dominique Benoit: Obviously, as a co-operative—I'll speak for Agropur and put on my Agropur hat for few seconds—we are owned by dairy farmers. Our farmers expect that supply management is here to stay. There's no question about it. I think that in every trade negotiation supply management has been put at risk.

Now the question is not if there's a deal or no deal. The question is about having fair and equitable compensation for processors. That's what we're looking for. We've been talking about it for a number of years now, and we're still waiting.

We look forward to that compensation that was kind of promised, because we're facing a lot of challenges. Now, close to 18% of our market will be supplied by imports, and we need to continue to grow as a business, as an industry. Agropur, like other processors in Canada, is looking for growth, but they need support to adapt to those trade agreements that were signed.

Mr. Terry Sheehan: It's fair to say that if Trump had his way and dismantled the supply management system, the dairy industry would be dead in Canada—or nearly obliterated—without it.

Mr. Dominique Benoit: The industry would suffer quite a bit.

Mr. Terry Sheehan: Thank you for that. I think it's very important for people to understand how important it is.

Stuart, I have a question for you. The first NAFTA deal was negotiated many years ago, a lifetime ago, as I call it, for a lot of people, and some of these people are in the room. Trump also wanted to have a sunset clause about every five years. The industries, all industries, said, “We've heard stability, stability, stability, and we would just be in a constant negotiation.”

With the new provision, this deal lasts for 16 years with a review every six. In six years, you can start tweaking some of those things. What is your comment on that particular provision of the NAFTA deal, please?

Mr. Stuart Trew: I don't have a huge amount to say on it other than it would be nice to make use of that period. It's six years away. We might actually get a period sooner, depending on how the election goes in the United States. As you've heard, we might be back negotiating in a few months. I think it would do well for us to take whatever opportunities we have, when it comes time to look at the agreement again, to see what's working and what's not working.

Mr. Terry Sheehan: Thank you very much.

My question for is for the chamber of commerce—

The Chair: Actually, you don't have any time.

We'll go to Mr. Carrie.

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

I wanted to dig down a little deeper perhaps, Mr. Benoit. My colleague brought up the desire by Mr. Trump to dismantle supply management. You're aware the original TPP, when that was arranged, had a 3.5% TRQ versus a 7% TRQ.

If the original TPP, which would have included the NAFTA, had passed.... Basically, it was on the table to be signed 14 months before Mr. Trump was even sworn in. The Republicans had the majority in Congress and there were a lot of pro-trade Democrats who were ready to pass the deal, but it wasn't progressive enough for our guy.

If the original TPP had been signed, would your company be in a better position now? Would the sector be in a better position now, or are they better off with the new CUSMA?

● (1130)

Mr. Dominique Benoit: I think the new CUSMA added three additional impacts to the TPP.

In the TPP there was market access given to those countries, but in the CUSMA, not only did we increase the market access, because whatever was given to the TPP, including to the U.S., was maintained in TPP, but now in CUSMA we have conceded more market access. So that's one thing. Second, in CUSMA, we conceded the elimination of class 7, and third, we conceded an export cap to all the countries around the world.

For DPAC, I think CUSMA brings in three additional impacts that were not present, in addition to what was in the TPP.

Mr. Mathieu Frigon: Perhaps I'll add a fourth one, the oversight clauses we find in the CUSMA agreement. We provide oversight to the U.S. government on all things dairy, basically, in Canada.

Mr. Colin Carrie: I understand that government is trying to spin this as a win-win-win. I remember before the election we didn't have the economic impact studies and it was a victory for Canadians—a win-win-win. Sadly, the only Canadian lens we're getting that's up to date we got last Friday. We got the C.D. Howe report. Basically the original TPP would have been a net $4.3 billion to the Canadian economy, and the current CUSMA is going to be a $10 billion hit.

The quandary we have before us, though—pretty much unanimous, our witnesses say—is that if we don't have an agreement it's even worse than that. We are trying to come up with the implementation part of it and the support part of it because ultimately this negatively affects families and businesses and sectors, so the government does have a role in helping that transition.

I wanted you to maybe just dig down a bit more on the question my colleague asked about these caps on third parties. I would think that if the government gave away something for this agreement, they would have allowed Canadian industry to develop their products and export them in greater numbers to countries around the world.

Could you comment a bit more, if you have numbers, on the potential loss that our industry is going to suffer, because now there is a limit even on what we can sell to countries outside the CUSMA agreement? Could you dig down a little more on those numbers?

Mr. Mathieu Frigon: Yes, the impact would be $60 million, as we discussed earlier. As Dominique mentioned, the peculiar aspect is that it applies to all countries, and that's a first in a trade agreement. According to our legal counsel it has never happened before that an agreement between two or three countries would also impose export caps to all countries, even those that are not parties to the agreement. Definitely it will have a huge impact.

That's why the implementation date of CUSMA coming into force will have an impact, because in year one, as we mentioned in our presentation, the cap is 55,000 tonnes. Year two it drops down to 35,000 tonnes. The date of coming into force is very important.

The Chair: I'm sorry. Your time is up, Mr. Carrie.

Ms. Bendayan.

[*Translation*]

Ms. Rachel Bendayan: Thank you very much, Madam Chair. With your permission, I will share my time with my colleague from the Green Party so that he can ask questions as well.

As a proud Montrealer, though, I would like to turn to Mr. Leblanc, from the Chamber of Commerce of Metropolitan Montreal.

Mr. Leblanc, I was very happy to hear you talk about our Montreal companies that are exporting abroad. In my constituency, as you may know, we have Mile End, Côte-des-Neiges and Outremont, where we see more and more exporting entrepreneurs, especially in future fields, like artificial intelligence.

Do you share my view that the very existence of this modernized agreement is important in deepening our relationship with innovation centres such as San Francisco and Boston, and that it will allow our small businesses in Montreal to grow even faster?

● (1135)

Mr. Michel Leblanc: Yes, absolutely. What is more, since last year, we have been sending additional missions to those areas. One mission called Ubisoft Women in Tech went to Silicon Valley to set up individual connections.

As you said, the area of artificial intelligence has become a force in Montreal and, given American immigration policies, we are able to interest a lot of world-class talent in settling in Canada, specifically in the Montreal area. So we are in a situation where we are seeing our companies grow faster and develop relationships with the main innovation centres in the United States.

Our challenge will be to create service companies here that are able to export. That is why the access obtained through free trade agreements is so essential. If we succeed in bringing the high-quality research here to market, we must have access to those markets, and this agreement makes that possible. So it is an excellent agreement for our economic base, specifically in innovation.

Ms. Rachel Bendayan: Thank you, Mr. Leblanc.

I will yield the floor to Mr. Manly.

[*English*]

The Chair: Mr. Manly.

Mr. Paul Manly (Nanaimo—Ladysmith, GP): Thank you very much for letting me share your time to ask some questions.

My first question is for Mr. Trew. It's just about mitigating and enhancing the agreement, and whether you have some other suggestions. I'm wondering what kinds of processes and reporting you'd like to see on how the agreement is working for Canadians so that we can determine what the socio-economic impacts of the agreement are as we work towards these six-year review processes.

Mr. Stuart Trew: To be honest, we haven't really thought through a review of that kind. From our perspective there's not a lot in there that we might review in the positive sense of whether, for example, the agreement is bringing down emissions across the region. What I'm saying is that there aren't those kinds of review mechanisms that we would necessarily have thought through.

Mr. Paul Manly: Okay.

My second question is for Mr. Leblanc. I know that in Montreal you probably represent a lot of cultural industries. I know in my riding there are cultural workers who have to apply six months in advance to be able to do a tour in the United States, and they pay $600 to get their work permits. The American cultural workers who come to our border can bring their work permit to the border and pay a $10 fee and cross the border, and there isn't this kind of delay.

I'm just wondering if you have any comments on that and also on the processes for CBSA for implementing the agreement and the kinds of regulations for importers and exporters in implementing the agreement, and trying to make that a seamless process in terms of training.

Mr. Michel Leblanc: Actually, your question is very interesting and has to be taken in the current context. We now have a very tight labour market in Montreal, and I would say in all of Quebec. That is in all sectors, including the cultural sector. In this period the possibility of having, let's say, a workforce come in from the U.S. would not be that disruptive. In the past it would have been.

Clearly, the goal we should have when we look at that agreement would be to make sure that, as we move along, for any resources that reside in the U.S. that could be useful to develop our economic base—and we were talking about artificial intelligence a few minutes ago—we would want the process of coming here to be as seamless as possible. Of course, what you're stating is about service industries, people who go into the U.S. to service customers and to develop markets, and there are frustrations. The solution will have to be in the regulations as opposed to the agreement itself.

The Chair: Thank you very much for that.

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

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: I will pick up the conversation where we left it just now.

Let me quickly repeat my question.

On the issue of milk proteins, I gather that the community has been divided for a long time in terms of importing American diafiltered milk. Basically, that is how we got the pesky class 7 in the agreement. Agropur was one of the first to ban the stuff.

What is your position on the matter today?

● (1140)

Mr. Dominique Benoit: Class 7 has to be put in the context of the strategy for ingredients developed by the Canadian dairy industry to acquire the infrastructures and the means of producing in Canada the ingredients needed for processing.

By eliminating class 7, the agreement has moved backwards and, as an industry, we all find ourselves dealing with this issue. It was diafiltered milk, but it is now, more broadly, producing ingredients in Canada at a price competitive enough to let us manufacture our products.

So, the industry is working on it and it will clearly come at a cost. We will work with the solution when there is one. That is why we are currently looking for mitigation measures to allow us to absorb the effects, now that class 7 has been eliminated.

Mr. Simon-Pierre Savard-Tremblay: So, what's going on, as they say?

Mr. Dominique Benoit: Each of the companies has its business plan. For Agropur, I can state that we are going to continue to use dairy ingredients that are entirely Canadian. We made that commitment and we are going to stand by it.

As for the industry, we have to work together to find solutions. What's going on? I can say that a lot of very hard work is going on between producers and processors. The dairy processors of Canada and the dairy producers of Canada are committed to finding a solution as a replacement for class 7.

We have a huge task before us, just three years after class 7 was put into place. So we are going backwards. We are rolling up our sleeves and getting to work.

Mr. Simon-Pierre Savard-Tremblay: So you are confirming the existence…

[*English*]

The Chair: Thank you very much, Mr. Savard-Tremblay. Your time is up.

Mr. Blaikie.

Mr. Daniel Blaikie: Monsieur Benoit, it's understood that given what's happening to Canada's dairy sector as a result of this deal, one of the best things the government could do would be to allocate 100% of the import permits to processors.

If the government can't be convinced of that, do you think it would be fair to attach conditions to permits that were given to retailers so they're not using those permits to bring in products that compete with what Canadian dairy producers are already offering? In other words, they have to bring in products to the Canadian market that are genuinely new, as opposed to using them to drive down prices from Canadian producers.

Mr. Dominique Benoit: Our position is very clear. Import TRQs should be allocated to processors. I'll explain why. The why is that we can offer a product to consumers that is complementary to our Canadian offering, instead of offering consumers a product to replace a Canadian product.

This is why we've been so insistent to the government to allocate those TRQs to the processing communities, because we're the ones who have skin in the game. We're the ones who have the plants that will reduce their own domestic production because of imports. If we have the opportunity to import with the TRQs, we will minimize the impact on our plants, our labour and the economic impact on the Canadian dairy industry. This is what we are aiming for.

There's no rationale for the government to issue import TRQs to our customers. We continue and we are engaged in the consultation process that is in place right now, and we'll continue to push for that because this is just business common sense.

The Chair: Thank you very much.

Thank you, Mr. Blaikie.

That will conclude this panel. Thank you all very much for your contribution today.

We will suspend until the next panel at noon.

● (1145)

_____________________(Pause)_____________________

● (1200)

The Chair: Let's resume our meeting. We are doing a study of Bill C-4, an act to implement the agreement between Canada, the United States of America and the United Mexican States.

We have a number of witnesses with us today: as individuals, Darren Erickson, pharmacist and owner of Tofield PharmaChoice, and Gayleen Erickson, business owner of Guardian Pharmacy, Tofield Medical Clinic; from the Dairy Farmers of Manitoba, David Wiens, chair; from Prima Dairy Farm, Joel Prins; and from the Saskatchewan Milk Marketing Board, Matthew Flaman.

Welcome to all.

Mr. Wiens for the Dairy Farmers of Manitoba, please go first.

Mr. David Wiens (Chair, Dairy Farmers of Manitoba): I'd like to thank you for this opportunity to speak here today.

We are on a farm near Grunthal, Manitoba. That's about 80 kilometres south of Winnipeg. I am a third-generation dairy farmer. My grandparents came to Canada in the 1920s to start a new life and a family. My parents took over from their farm in the fifties.

Since the sixties, when supply management came into effect, their income on the farm stabilized. With this increased stability, they were able to expand their farm and support the family. Supply management allowed dairy farms to contribute to a vibrant community.

My brother and I and our families took over the family dairy farm, which is where we continue to farm today. The family farm made it possible for my brother and me to raise our families, continue to grow the farm, and continue to contribute to our local community.

Today, as the chair of Dairy Farmers of Manitoba, I am representing 270 dairy farm families in the province. CUSMA will have a long-lasting negative impact on Manitoba's vibrant dairy industry. The concessions granted are ongoing perpetual losses. CUSMA is not a beneficial agreement for the Canadian and Manitoba dairy sectors. Dairy is one of the top two agricultural sectors in seven out of 10 provinces. Manitoba is not one of those provinces; however, this still has a significant impact in our province, considering that dairy processing is the fourth-largest component of food processing in our province.

CUSMA allows increased access to foreign milk, removal of class 7, loss of sovereignty because of U.S. demand for oversight on the development of our future Canadian dairy policies, and a surcharge on Canadian dairy protein exports. There are deep local economic ramifications because of these concessions. The projected annual market loss for Manitoba in terms of additional market access is $8.4 million in revenue. The overall Canadian loss here is pegged at $190 million. That does not account for any implications due to the elimination of class 7 or the export restrictions. The American oversight into the Canadian dairy system is nothing less than a complete loss of sovereignty by allowing the U.S. to interfere in the development of future Canadian dairy policies.

In Canada, of course, we're losing 3.9%, or 100,000 tonnes, of our dairy market to foreign milk and dairy products. This means that when you look at Canada as a whole, losing 3.9% amounts to pretty much wiping out Manitoba's dairy industry.

The concessions agreed to in the CUSMA deal deeply impact the pillars of supply management, which are import control, production management and predictable imports. Like a three-legged milking stool, without one leg the stool falls. The impacts of CUSMA will not only harm the dairy industry in Manitoba, from farms to processors, but the long-term effects will also reduce our contributions to the GDP. Nationally, that's $19.9 billion. In Manitoba, that amounts to $582 million and jobs in the province, as there will be less need for locally supplied milk, which will be replaced by a foreign product.

The loss of our farm production will have negative ripple effects across rural Manitoba. If our family-owned operations were terminated, there would be less demand for many service providers, such as veterinarians, mechanics and nutritionists, as well as less dependence on other agriculture commodities, such as Manitoba-grown feed barley or even canola meal used on dairy farms.

However, those impacts do not cease in rural Manitoba. If less Canadian milk is being produced in Canada and is rather being imported from the U.S., our 12 processors would also be negatively impacted. The dairy industry across Manitoba sustains 7,955 full-time equivalent jobs. Those numbers would decrease. Additionally, this agreement halted new processing investment into Manitoba, as processors stopped to consider the impact on their operations and assessed the type of processing they could focus on in the future. It certainly has put the ice on some proposed investments. Therefore, the future of having another processor, or current processor expansion, is uncertain. Having increased dairy processing would lead to more sustainable jobs, ensure that more locally produced milk is processed provincially and increase Manitoba's GDP.

● (1205)

Furthermore, increasing access to our Canadian market will have a negative impact on dairy farmers' share of the domestic milk market, a share that was the basis for investment decisions for our dairy farmers and for many young dairy farmers getting into the industry. Those dairy products will displace what would have otherwise been Canadian dairy and products made with Canadian milk, even if imports don't meet the same standards for safety and quality that Canadian dairy farmers provide to Canadians under the national on-farm program we call “proAction”. This is about giving up that portion of the domestic market and the government's commitment to provide compensation for those concessions.

The oversight clause undermines Canadian sovereignty and Canada's ability to develop and manage Canadian policies without U.S. intervention. The U.S.A. will not need to provide similar levels of oversight into its system. This approach is yet another example of how CUSMA removes our competitive advantage and ties the Canadian dairy industry's hands to American decision-making. This should not be understated, and it will have a lasting effect on the domestic dairy sector. The sovereignty clause of CUSMA will undermine our ability to manage our own policies without American intervention. Having another country dictate our policies will tie our hands in our own industry by providing the Americans with the ability to intervene in our domestic policies.

The final aspect of CUSMA is the restrictions of Canadian exports. Canada has agreed to the U.S. demands to effectively cap Canadian exports of skim milk powder, milk protein concentrates and infant formula. Added together, these measures limit our ability to grow the Canadian domestic market. The export clause ensures that the Canadian dairy industry's hands are tied from both sides. Not only is our industry losing our market share, but it also cannot export due to aggressive restrictions and surcharges.

While the announced compensation package for the access granted for CETA and CPTPP was a first step in this regard, we are asking that the Canadian government provide dairy farmers, in the form of direct payments, the remaining seven years of full and fair compensation to mitigate the impacts of CETA and CPTPP, with that amount included within the 2020 budget's main estimates. We are also asking that the government deliver on its promise of full and fair compensation for the impacts of CUSMA.

Efforts to mitigate the impact of the export charges need to be made. This could be achieved through administrative measures with the United States, even after the ratification of CUSMA. These caps would set a dangerous precedent for any Canadian product that could be exported, as a means of limiting Canada's competitiveness in world markets. Therefore, we are asking that the Canadian government work toward an administrative agreement with the American government to ensure that the export charges contained in CUSMA apply only to exports to the U.S. and Mexico, and not worldwide.

lt is important to note that, should CUSMA enter into force before August 1—the beginning of the dairy year—the export thresholds for skim milk powder, milk protein concentrate and infant formula will see a dramatic decline of nearly 35% after only a few months. This would be another blow to the dairy market, which would not be able to benefit from a transition period. To enable a proper transitional period for the export thresholds, we ask that CUSMA not enter into force until after August 1 of this year.

ln closing, I want to highlight the increased risks and the need for more resources to monitor and enforce trade and standards at the border as the level of imports increases. The Canada Border Services Agency does not currently have the training, tools or resources to effectively monitor what is coming into Canada. For example, the artificial growth hormone rbST is allowed in the United States dairy sector, whereas it is currently illegal in Canada due to animal health concerns. We are asking that increased resources, tools and training be provided to CBSA to improve its effectiveness in dealing with border issues in a timely and transparent manner.

Thank you.

● (1210)

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

We'll go on to Mr. Prins from the Prima Dairy Farm.

Mr. Joel Prins (Partner, Prima Dairy Farm): Good afternoon.

My name is Joel Prins, and I've been involved in the dairy industry my whole life. I grew up and currently farm outside of the small village of Warburg, Alberta, an hour southwest of Edmonton.

My parents, like so many other dairy farmers in our area, both immigrated from the Netherlands to Canada in search of new opportunities. In the mid-1980s, they were able to put aside enough money to put a down payment on a small dairy farm that consisted of 37 cows and 160 acres of land. From that point on, they worked day and night to make sure they could raise me and my three younger brothers on the farm.

As my brothers and I were growing up, we were taught many valuable lessons, from the importance of caring for animals to the importance of commitment and dedication to finishing tasks. In elementary school, my brothers and I would get up before school started and make sure to feed all the calves before racing back to the house to get ready to catch the bus.

It was no different after school. We would often run off the bus to go help our parents in the field, raking or baling hay, or in the barn, milking cows. You could say that dairy farming was instilled into my brothers and me from a very young age, and I learned that it was a lifestyle, not just a job. With that mindset, as my brothers and I got older, we were able to continue to grow the farm to the current 400 cows that we milk today.

The supply-managed system is the predominant reason we were able to thrive. Supply management allows farmers like my family to continue investing back into the industry, knowing that there will be stability into the future. It also ensures that we receive a fair price for the product we sell, and not rely on direct subsidies from the government for production, which dairy farmers in other countries rely on so heavily.

For example, European farmers receive €55 billion in subsidies per year, and Americans paid $4 billion in subsidies in 2009. Canadian dairy farmers earn their income from the market, not from the government. We appreciate the government's compensation programs to alleviate some of the impact of our reduced market, but if we had our choice, we would much rather have a domestic market that's not influenced by trade deals, with no dairy compensation programs.

Dairy farmers are also a big driver of the Canadian economy. The dairy industry continues to generate $20 billion towards Canada's GDP every year. Dairy farmers also greatly support our local rural economies. On our farm alone, we employ five local employees and create a lot of spin-off by purchases we make in the surrounding communities to help keep our rural economy strong.

Overall, the dairy industry employs over 220,000 Canadians, from the farm to processing to the retailer, and all the steps in between. Not only does supply management employ locals, but it allows consumers to have the knowledge that their milk is local and that they are supporting the farms in their backyard. In poll after poll, it's clear that Canadians support local dairy farms and locally produced milk. This is reassuring to many, as Canadian milk has some of the highest standards in the world. What's worrisome is that foreign milk coming into Canada through these trade deals does not need to adhere to the same standards for production.

On our farm, over the last two years, my family has been going through the steps of succession planning. My brothers and I are all starting young families of our own and want nothing more than to raise our kids on a dairy farm where we can teach them the values that they can only get from being on a farm. This succession planning required a great deal of trust in our supply-managed system and in the government, that they would continue to support our industry by standing up for it and protecting it.

We all took on millions of dollars of debt, which will take many years to pay off. However, lately we question our decision of taking on that kind of risk. It seems that our industry is continually being put up as a sacrificial lamb in order to make a trade deal complete. Starting with CETA, followed by CPTPP and now the CUSMA deal, supply management in Canada has been eroding away.

The current CUSMA deal alone is asking for 3.9% of our domestic market. When you add up the three deals, it equates to 18% of our domestic market by the year 2024, when everything is implemented. This market access dramatically impacts our farms and likely has a very minimal impact on the countries that have that increased access.

● (1215)

For example, 3.9% access for an American dairy farmer is hardly a solution to their overproduction problem. The state of Wisconsin produces more milk than all of Canada, so this small access for them doesn't help their situation and dramatically hurts our local farms. Not only does the trade deal increase access to our domestic markets, but it also requires us to limit our class 7 milk.

Other concessions included a worldwide export cap that limits Canadian dairy products from being exported globally. This is very worrisome, as the implications of this cap go beyond the three countries that the trade deal is negotiated around. Canada should be allowed to stand up for its own rights and trade implications in those countries instead of having our neighbouring countries dictate them for us.

Beyond the increased market access, the elimination one of our classes of milk and a global cap on exports, most concerning is the fact that the Canadian dairy industry will also need to consult the United States for any domestic milk class policy changes. This is a severe breach of our Canadian sovereignty. The Canadian dairy industry should not need the approval of an outside country to make changes to a domestic policy.

We feel this will impede our ability to adjust and react to market demands and to innovate. We will no longer have the ability to make decisions that serve the best interests of Canadians, since we will be required to consult with the U.S. before making policy changes. This policy does not serve the best interests of Albertans or Canadians. The economic effect of this clause is difficult to determine; however, one could assume that the U.S. will not support a policy that will see Canadians benefit in the face of the American dairy industry. Ask yourselves: Would the U.S. or Mexico have agreed to this if the roles had been reversed?

The CUSMA trade deal has many negative impacts on us as a supply-managed dairy industry. Even with the deal still waiting to be signed, there have been many ramifications. Processors have been reluctant to re-invest in Canada, with some even pulling the plug on new projects that were steps away from being finalized. These are missed opportunities for growth in the Canadian economy.

Even on the farm level, when speaking with fellow farmers, there's an uneasiness and reluctance about what to do next. I even had a few neighbours who decided to get out of the industry due to the increased stress that the trade deals brought upon them. They continue to point out that there are more trade deals to come and worry that we will be the final sacrificial piece once again. Even for my brothers and me, this trade deal has been weighing on our minds greatly. We just took over from our parents, and seeing our growth in our domestic market being given away every few years makes us discouraged and frustrated.

How does an industry survive if you ask it to stagnate or decrease in size in order for foreign countries to bring in their products? This will not continue to work over the long run.

In closing, I would like to say that dairy farmers just want to be able to make a living from their market, doing what they love to do without a constant threat that the government will continually sell them out in the next trade agreement. I personally want to be able to wake up 30 years from now and pass on a successful dairy to my son, and know that he would also be able to do that for his kids one day. I want to share the story of how our government stood behind our dairy farms and valued our contributions to this great country, but right now, I don't know if I'll be able to have that conversation, if we are continually faced with the roadblocks the government is putting up against our industry.

Thank you very much for the opportunity to speak here today to highlight some of the implications of CUSMA for my dairy farm, dairy farms across Canada and what the future looks like for our industry.

Thanks.

● (1220)

The Chair: Thank you very much, sir. We very much appreciate it.

Mr. Flaman.

Mr. Matthew Flaman (Chair, Saskatchewan Milk Marketing Board): Thank you, Madam Chair.

My name is Matthew Flaman. My wife, sons and I are fourth- and fifth-generation dairy farmers from Vibank, Saskatchewan, near Regina.

Today I represent myself and 165 other dairy farmers in Saskatchewan. Thank you for the opportunity to offer my thoughts on the impact of the CUSMA deal on me.

Supply management has allowed our farm and my family to contribute to the local economy through using local employees, vets, ag dealerships and other services that are close to me. The stability offered by supply management has allowed me to have the confidence to invest in our farm, our community and our area. The concessions granted in the trade agreements now have created some uncertainty of the climate going forward.

Dairy farmers did not want to see concessions given, but they have been—3.9% on the CUSMA deal, and nearly 18% currently on the books. It is important for me that it's heard, in the words of our government, that “full and fair” compensation will be paid for the direct impact of these concessions. We've asked for direct payments, because we have had a portion of our market taken away. Programs that stimulate innovations are great, but they can be put in place at any time. They're not compensation for market loss.

We have received a payment so far from a previous European trade deal, and we've used it to improve efficiencies through cow comfort and ventilation in our youngest calf barn. We've also used it for funding the next generation, through succession planning.

I also want to speak about the export caps that have come into place through the CUSMA deal, which strike a nerve with me, not only as a dairy farmer, but as a Canadian citizen. As you've heard my fellow panellists say, these caps are unprecedented. To answer Mr. Prins' question, in my opinion, there's no chance that the U.S. or Mexico would ever let caps that were intended to be among three countries be spread out over the world. As a Canadian, this is very troubling for me, not just as a dairy farmer. The impacts go well beyond the dairy sector and can be used in any other industry in future trade negotiations. That scares me.

In conclusion, I want to say that dairy farming has given me a good life. It's given me a good opportunity to raise my family. It's given me an opportunity to put some local employees to work and put some young people through school. It's been a proud spot in my life. I want nothing more than for my business to thrive and for my sons to take over one day and also thrive.

I'm worried the industry is suffering a death by a thousand cuts. Not only are we giving up market access, but the export caps that don't allow us to move our protein concentrates around the world are an area of great concern to me, because they limit our ability to expand. If this continues to be the case, I'm not sure what advice I'll give my son in his endeavours to be a dairy farmer.

I appreciate the time you've given me. Thank you for this opportunity.

● (1225)

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

We'll move on to the Ericksons, whoever would like to go first.

Mr. Darren Erickson (Pharmacist Owner, Tofield PharmaChoice, As an Individual): I'll go first.

The Chair: Okay, go ahead.

Mr. Darren Erickson: Thank you.

We appreciate the opportunity to address this committee. Being able to describe what is happening on the ground floor in our businesses can be mutually beneficial for this and future legislation.

I grew up on the farm too, but I ended up owning a pharmacy. I'm the owner of Tofield PharmaChoice. Tofield is a town about half an hour out of Edmonton. I also manage a medical clinic beside it, and I'm the standing president of the Alberta Pharmacists' Association. My opinions today aren't part of theirs; they are my personal opinions.

CUSMA has garnered much attention for changes to the auto and dairy sectors, as we have just heard. The standing committee should be concerned with provisions of the agreement that could have important impacts on pharmacy sectors, and in turn on my patients.

I understand the original CUSMA would have extended the term of protection for data resulting from drug trials from eight to 10 years for a subset of drugs known as innovative biologics. I'll explain what these are.

As pharmacists and patients, we're very familiar with small, simple molecules that have been produced in the past 50 years, such as acetaminophen, codeine and antibiotics. They're easy to duplicate, because we can make a generic product of them, and those products come out at about 25% of a name brand product. We have used these generics since they were introduced about 35 years ago, and I was there right at the start. The availability of generic product has increased medication availability to all patients and saved millions of dollars to private, provincial and federal drug plans.

A biologic is a product that's a little different. It's a large complex molecule, usually manufactured by manipulating living cells to produce a specific protein. The most common one everyone would know is insulin. There are many benefits to biologics, such as being a unique treatment option, either with fewer side effects or better treatment for a disease. Pricing for biologics can be anywhere from five to 10 times that of small, simple molecules. I refer to drugs as molecules.

Generic products of biologics are called biosimilars, because they are not identical to the product, unlike making a generic of a simple molecule. They're very close to the same and they produce the same results in the body for a particular disease. Many provinces treat them as substitutes, although they are not interchangeable, but in comparison they're going to save payers many millions of dollars annually. Biosimilars are here, and we're using them now across Canada.

Current Canadian law provides 20 years of patent protection, which is different from data protection. Patents are just like patents for products. Data protection is a little different. Because a drug needs to be researched, it takes a long time to get it on the market. A protection is offered to companies after the drug comes on the market, because the 20 years wouldn't cover their protection.

Unlike other patents, drugs must go through trials and testing to prove efficiency and safety, which uses a large portion of the patent protection period. Data protection begins when they start marketing the drug, and it effectively provides a minimum period of market exclusivity regardless of the patent status. Data protection will prohibit the use by drug manufacturers in obtaining market approval of the safety and efficacy of the drug. When a patent company tests a product in the generic area, if people were allowed to use some of that data to get their drug on the market, that's basically what this data protection is: It protects the drug for *x* number of years to allow them to make some money.

● (1230)

Before it was signed in December, the original CUSMA had an additional two years of data protection on biosimilar molecules. This is important because that extra protection would have increased the price of the products and extended the protection for an extra two years. From what I understand, it was changed back to the eight years on the signing day, which I think was December 10 or 11.

In Alberta, we have witnessed recent changes to our publicly administered drug plans that are transitioning patients from biologics to lower-cost biosimilars. These policies were specifically implemented to decrease government drug plan expenditures. The more prevalent the use of biosimilars in Alberta, the greater the cost savings for payers and patients. Alberta spent more than $238 million in the fiscal year 2018-19 on biologic drugs, and these costs are increasing every year.

Costs per patient for original biologics can be more than $25,000 annually, with biosimilar versions costing up to 50% less than the original biologics. Alberta's biosimilar initiative will save approximately $30 million annually, which can be invested in other health services for Albertans. CUSMA's data protection change would have worked directly against Alberta's ability to access affordable biologic drug therapy in the future.

Here are a couple of examples. For a patient arriving at my pharmacy counter, the average price for Remicade, which is a name brand biologic used for rheumatoid arthritis, would run that patient or a third party payer like Blue Cross or VAC $1,553 a month, compared with a biosimilar of $848 a month. This pricing is excluding any fees or markups, and this extrapolates into a savings of about $8,460 annually.

In another example, Lantus insulin costs about $100 monthly, in comparison with $75 for a biosimilar, a savings of $300 annually. The $300 seems like a small amount, but when it is multiplied by the number of diabetics in Alberta, which is increasing, the savings are substantial. The patient on a fixed income with no prescription insurance sees no effective difference between the two products and is using the savings to purchase maybe test strips to better control his diabetes and keep him out of the hospital. We have probably 20 to 25 patients in my pharmacy alone who are making that change.

Nationally, had they extended the data protection to 10 years instead of the eight, it would have cost us over $169 million in 2029. I talk about 2029 because the patents are just being taken out for products that are going to be available then, and those are the ones that CUSMA will affect. From what I understand, for the ones that are presently licensed, there'll be a grandfather clause.

Final terms in CUSMA allow data protection to remain at eight years, from what I understand, giving continued savings to payers such as my patients and third party private and public plans, like government plans, which will allow continued affordability to patients who visit my pharmacy.

I appreciate the opportunity to talk to this committee.

● (1235)

The Chair: Thank you, Mr. Erickson.

Ms. Erickson, did you have statement to make?

Please go ahead.

Ms. Gayleen Erickson (Business Owner, Guardian Pharmacy, Tofield Medical Clinic, As an Individual): Thank you so much for giving me the opportunity to present as well.

My name is Gayleen Erickson. I am the owner of Guardian Pharmacy and the Tofield Medical Clinic in Tofield, Alberta. I have reservations concerning CUSMA and the effects it will have on my business ventures.

I would like to give some basic information on pharmacy in Canada and how drug shortages have been affecting my pharmacy and our patients. We've experienced many drug shortages, and these seem to be on the rise. Shortages are caused because of many variables and circumstances. These include plant inspections revealing contaminants, access to raw product ingredients, international demands for product and, most commonly, generic product pricing that is too low. Low prices make products more popular and less profitable to manufacture. Decreased profit can persuade manufacturers to discontinue production in favour of other, more profitable molecules, causing a decreased supply and demand buffer. Pharmaceuticals have expiry dates, and this limits the amount of product in the system.

All of these concerns lead to a very inelastic supply and demand system for pharmaceuticals. At any one time, drugshortages.ca will report approximately two thousand drugs being shorted. Currently, our pharmacy is unable to supply our customers with 60 common medications because they are shorted. Additionally, any arrangements made by private payers or government can cause extra stress on an overloaded system. Here are just a few examples of these shortages.

Pantoprazole was shorted after the main public payer in Alberta favoured pantoprazole as the preferred drug to be prescribed to all patients with gastroesophageal reflux disease, also known as heartburn or GERD. That was only to save money.

Metformin, a common anti-diabetic drug, became unprofitable because of price compression from many manufacturers, and they discontinued production.

In 2017, a group of approximately 20 to 30 injectable surgical drugs were shorted after the discovery of contamination in the only factory that produced and supplied these products to hospitals and pharmacies in Canada. We were unable to supply Beaver ambulance services with product that was crucial for their day-to-day operations. Many of these injectable products remain on allocation from our wholesaler today, limiting the numbers that any pharmacy can purchase.

Valsartan was shorted worldwide when a contaminant was discovered in July 2018 in a raw product used to make the tablets. This recall, combined with price compression, has resulted in supply issues to date for the whole class of drugs called ARBs—angiotensin II receptor blockers. The majority of losartan, irbesartan, telmisartan, candesartan and olmesartan molecules are in short supply as the process dominoes.

Canadian drug stores could not supply the citizens of Canada with EpiPens in the summer of 2019. News agencies reported that individuals should use expired pens in an emergency, while the U.S. did not experience any shortages but supplied pens at a higher price in a market with higher margin. Pricing decisions by the Patented Medicine Prices Review Board, the pan-Canadian pharmaceutical alliance and provincial programs can affect name brand and generic supply. Generic pricing is often based on brand pricing.

Pharmacists are deeply concerned about U.S. policies that would enable the additional exportation of prescription drugs from Canada to the United States. Drug importation by the U.S., both personal and wholesale, is neither practical nor sustainable. CUSMA has not addressed this major concern facing Canadian pharmacies. Government needs to be aware of these shortages and the effects they have on our industry and the well-being of all our patients. Recently, Bernie Sanders encouraged the American public to purchase their pharmaceutical supplies in Canada at cheaper prices.

● (1240)

We were here yesterday for question period and were quite concerned to hear a motion with regard to pharmacare. We have work to do on the present problems with pharmaceutical supply issues in Canada. Price compression, manufacturing issues and recalls are still causing major problems.

To conclude, we are having major pharmacy supply issues in Canada. These problems are being ignored. They are growing annually, and our patients experience the fallout. I would like to confirm that CUSMA does not force or suggest that we supply pharmaceuticals out of our supply chain without additional supply assurances. It is imperative that future supply models take into account what is happening right now, today, in pharmacies across Canada.

The Chair: Thank you, Ms. Erickson.

We'll move on to Mr. Kurek.

Mr. Damien Kurek (Battle River—Crowfoot, CPC): Thank you very much, Madam Chair. It is great to be able to join this committee this morning.

I want to thank each of the folks who have come to testify before us. I appreciate that there are three farmers, two business owners and a pharmacist. Your input is very valued here. I appreciate your making the trip and taking the time to share your expert opinions. Your opinions are valuable, and it is appreciated that you have come to be a part of this very important democratic process to ensure that Bill C-4 gets the review required.

I think there is large agreement across the country that free trade is important, that we need to have a strong trading relationship with our international partners, but the various perspectives that have been presented here today emphasize how important it is to have proper oversight and review of this legislation to ensure that Canadians understand the impacts.

My question will be focused on Mr. and Mrs. Erickson. Acknowledging the reality of free trade.... When it comes down to it, the role of a pharmacy as a part of the health care system is ultimately about making sure patients in this country have access to the care they need in order to get healthy, to be treated properly.

Does either of you have further thoughts about the impact of drugs being sold to the United States? Could you elaborate on how that affects your day-to-day operations? Also, for the benefit of committee members, help us understand what options there might be to address this in the future, so that folks can be aware of how serious an issue this is.

Mr. Darren Erickson: We brought along an example of my drug order sent in on Saturday. We ordered 111 products; 33 of them were short. This is not even a list of all the items we would use. We're short, currently, about 60 molecules. Every time I hear about a busload coming up here from the U.S.... I know they need medication, but we are having supply problems here, right now, and we need to understand that's what's happening. If any of the committee members were to go to their pharmacy today and ask them if they are having supply issues with any drugs, they would get a story from their pharmacist. It's happening right across Canada. I have friends across Canada who run pharmacies; it's the same story all across Canada.

We want to get this supply issue under control. When there is a product shortage, we have quite a lot of work to do today as pharmacists. In Alberta we prescribe; we substitute product. A lot of pharmacists in Canada cannot prescribe; they have to send the patient back to the physician. It gets to be quite burdensome work to get these patients through the system.

So when I hear about pharmacare coming, about more control or cheaper product, I cannot believe what is happening here already.

Regarding sales to the States in the future, I believe we have to get our product under control here in Canada. If we can be assured of supply, and can get supply, I'm in favour of it. I realize we have to trade with the States.

● (1245)

Ms. Gayleen Erickson: I would just like to say that approximately 20% of the time my pharmacists spend in the pharmacy each day is spent trying to locate drugs for individuals. There is ear medication that we are not able to bring in anymore. We have had to find pharmacies that will compound the product, and that's the only way we are able to supply it.

We have issues where, because of contaminations in different factories, a product will come and it will be shorted. From there, we have to provide other options. Over-the-counter medications are being shorted, and now we are having to provide prescriptions for these individuals.

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

You have 30 seconds left, Mr. Kurek.

Mr. Damien Kurek: I appreciate that very much. I think it emphasizes the importance of having a fulsome discussion about the new NAFTA—this CUSMA deal—or any other thing that comes before Parliament. I appreciate the perspective and even just learning about the difference between biologics and biosimilars.

Just briefly, if I could—

The Chair: It has to be very brief. You have 10 seconds.

Mr. Damien Kurek: It is also important to acknowledge how this may affect the development of new drugs and that industry in Canada.

However, since my time is up, I appreciate the opportunity, Madam Chair.

Thank you again to the witnesses for their contributions. I really appreciate your coming and being a part of this.

The Chair: Mr. Dhaliwal.

Mr. Sukh Dhaliwal: Thank you to the presenters for coming.

Mr. Prins, that was a very inspirational story. When you were telling it, it reminded me of my dad. His story was very similar to yours, his days growing up in a family that was agricultural. After doing all the chores, he would bike 37 kilometres to the college and come back. It's very inspirational. I wish you all the best, and thank you for doing great work.

You said that the government should be standing up for the dairy farmers; we did. President Trump wanted to dismantle supply management, but we were able to protect it. You mentioned that 3.9% of the dairy is affected, and that has a devastating effect. I am just trying to imagine what the consequences would be if we hadn't protected the supply management. That is what I am trying to see.

Mr. Joel Prins: Thanks for the compliments on that.

I guess it's something that we ourselves don't even picture and can't fathom because we are sold on this idea of the supply management, and that's why we fight so hard for it. It's something that our families rely on. Even with that 3.9%, it doesn't seem like a lot, but it seems that it accumulates every time; it is never a clean slate to start with. We already had gone through several other trade deals where we were also giving it up, so it feels like our government's goal is to eventually get rid of it.

That is not what we hope, and that's not what we picture. We want to continue strong in what we're doing. So, that 3.9% is also added on to other ones. Now it seems like every two or three years when a new trade deal comes out, we're bracing for another one. Why do we always need to do this?

● (1250)

Mr. Sukh Dhaliwal: How about the local demand? Has the local demand for milk and milk products grown over the last decade, with new immigration and different communities moving in?

Mr. Joel Prins: I think you are exactly right there. Canada is a great country, with a lot of immigrants coming in annually. Basically, it seems like any growth that we would have gotten just from people coming into the country we're now giving away. Instead of letting our dairy farmers continue to grow with the population, we are now giving away that extra growth. A lot of immigrants do love our milk products. There are a lot of new innovations as well, just from processors trying new things and new technologies so that we are able to enjoy more of the milk products.

Yes, you are exactly right that dairy has growth from within our country, but we farmers are not benefiting from it.

Mr. Sukh Dhaliwal: Thank you.

My question is for Ms. Erickson. I agree on one of the drugs that you mentioned, the ear medication. All I remember is that it's in a yellow bottle; I will leave the names for my daughters to remember. It was shorted. I went to my pharmacist and he was blaming us. He said that we were bringing down the prices of the medications.

On the one hand, the consumer wants the prices to come down. On the other hand, when we bring this forward, pharmacists are blaming us. How can we balance that between the two?

Ms. Gayleen Erickson: What you have to do is ensure there is supply. What they are doing now is negotiating the price down so low, providing only one supplier for some of the drugs, that if there is a contamination in that plant, it shuts down the entire production of that. Then you have to get back into the supply chain at the factory, so you may have to wait three months before that drug goes into production again. During that period of time, the pharmacies have to revert to other drugs, something similar, for their supplies.

It's like olmesartan and all of the ARBs. Now all of a sudden there is a whole group of drugs that are no longer suppliable because they can't be provided by the plants and the factories anymore, so it just mushrooms and compounds.

For some of the products, like metformin, there used to be a number of different suppliers, but now they have gone down to just one, I believe. That's all we have in the pharmacy. It's a very common anti-diabetic drug, and there's no one else supplying it, so if there's a contamination in that factory, we're done. Our customers, our patients, are without.

People don't realize the severity of this. We have had heart medications.... The ear medication is just a minor one, but when you go to your doctor and the doctor says, “I'm sorry. We can't supply it. Use vinegar and water”, and you're facing the possibility of hearing loss.... This happened to our son. That's why it's very close to my heart. It's happening all over.

There was a drug for women who had bladder control problems. It was negotiated down so low in price that the companies stopped producing it. There is no medication for this.

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

Mr. Savard-Tremblay.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: My thanks to all the witnesses for their presentations.

A number of witnesses from agriculture began with a summary of what you do. That seems very interesting to me because, beyond your militancy, you are showing us the human beings behind it, experiencing at first hand the effects of the negotiations, the decisions, the signings and the debates. You add a particularly interesting human face to the current situation.

First of all, my question goes to the three people here from the dairy industry, the agricultural industry. I am going to ask you the same question that I have asked a number of witnesses. Is there a consensus on the issue? I feel that you all agree that there must be compensation for your sector and for the producers who have been harmed by the negotiations.

That was the case in previous treaties. For this one, we hope that it will be announced in the next budget. Can you tell us what form of compensation you would like to see? Is it direct compensation, or another form, like investment and modernization programs?

● (1255)

[*English*]

Mr. David Wiens: I could begin to answer your question by saying that dairy farmers are looking for a direct compensation payment to farmers. The reason is that all farms are at a different point in their financial cycle.

For example, some farms have made major investments on the farm in terms of improving animal care and so on, so then it wouldn't work. They wouldn't receive a payment after something has been done. Others are planning to. Sometimes it takes longer for young farmers to get their financing together. That's why it's so important to make the direct payments to farmers, because they know exactly how best to ensure that the payment goes toward future sustainability on those farms.

Mr. Joel Prins: I would have to agree with David. Direct payment is definitely the way dairy farmers across Canada want it to be received. Even if you're the smallest farmer, the biggest farmer or anywhere in between, you still get compensated. You don't have to submit an application and hope you're one of the two hundred or three hundred who win the lottery. In that sense, the direct payment is the fairest way to go.

Mr. Matthew Flaman: I would like to add to that.

I agree with the direct payment as well. The reason is that innovation and investment are different on every farm. David alluded to that a little bit. In some cases, it's very new. In Saskatchewan, we have an entrant program, as does the rest of the country. In that case, maybe it would be used to pay down debt. In other cases, it may be used to increase cow comfort through better bedding facilities or ventilation. In other cases, it could be used for robotics or further innovation on the cow milking side. It does give the farmers a choice. As Joel has said, it allows every farmer to receive the chance to use it equally, no matter how large or small or how mature they are as a farmer.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: I see that there is a consensus, not only among yourselves, but also among all those from your sector who have come to testify before us in the last two weeks.

So your reply does not surprise me. It is important for us to hear all the witnesses confirming that this is the preferred and desirable formula.

There is also another question that a number of witnesses were asked. In your opinion, how do we calculate the amounts on those cheques?

[*English*]

Mr. David Wiens: I will speak to that.

After the CETA and CPTPP agreements were ratified, there was a discussion with dairy farmers and the government. For those two agreements, it was recognized—and that was by the government's own validation—that the damage was to the tune of $2 billion. That same process would have to follow CUSMA, where the dairy industry has an opportunity to have that discussion with our government at the time of ratification.

● (1300)

Mr. Joel Prins: As for myself, I was too young for the first deals. From what I know from my dad, there were working groups that analyzed what the cost effect of everything was and what the effects of the trade deals were. As David mentioned, it was $2 billion. Once this CUSMA deal gets ratified, there would have to be another group set up to analyze what effects, even long-term effects, this deal has on the farmer. From there, they would come up with a number that made sense.

The Chair: Thank you very much.

We'll move on to Mr. Blaikie.

Mr. Daniel Blaikie: Thank you very much.

Welcome to all our guests, in particular Mr. Wiens. We had the opportunity to speak back home in Manitoba not that long ago, so I'm happy to take up a few of the themes from that conversation.

You mentioned the use of bovine growth hormone in your opening remarks. With respect to the market share that's granted under CUSMA, is the agreement blind to the content of what's coming in from the United States? Are they allowed to bring in things that don't meet Canadian standards? How does that work, and who would monitor that?

Mr. David Wiens: That's correct. The use of the hormone rbST, which is a production hormone used in the U.S., is illegal in Canada because of animal health concerns. There would be no restriction of these products coming into Canada. That raises a real concern that Canadian consumers are not always going to know what they're getting, and it raises the fact that it has not been produced to the kind of standards that we have set, especially through our assurance program, proAction, where all farmers in the country follow the standard. Our standards reflect the values of all Canadians, and we take great pride in that.

Mr. Daniel Blaikie: Would you say that if Canadian dairy processors were holding the TRQ—versus the retailers, for instance—they would have a better sense of judging what products coming in from the United States would be comparable to Canadian products?

Mr. David Wiens: We certainly believe that the processors should have the import TRQs. Processors will be and are much more strategic in terms of the kinds of products they bring in, and it would be less disruptive to the industry.

Mr. Daniel Blaikie: In the CETA process, we know that over 50% of the TRQs weren't granted to processors. They were granted to retailers. What has that meant for the Canadian dairy industry? What has been the impact of that administrative decision on the Canadian end? It was not negotiated in the deal, but it is a unilateral decision by the Canadian government.

Mr. David Wiens: That had a very negative impact on the processors in this country. Certainly, it's easy to calculate the market losses through that trade deal, which are the 17,000 tonnes of cheese that are being imported. Part of the effect has also been.... We can then potentially get into a discussion of dumping, but it has reduced the margins for processors in this country. It's very difficult to compete against the treasuries of the EU—or of the U.S., for that matter.

Mr. Daniel Blaikie: When we're talking about retailers holding TRQs, is it fair to say that Canadian consumers aren't just concerned about price but are also concerned about choice?

Depending on who holds the TRQ, it could be used to drive down price, including trying to reduce margins for Canadian producers, or it could be used in a way that expands choice by making products available to Canadian consumers that aren't in competition with existing Canadian dairy products. Does it make a difference to the industry how those TRQs are used and whether they're used to promote choice of product or drive down price?

Mr. David Wiens: Certainly that has an impact for the Canadian marketplace. With regard to processors, again, they strategically import products, although with so much of the import quota being given to retailers in CETA, that has had a very negative impact on our industry. Again, processors are much more strategic in the way they fill those import quotas, so certainly neither the consumers nor the processors or farmers have really benefited from the way in which the quota was allocated in CETA.

● (1305)

Mr. Daniel Blaikie: Thank you very much, Mr. Wiens.

I wonder if our other guests from the dairy industry might like to weigh in on those questions.

Mr. Matthew Flaman: Yes. I have just a couple of quick comments about imports of the milk that's coming in. Obviously, rbST is an issue. One other thing, which is a bit of an industry standard, is that the quality of milk in Canada is second to none. It's a worldwide standard.

The U.S. has its own standard, which may not be as good in some cases. I don't want to.... I'm sure that in a lot of cases it's just fine. There's a standard they use across the country for what's called "somatic cell count", which aids in the quality of cheeses and is essentially a measure of cow health. At any rate, it's about double what it would be in Canada, maybe not quite double but close.

We're very proud of the quality of milk that we produce on farms, and that then translates into quality products.

Mr. Daniel Blaikie: Right on. Thank you very much.

The Chair: Mr. Kram.

Mr. Michael Kram: Thank you, Madam Chair.

Mr. Flaman from SaskMilk, welcome to the committee.

Under the new NAFTA, Canadian dairy producers will be losing 3.9% market access to the domestic market. Given the rate of growth of the domestic market and the profit margins of dairy producers, can you give the committee an idea of what the loss of 3.9% means to a typical Saskatchewan dairy producer?

Mr. Matthew Flaman: In a nutshell, I think the loss of 3.9% is our growth. Predicted growth over the next years might be in that neighbourhood. This is taking away our growth and giving it to somebody else. Effectively, that affects our future. That's troublesome for me. More importantly, on top of that, I'll draw you back to the export cap again. Not only has this taken away our growth within our country, but it has taken away our growth outside of our country. It's very troublesome.

Moving forward, I think that with any other cuts that would come to us, or any other imports, it really does feel like death by a thousand cuts.

Mr. Michael Kram: Can you describe some of the activities and new products that Canadian dairy producers have come up with in recent years to expand growth into foreign export markets?

Mr. Matthew Flaman: I think we see the future in the milk protein concentrates. I can't really speak of anything that's on the horizon right now, but.... It's different, it's innovative and it's what the world wants from us. It plays well into our current situation in Canada and North America, where there's a high demand for cream and butter fat. What is left over is the protein side of our milk component. It can be used in things like infant formula, protein powders, and obviously to increase protein in just about any food we consume.

Mr. Michael Kram: How will these markets be affected by the new dairy export tariffs?

Mr. Matthew Flaman: Essentially, with a very low limit of 35,000 tonnes, it handcuffs us not only to our trading partners in the U.S. and Mexico, but also around the world. As far as we understand, we'll lose that market.

Mr. Michael Kram: When did SaskMilk find out about the new dairy export tariffs that are in place in the new NAFTA?

Mr. Matthew Flaman: It was well beyond the agreement of it. We weren't consulted on the export caps themselves, the size of the caps, nor the impact they would have. I think we may have been....

I'm going to pass this on to David because he was involved with this. We were briefed on it, not consulted. David can add to it.

Mr. David Wiens: During the process of negotiations, I was part of the delegation that went to Washington, Mexico City and Montreal, following these negotiations. When the export cap was announced after the deal was signed, it came as quite a shock. Also, the U.S. oversight clause on our own domestic dairy policy was not shared with those who were following these discussions very closely.

● (1310)

Mr. Michael Kram: Mr. Flaman, continue if you wish.

Mr. Matthew Flaman: I do want to conclude with the export portion of this. I think it's unprecedented. It's very troublesome. If you think about any other sector, having a country within a trade agreement control them outside of that trade agreement, no matter what the commodity is—if it's any kind of manufacturing or export that we do—that's very troublesome. It's not good.

Mr. Michael Kram: Mr. Flaman, do you have an estimate of how much the industry will be paying in the new dairy export tariff?

Mr. Matthew Flaman: I think we had some information on that.

Mr. Michael Kram: Just off the top of your head is good enough.

Mr. Matthew Flaman: If we use some historical numbers and we continue with those numbers, we'd be $10 million to $20 million in tariff.

The Chair: Please be very quick, Mr. Kram.

Mr. Michael Kram: Have you had any talks with the government about what the money collected will actually be used for?

Mr. Matthew Flaman: I don't think we've been there yet.

The Chair: Okay. Thank you very much.

Mr. Dhaliwal.

Mr. Sukh Dhaliwal: Thank you. I'm going back to the dairy sector.

Mr. Wiens, you said that in Manitoba it employs 7,950 people.

Out of those 7,950 jobs, how many do you think will be gone just because of CUSMA?

Mr. David Wiens: It's going to have an impact beyond the number of jobs. In our province, for example, many of the veterinary clinics are focused and concentrated in areas where dairy is one of the major farms going on, so it will have an effect there. The feed mills that provide feed for dairies and the canola meal will all have impacts. What happens is that, instead of farms growing, they're staying the same.

Right now, it's very hard to determine exactly the amount by which it will reduce these jobs because we don't even know the full impact of the riddance of class 7. It was very positive for us in terms of creating opportunities. As Matt said, all of our imports displace our ability to produce for the domestic market, but the restriction on exports actually makes it even more difficult for us to meet what is left of the domestic market because we'll have this surplus protein. What do we do with it? That is our challenge and that's how it has an impact on every veterinary clinic in the province, on farms. Now they're not growing.

I've talked to farmers. I get calls. It's about how difficult it is for them to make a go of it. They ask, “Where are we going with this?” I'm trying to provide them with answers, not really knowing how this all plays out. It means that investment on farms has really slowed down this year, and when we talked to our suppliers they corroborate that information as well, and on the processing side as well. For processors, if they're in a state of growth, they will continue to increase production. One thing we say about dairy farming is that it doesn't matter whether you have a 60-cow dairy or a 500-cow dairy; it will take about one person for every 50-60 cows. That's a standard across the board. In that way, we will see reduced employment connected to the dairy industry at all these different levels.

Mr. Sukh Dhaliwal: Saskatchewan, Alberta, Manitoba, British Columbia, Quebec.... Is there one province affected more than the others, or is it going to be coast to coast to coast?

Mr. David Wiens: We would expect that we will see that from coast to coast. There's different processing in different provinces. Certainly in our province just three years ago there was a $100-million investment made into making these milk protein concentrates, and that part was for export. The other side of that operation was butter production for the domestic market. That was done without knowing that CUSMA was going to come along and take away the ability to export the protein products, the milk protein concentrate. That's had a very dampening effect on that plant. We as farmers, but also as processors, really have to reconsider where we're at and what's going to happen now. There's a lot of concern in the industry.

● (1315)

Mr. Sukh Dhaliwal: Ms. Erickson, you said that now we have only one supplier for Metformin. What you said was very alarming.

Mr. Darren Erickson: I can probably correct that. Metformin is a very popular diabetic drug, and it used to be produced by about 14 manufacturers. When compression came from the pan-Canada decision, where the Government of Canada arranged pricing for these products, they compressed the price, and the number of manufacturers of Metformin went down to about seven. All of a sudden, we have a shortage of product. Not that that's not livable—we're short of product and the manufacturers adjust to it—but when we have a catastrophe like contamination in a company now, it's down to six, and we're in trouble.

The Chair: Mr. Dhaliwal, your time is up. Sorry.

Mr. Lewis.

Mr. Chris Lewis: Thank you, Madam Chair.

Thank you to the witnesses for coming today.

I came across an interesting read while doing a little research. It's called "Dairy processing industry by the numbers". I'm going to speak about the good side of things first.

Since 2008, there have been $7.5 billion in investments, $18 billion contributed annually to the Canadian GDP, 16% growth in dairy processing real GDP, 12,000 Canadian dairy farms supported by dairy processors and 24,500 Canadians employed by dairy processors, with an aggregate annual payroll of $1.2 billion.

Here are the negatives: a $670-million loss expected in return on investments resulting from CETA, $730 million expected of lost return on investments resulting from CPTPP, and hundreds of millions more in losses expected in return on investments resulting from the USMCA.

I found that very interesting.

I have three questions for anybody from dairy, whoever is the best fit to answer. The dairy processors have asked the Government of Canada to include a TRQ in the compensation package. Could you explain how this would compensate for the market loss as a result of the new NAFTA?

Mr. David Wiens: I could speak to that.

To some extent of course, processors would have a better opportunity to speak to that. I did allude to this before. By not having the import quota, there's no strategic way of bringing in imports. I think it has more of an impact on processors then, because of the way they fill the imports. If they control the import quotas, that certainly reduces the overall negative impact, because they're very strategic in the timing and the kind of products they bring in.

Certainly processors could speak more to that.

Mr. Chris Lewis: Thank you.

I didn't get a chance to speak to the processors in the last round, so that's why I'm throwing these questions out now.

It would appear that the Government of Canada has not provided extra resources to CBSA and to CFIA to ensure that the dairy quality standards and regulations are maintained.

Have you any concerns about the implementation of the new NAFTA relative to quality?

Mr. David Wiens: I can speak to it, but if Matt wants to add to it....

Yes, that is a concern. At one point, CFIA was involved in having oversight on imports. They had the expertise. When CFIA was removed from that role, CBSA was left to do the job, for which they had very little training. They were more the generalists. If there's a milk powder of some kind or some product that comes across, the concern is that they don't have the technical expertise to categorize it properly. If we don't have that, then any of these import controls don't mean anything because there's no way to control them.

That's a concern, and we hope that CBSA will be staffed so they have enough person power there and also the knowledge to differentiate among products.

● (1320)

Mr. Chris Lewis: I understand.

Mr. Flaman, have you anything to add?

Mr. Matthew Flaman: No, he covered it.

Mr. Chris Lewis: Very well. Thank you.

This is the last one, and I hope this isn't too directed to the dairy producers, but the producers and processors have said that the export cap is a bad precedent. Given the negotiating dynamic and the tough spot that Canada was in, what's left other than to concede these export caps? Are administration measures really feasible?

Mr. Matthew Flaman: I said it earlier. The dairy sector aside, that's very troublesome to me as a Canadian citizen. We're in a trilateral deal with two other countries, and they're going to control what we do internationally. That's very troublesome. I can't imagine as this rolls out what other sectors feel or fear coming out of that. It can affect anybody now. Precedent has been set, or could be set. I think we do have a chance through administrative processes to work that portion over a little and get it cleared up in our favour maybe.

Mr. Chris Lewis: Thank you very much.

Thank you, Madam Chair.

The Chair: Thank you.

Mr. Dhaliwal.

Mr. Sukh Dhaliwal: Thank you.

Mr. Erickson, knowledge is power and our knowledge comes only from experts like you. It makes us very powerful when we have this dialogue. It's very important.

I'm trying to understand this, particularly because we will be implementing a pharmacare policy at some point as well. That's where we're heading. I want to make sure that, on the one hand, Canadians are able to get the medication they need at affordable prices. On the other hand, we want to make sure we are able to protect the supply as well.

How can we have that balance? How can we achieve that if we are moving forward in that direction?

Mr. Darren Erickson: One way to prevent it is to let the market forces work for themselves.

In terms of compression, we've had the experience with generic products being compressed in price, or being controlled in price. We have manufacturers dropping out of the manufacturing business for certain molecules.

We are also getting into a situation where we have contamination in factories being picked up very easily. There are very sensitive tests now, so we're having factories shutting down because of it.

With that compression and lower amounts of stock, when we have a contamination, we have a major problem. It doesn't just happen to a single drug, such as valsartan. It has dominoed into all the other angiotensin reuptake blockers. About seven of them are short now because of one product, valsartan, being contaminated about a year and a half ago.

I say to let the market decide a little more. As pharmacists, we're scared that, with pharmacare, somebody is going to compress the prices even more and just say, “You know what? For metformin, it's going to be one company.” If that one company gets a contaminant, we are going to be looking for metformin. We're going to have trouble.

We need to keep a number of manufacturers in the loop, and we need to keep prices less compressed. That's how we can protect ourselves.

Mr. Sukh Dhaliwal: Thank you.

To the dairy sector, I've been listening to you and I know that, particularly with the cap we have, you cannot do business in other nations besides the two that are involved, the U.S. and Mexico. One thing Mr. Wiens said was that we should have a direct cash subsidy to the farmers to make sure they are able to innovate and to be sustainable in these circumstances.

In terms of that comment, is there anything else? Even though I take pride in the fact that we were still able to protect and preserve supply management, this 3.9% that I am hearing about from you is now starting to bother me as well. Therefore, I'm trying to see what concrete steps or solutions you have, besides just the cash payment that the government should be making, to ensure that the dairy farmers are able not only to be sustainable, but to progress further.

● (1325)

Mr. David Wiens: That's a good question. There are a number of things that can happen.

The thing about the direct payment to farmers, as has already been described, is that it's going to help us through this difficult time of transition. It will obviously impact the revenues on the farm and the investments we make, so there is a benefit there.

We also see that our government is in other trade agreement negotiations around the world, with the South American bloc, and now potentially Brexit is going to result in more discussions.

One thing that is going to be very important for the dairy industry is no further markets of ours being given away to other countries. That is an important step to restoring confidence in the dairy industry, both from the farmers' side and the processors' side, to be able to make the investments that we're going to need to continue to be productive and efficient as dairy farmers.

The Chair: Thank you very much.

We are moving on to Mr. Savard-Tremblay for two minutes.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: My question goes to Mr. and Mrs. Erickson.

As you said, the price of drugs is higher in the United States than in Canada. You mentioned a number of internal policies that could be implemented here.

However, I want to direct your attention back to the agreement. You said that the only change there could be is for the protection to be extended, but actually, that was in a previous version of the agreement.

So today, in its current form, what are the effects?

[*English*]

Mr. Darren Erickson: In relation to data protection, it is continuing the same, from what I understand. They did have an extension. The data protection was going to last for 10 years initially, and all of a sudden, on December 11, when CUSMA was signed, it came out at eight years, I believe. I'm still not very clear on that, but from what I understand, it's eight years now. That is a continuation, which is okay. It will be good for my patients. To make it longer would be a real loss of dollars. It looks like it will continue the same.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: Basically, there would have been effects with the previous version if there had not been an extension. However, in the current version, what will be the concrete effects of the agreement?

[*English*]

Mr. Darren Erickson: In the current version, it looks like there will be no change for data protection for biologics—for biologics only.

The Chair: Thank you very much.

Mr. Blaikie, you have two minutes.

Mr. Daniel Blaikie: There's one thing I'm trying to square in your testimony. We heard, on the one hand, that lower prices have led to supply issues, and you guys have concerns about that. We also heard you speak positively about not extending drug patents, which have been, as a result, keeping prices low. I'm trying to understand what seems to me to be a tension between advocating for higher prices to maintain supply and expressing pleasure at seeing provisions in the agreement that keep our prices low.

I'm just trying to figure out what my take-away from your testimony should be.

Mr. Darren Erickson: I'm kind of talking about two groups of drugs. One is the generic experience for simple molecules in the last 10 years. We've had the pan-Canadian pharmaceutical alliance controlling prices, pushing them down and decreasing the number of manufacturers. We've also had these drug catastrophes coming along, and manufacturer contaminants.

That's one area. The price is so low on them that manufacturers are dropping out and we're having trouble supplying.

● (1330)

Mr. Daniel Blaikie: Is that because manufacturers aren't making a profit or because they're not making the kind of return they would like to see?

Mr. Darren Erickson: Generally, I think there will be more profitable molecules available for the manufacturer. Metformin is quite a popular drug, so they would decide—

Mr. Daniel Blaikie: So it's more about the marginal benefit of producing other generic drugs, as opposed to the idea that they can't make any money at all on producing at the prices they manufacture at.

Mr. Darren Erickson: I think it's the simplicity of manufacturing certain products or what fits into their machinery best. Lots of decisions go into deciding whether they will make a molecule or not. We do know that when this price compression came in over the last 10 years, we lost I'm sure 30% to 40% of our manufactured product, which went to fewer sources, and even a single source in some cases.

Mr. Daniel Blaikie: I think one of the take-aways—

The Chair: Thank you very much, Mr. Blaikie. I'm sorry, but the time is up.

It's amazing how with every panel there is such an opportunity for all of us to learn. We appreciate your taking the time to be here.

I will suspend. We will resume again at 3:30.

Thank you very much. Again, thank you to the witnesses.