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Chair: The Honourable Judy A. Sgro



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• (1305)

[English]

The Chair (Hon. Judy A. Sgro (Humber River—Black Creek, Lib.)): Seeing that all of our members are here and our witnesses are ready, I will call this meeting to order.

Welcome to meeting number eight of the House of Commons Standing Committee on International Trade. Today's meeting is taking place in a hybrid format, pursuant to the House order of September 23. The proceedings are available via the House of Commons website.

To ensure an orderly meeting, I would like to outline a few rules to follow. Members and witnesses may speak in the official language of their choice. Interpretation services are available for this meeting. You have the choice at the bottom of your screen of “Floor”, “English” or “French”. For members participating in person, proceed as you usually would when the whole committee is meeting in person in a committee room. Keep in mind the directives from the Board of Internal Economy regarding masking and health protocols.

Before speaking, please wait until I recognize you by name. If you are on the video conference, please click on the microphone icon to unmute yourself. For those in the room, your microphone will be controlled as normal by the proceedings and verification officer. When you are not speaking, your mike should be on mute.

Pursuant to Standing 108(2), the committee will now proceed with the study of trade between Canada and the United Kingdom and a potential transitional trade agreement.

I'd like to welcome all of our witnesses today. From the Canadian Cattlemen's Association, we have Doug Sawyer, chair, foreign trade committee; and Fawn Jackson, director of government and international relations. From the Canadian Manufacturers & Exporters, we have Matthew Poirier, director, trade policy; from the Fisheries Council of Canada, Paul Lansbergen, president; and from Les Producteurs de lait du Québec, Daniel Gobeil, president; and François Dumontier, director of communications, public affairs and trade union life.

Thank you very much.

Mr. Sawyer, would you like to lead off, please?

Mr. Doug Sawyer (Chair, Foreign Trade Committee, Canadian Cattlemen's Association): Thank you, Madam Chair.

Good morning, everyone, or good afternoon for some of you now.

My name is Doug Sawyer, and I'm a cattle rancher here in Pine Lake, Alberta. I am also a board member of the Canadian Cattlemen's Association, the national voice of 60,000 beef operations from coast to coast in Canada.

With me today is Fawn Jackson, director of government and international affairs with the CCA.

We thank you for the opportunity to speak with you about the recently announced interim trade agreement with the U.K.

Before I get into the details, I would like to highlight our key message that we strongly encourage a swift return to the negotiation table to establish a permanent and ambitious FTA with the U.K.

The beef industry is one of Canada's largest agricultural sectors, supporting 228,000 jobs, and contributing \$17.9 billion to our GDP. Canadian beef and livestock genetics are sold into 58 markets around the world, and we export about 50% of what we produce.

Although COVID has been extremely difficult for all Canadians, agriculture stands out as a vital and resilient part of our economy. Export Development Canada reports Canada's agriculture exports are growing three times faster than the overall Canadian average, confirming that agriculture products are a net cash generator for Canadians and the Canadian economy, and an area for continued growth. This is an important context, indeed, for the conversation we're having today about trade, both for recovery and for the long-term economic benefit of Canada.

With regard to a Canada-U.K. continuity agreement—let's call it CanUKCA—I have the following comments. In 2019, Canada exported about \$19 million worth of beef to the U.K., while the U.K. exported \$16 million worth of beef to us. So far this year, we are on track to be up more than 20%, while the U.K. is on track for 160% growth in its beef exports to us. This means it will have a 2:1 trade value advantage over us this year.

Despite the growth of Canadian exports into the EU and the U.K., CCA remains concerned with obstacles preventing Canada from reaching its full potential under CETA. I must refer to the CETA, because although we have not seen the details of the CanUKCA, we understand the negotiating mandate was to simply replicate CETA as much as possible. As much as the CCA recognizes the Government of Canada's efforts to maintain uninterrupted trade market access into the U.K., we are equally concerned with the EU obstacles being carried over to the U.K. agreement.

Consequently, we place great importance on the fact that the government's announcement included a commitment to return to the negotiating table within a year. We look forward to reviewing the completed text of the CanUKCA once it has been made available, and engaging the government on any shortfalls needing to be addressed in a future long-term FTA.

To start, we note that under CETA the EU has unlimited duty-free access to the Canadian beef markets, while Canadian exports, on the other hand, are subject to tariff rate quotas. We understand that the replication mandate causes this inequity to persist in the CanUKCA.

● (1310)

While the government has not yet published the amount of access for Canadian beef to the U.K. in the Canada-United Kingdom Trade Continuity Agreement, we understand that its objective was to achieve enough to allow those who are interested in beef production and marketing into the U.K. to continue through the next couple of years, but with little opportunity for growth—and certainly not enough to match the growth of the U.K. exports expected to come here to us.

We would like to re-emphasize the fact that British beef exports to Canada are expected to be double the value of Canadian beef to the U.K. this year. While our exports to the U.K. and the EU are growing, British beef is doing extremely well here in Canada and could realistically outpace us fourfold to fivefold over the next two years.

In a future agreement it is imperative that the beef industries in Canada and the U.K. can equally benefit from and grow this relationship and that the factors currently limiting the growth of Canadian beef exports be removed.

We also advocate for a full systems approval under both the transitional and the long-term agreement. Canada has a world-class food safety and meat inspection system that is recognized through full systems approval by most of the countries to which we export. Full systems approval is based on the two sides gaining confidence in each other's protocols and compliance. While we understand that achieving such mutual confidence was a challenge with the full 28 EU member states, we are likely closest to the U.K. and it is very achievable in a bilateral context.

Finally, we would seek to have the U.K. come into line with international guidelines and remove the EU-imposed requirements to raise cattle without the use of modern technologies, such as hormone implants and feed additives, which enable efficient use of our resources here.

We see all of these objectives as a natural step towards a future U.K. accession to the CPTPP, which they have indicated an interest in.

I would also like to make a comment on trade and the environment, which perhaps applies more broadly than in the Canada-U.K. context. The environment is a key priority for all of us, particularly to those of us who are living and working within that environment. Many anticipate that trade and environment will be intertwined in the future.

What I would like to say on this front is that Canada is already leading the world in sustainable agriculture. In the beef sector, we take our responsibility of stewarding and protecting Canadian grasslands very seriously and have set out numerous environmental goals on grassland conservation, GHG reductions and many other areas. We need to make sure that any future discussions on this within trade agreements are related to trade as outcome-based, and not as prescriptive in nature.

CCA recognizes the importance of avoiding trade interruptions and the need for a transitional agreement, but we are also strongly advocating for a swift return to the negotiation table to establish an ambitious agreement that addresses the current trade-limiting factors.

● (1315)

The Chair: In closing....

Mr. Doug Sawyer: We look forward to reviewing the complete text as soon as it's made available and to engaging with the Government of Canada on any shortfalls that need to be addressed.

Thank you.

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

We're now on to that Canadian Manufacturers & Exporters and Mr. Poirier.

Mr. Matthew Poirier (Director, Trade Policy, Canadian Manufacturers & Exporters): Thank you, Madam Chair. Good afternoon, everyone.

Thank you for inviting me to participate in today's discussion. It's my pleasure to be here on behalf of Canada's 90,000 manufacturers and exporters and our association's 2,500 direct members to discuss the transitional trade agreement with the United Kingdom, the implications for Canada, manufacturing and the exporting sector, and the future of our vital industry.

Our association's members cover all sizes of companies from all regions of the country and all industrial sectors. We represent the majority of Canada's manufacturing output as well as Canada's value-added exports.

My plan is to outline the challenges that manufacturers and exporters face with this situation. I will also share solutions that I hope we can discuss in the Q&A session as well.

As the committee knows, with over \$20 billion in exports, the U.K. is Canada's third largest export market after the U.S. and China. Canada-U.K. trade was one of our very first trade relationships and traditionally has been our doorway to the European market. According to CME's management issues survey—a large biennial survey of Canadian manufacturers—the European Union, and the U.K. in particular, is a top-three market that exporters see as having the most potential in the next five years. It is vital that we protect our market access to the U.K.

We were therefore relieved to hear last week of the new Canada-United Kingdom Trade Continuity Agreement that we understand largely copies CETA. Obtaining a permanent Canada-U.K. trade agreement is clearly important and the end goal. Having this transitional agreement in place for January 1, 2020, to avoid any disruption was paramount.

Obviously, not having this transitional agreement in place would be bad, especially in a year where we can least afford it, economically. CME stands ready, therefore, to help this committee and the government avoid that scenario. We urge the government and all parliamentarians to work together to move this agreement through Parliament as quickly as possible to meet that January 1 deadline.

Beyond these mechanical trade agreement issues lies an even bigger problem that I must raise. That is the problem of our declining value-added export performance. It's a decline that has been accelerating despite our signing more and more free trade agreements.

Let me explain what I mean. Two-thirds of Canada's value-added exports—the type of exports that Canada makes the most money off of—are manufactured goods. In other words, Canadian manufacturers take raw ingredients, transform them into something of higher value and then sell these goods abroad. This bigger bang for your buck type of trade has been declining for years. In fact, with the U.K., manufacturing exports have been declining steadily for five years, even after we signed CETA. We have a 10-year streak of negative trade balances with the U.K. in manufactured goods. Last year, that deficit ballooned to be four times larger than it was in 2010.

I know in some circles it's considered gauche to point to trade balances as cause for concern. Sure, consumers may be winning, but we cannot ignore the lost economic potential that the decline in value-added exports represents. It would be like me being happy

with the price of things going down a bit while my take-home pay is cut year after year. It's just simply not sustainable.

Why is this happening and how do we fix it? Simply put, Canada's manufacturer exporters are too small and are at capacity. Generally speaking, of Canada's businesses, a higher proportion are small SMEs than most of our global competitors. From a fundamental structural perspective then, we need to get our companies to invest in their businesses, help them to grow and scale up. Larger companies are simply better-positioned to take advantage of global trade.

CME's 2020 manufacturing survey results backed this up. When asked what is holding them back from exporting to new markets, they told us that the risks are too high because they lack competitive edge with foreign companies. They simply feel they can't compete and don't bother to.

It is important that we agree that this structural domestic business problem is driving our export underperformance. Landing new global customers through FTAs is rather pointless if we cannot produce the goods to sell to them at competitive prices.

You may ask yourselves if this isn't the point of EDC, BDC, CCC and the trade commissioner service. Aren't they supposed to help de-risk exporting and help SMEs get out there?

● (1320)

The answer is yes and we would argue they all are quite good at doing just that. The problem is the disconnect between these great programs and the exporters knowing that they exist. When we polled manufacturers, we found that those who use these agencies and programs love them, but a majority of respondents couldn't even identify some agencies, let alone the programs they offer. This is a big problem. We have the dual challenge of our exporting companies being small, underinvested in and uncompetitive, and a big gap between government assistance and companies actually using that assistance.

Here are some concrete solutions that I would love to discuss in the Q and A session.

Number one, create a manufacturing strategy for Canada that focuses on modernizing and growing the sector. It needs to help companies invest in the technology that will help them scale up and truly become global players. We happen to have such a plan, which we discussed with many of you in the spring. I will be happy to leave a copy of this report with the clerk.

Number two, launch a made-in-Canada branding exercise at home and in international markets to celebrate our manufactured goods. This will boost awareness of Canadian capabilities and technology as well as sales and exports. As my friends here in the food and agricultural sectors can attest, the maple leaf is a global brand with a sterling reputation that we don't take advantage of enough.

Number three, bridge government export agencies and exporters by leveraging the vast networks of business trade associations. This can be done by investing in Canada's trade associations' capacity to link the two sides and act as a concierge service for exporters. The government used to do these types of initiatives to great effect. We think they should again.

Number four, expand our efforts on SME exporter mentorship. Organizing and managing private peer-mentoring networks is another way in which Canada's trade associations can be used to maximize company-to-company learning.

All these actions are table stakes if we want Canada to play a bigger role in global trade. They will also go a long way to helping current manufacturers maximize their export potential for years to come. However, while we at CME believe these solutions are something we need to work on now, the priority, of course, is ensuring that we maintain current global market access.

Let me reiterate that CME stands ready to assist you to make certain that a transitional agreement is in place between Canada and the U.K. before the end of this year and, in time, a permanent trade agreement between our two nations.

Thank you again for inviting me today. I look forward to the discussion.

The Chair: Thank you very much, Mr. Poirier. I appreciate your suggestions and solutions.

We'll move on to the Fisheries Council of Canada and Mr. Lansbergen, the president.

Please go ahead, Mr. Lansbergen, for 10 minutes.

● (1325)

Mr. Paul Lansbergen (President, Fisheries Council of Canada): Thank you, Madam Chair.

Thank you to the committee for the invitation to testify today.

The last time I appeared before this committee was in the previous Parliament. Oddly enough, if I remember correctly, I did that one remotely as well, due to business travel.

Before I get into my specific comments on the trade agreement, I would like to spend a few minutes to provide some context on the council, the sector and our trade context.

The Fisheries Council of Canada is the national voice for Canada's wild-capture commercial fisheries. Member companies are processors who process the majority of Canada's fish and seafood production. Our members include small, medium and larger companies, along with indigenous enterprises that collectively harvest fish in Canada's three oceans.

The Canadian seafood industry creates 80,000 direct jobs, mainly in coastal and rural communities. In essence, the sector is the beating economic heart of these communities. The sector accounts for \$7.5 billion in exports, to roughly 130 countries. The largest export markets are the U.S., at 61% of our exports; China, at 17%; Japan, at 4%; Hong Kong, at 3% and the U.K., at 2%. If you take the EU as a whole, it would be ranked third, at 7%.

Growing global demand for protein, including fish and seafood, points to growth opportunities for the sector. The Food and Agriculture Organization of the United Nations is projecting global seafood demand to grow by 7% to 10% annually. You might wonder where this is going to come from. Seventy-one percent of the earth is covered by oceans, yet only 3% of our direct diet comes from oceans. Research from the High Level Panel for a Sustainable Ocean Economy indicates that the ocean could supply over six times more food than it does today. This would represent more than two-thirds of the animal protein needed to feed the future population. Because ocean-based food is so sustainable, increasing its fraction in the global diet would contribute significantly to climate change mitigation.

The last statistic I want to share with you on the ocean economy is that the World Resources Institute estimates that every dollar invested in ocean-based protein yields \$10 in health, environment and economic benefits. That is a great ROI.

Some of you may be aware that the government is developing a blue economy strategy. FCC and the Canadian Aquaculture Industry Alliance, our counterpart on the farmed side, have developed a joint vision and action plan for that strategy. Our 20-year vision is to be a global top three best sustainable fish and seafood producer—not the largest, but the best.

With this vision we have three aspirational goals: We want to double the value of Canadian seafood, double the economic benefits and double the domestic consumption of fish and seafood. These are definitely ambitious, but if you don't aim high, you don't achieve high. All members of Parliament were sent a copy of our submission this fall. I would be happy to discuss this more fully with you individually at your convenience.

The last and most important backdrop for our conversation today is our sustainability performance. Canada is a global leader in sustainable fisheries management, with a robust regulatory regime. In addition, Canada's adoption of independent, third party certification is multiples higher than the global average of only 16%. As a result, DFO reports that 96% of our fish stocks is harvested at sustainable levels. We should feel proud of our collective stewardship of our fish resources.

All of this is important context for my remarks today, and I would now like to move on to the specifics of our trading relationship with the U.K.

Industry values its trading relationship with the U.K., our fifth-largest importer. Our exports to the U.K. in 2019 were \$131 million, or 1.7%, rounding up to 2%, of our sector's annual exports. The top product grouping exports to the U.K. are salmon, at 35%; shrimp and prawns, at 26%; lobster, at 25% and scallops, at 5%. The importance of the U.K. market to individual companies ranges from nothing or very little to their being a large supplier to the U.K. market.

The most recent global tariff schedule proposed by the U.K. earlier this summer suggested that Canadian fish and seafood exports would face increased tariffs. Our assessment of the impact it would have on our sector, using export data from 2019 and if a new deal is not in place with the U.K. by the end of the year, is that non-CETA rates would add roughly \$11 million on the top four product groupings I previously mentioned. This would represent an average tariff rate of nearly 10%. This is high enough to be a prohibitive disadvantage in the marketplace. However, it is important to note that some of the salmon exports contain salmon from Alaska and are not eligible for preferential tariff treatment under CETA or the transitional agreement with the U.K.

- (1330)

The new transitional trade deal will ensure that Canadian seafood products continue to enjoy tariff-free access to Britain. It will also give us an advantage over other countries that don't have a bilateral trade agreement. In response to the announcement on Saturday, we issued a press release that applauded the transitional agreement.

FCC would urge all parliamentarians to swiftly ratify this agreement so that it can go into effect by January 1, 2021. Canadians working in the fishery sector supply chain will thank you.

With that, I welcome any questions you might have.

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

We move on to the Producteurs de lait du Québec. We have Mr. Gobeil, president, for 10 minutes, please.

[*Translation*]

Mr. Daniel Gobeil (President, Les Producteurs de lait du Québec): Good afternoon, everyone.

I am happy to be here with you today on behalf of Les Producteurs de lait du Québec. Thank you for the opportunity to share our point of view on the Canada-United Kingdom trade agreement negotiations.

I am joined by François Dumontier, director, Communications, Public Affairs and Trade Union Life, at Les Producteurs de lait du Québec.

The Producteurs de lait du Québec organization is affiliated with the Union des producteurs agricoles. In Quebec, 4,877 dairy farms deliver nearly 3.33 billion litres of milk, the farm gate sales of which total more than \$2.7 billion.

In Quebec, dairy production generates 83,000 direct and indirect jobs, which contribute to fiscal benefits of \$1.3 billion. That accounts for nearly 50% of dairy farms in Canada. Quebec alone generates more than 58,000 direct and indirect jobs. It is ahead of a number of sectors, including aerospace, mining and electric energy.

Nationally, Les Producteurs de lait du Québec account for 37% of Canada's dairy production. We are a leader in dairy processing in Canada: nearly 77% of yogurt produced across the country is processed in Quebec, as is the case for 52% of all cheeses. We produce nearly 65% of fine cheeses, which we offer in some 400 varieties. We also set ourselves apart through organic production that represents nearly 42% of Quebec's dairy production. Note that the fine cheese we produce is considered a niche product.

Since 2002, cottage industries have set up in a number of regions, and their development has accelerated. Their number has increased from 34 to 53.

[English]

Mr. Ziad Aboultaif (Edmonton Manning, CPC): Madam Chair.

The Chair: Yes.

Mr. Ziad Aboultaif: Can we ask Monsieur Gobeil if he could go a little bit slower, so we can hear the translation?

The Chair: Thank you, Mr. Aboultaif. I thought it was just mine that was seeming to echo a little bit.

Would you just go a little bit slower, please, Mr. Gobeil.

Thank you.

[Translation]

Mr. Daniel Gobeil: Okay. Thank you, Mr. Chair.

As I was saying, Quebec's dairy sector contributes \$6.2 billion to the gross domestic product, or GDP. The dairy sector contributes significantly to the employment and the socioeconomic fabric of Quebec regions and communities. The dairy sector is a significant source of jobs across all professions. Among them are veterinarians, agronomists, input suppliers, farm machinery dealers and mechanics. There are other sectors such as the transportation sector. As a result, concessions made in the dairy sector affect many industries. Thanks to all those investments made on farms, more than \$500 million returns to Quebec's economy annually.

Canada's dairy producers have been hit hard by the concessions made in the last three agreements. Any additional concessions would threaten the future of family farms, of Quebec's and Canada's dairy producers, of rural communities and of hundreds of thousands of people whose livelihoods depend on that sector.

As you know, we are talking about market concessions to the tune of 8.4% granted through the last three agreements—the Comprehensive Economic and Trade Agreement, or CETA, the Canada-United-States-Mexico Agreement, or CUSMA, and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, or CPTPP. Added to that are concessions made in various agreements related to the World Trade Organization, or WTO. In 2024, 18% of Canadian dairy production will be covered by other countries.

There is no doubt that, for us, that is a significant market loss. Few sectors or business owners can prosper in a business environment when a growing portion of their market is given to other countries. Those losses stemming from market concessions represent \$450 million every year, of which \$165 million for Quebec.

You will remember that, for CETA, which we are discussing today, the concession is 17,700 tonnes of cheese—16,000 tonnes of fine cheese and 1,700 tonnes of industrial cheese. For us, that is a heavily affected sector, as there are only two tariff rate quotas. As mentioned earlier, Quebec produces 65% of fine cheeses. So we are genuinely impacted by this agreement.

Dairy producers support the signing of a free trade agreement with the United Kingdom, on the condition that Canada not give additional access to its dairy sector, as dairy producers have paid the price of Canada's participation in the last three agreements.

So we are pleased about the continuity agreement announced last Saturday. The government has granted no additional access to the United Kingdom, in keeping with the commitment made by the Prime Minister and the Minister of Agriculture and Agri-Food, Ms. Bibeau.

So I thank the government for keeping its promise. That clearly shows that it is possible to conclude trade agreements without sacrificing supply management. However, we are very aware that this is just a continuity agreement that will lead to a renegotiation of a more long-term agreement. Our position is clear. The provisions that concern us in the continuity agreement must be reproduced in their entirety in a potential long-term agreement.

No additional access to the Canadian dairy market must be given for cheese or for any other dairy products. In the continuity agreement, the United Kingdom took already included tariff rate quotas—in other words, those reserved for the European Union in the negotiations with the WTO.

Let's keep in mind that, under CETA, import access is equivalent to 1.4% of our domestic dairy production. The United Kingdom decided to leave the European Union and, if it wants to have access to the Canadian dairy sector, it must negotiate with the European Union, and not with Canada.

All the party leaders with a seat in the House of Commons have unanimously confirmed their opposition to any new concessions being made in the dairy sector through the trade negotiations. The Prime Minister himself committed to a potential agreement with the United Kingdom not containing any more concessions than those we already granted in CETA.

● (1335)

Every time the Canadian government concedes access to markets, more Canadian dairy products are replaced by foreign products on our store shelves. We have to put an end to that erosion if we want Canada's dairy industry to remain strong and dynamic.

Globalization is being heavily questioned these days, especially in the context of the pandemic. Consumers are becoming increasingly aware of the importance of safeguarding local production in order to protect their food security, but also the environment. Breaches in supply management lead us in the opposite direction of food security protection.

Concessions conditional on indemnities are not a model for trade negotiations. The government has committed to stop granting concessions on dairy products in future trade agreements. That must be the norm going forward.

I also want to take this opportunity to remind you that we are still waiting for compensations. For over a year, Prime Minister Trudeau, Deputy Prime Minister, Ms. Freeland, and the Minister of Agriculture and Agri-Food, Ms. Bibeau, have been saying that producers will be compensated for the losses arising from those concessions.

The first installment was paid in 2019. However, no details have been provided since on the implementation of commitments related to those three agreements. I am using this opportunity to applaud a motion that was passed yesterday by all political parties, so that compensations for the last three agreements would be announced as quickly as possible to end the uncertainty in the countryside. It is clear to us that we shouldn't have to annually beg for promises that have already been announced.

The government will provide a financial update next week. Our producers would find it very hard to understand if the government did not make an announcement on the compensations at that time.

As you briefly mentioned, supply management is a model based on the Canadian demand, and producers adjust their productions. There have been concessions, adjustments and compensations, but I repeat that this is not a sustainable model for Canadian dairy production. It is clear to us that we must be vigilant in the negotiation of future agreements.

Thank you for your attention. I would be happy to answer your questions.

• (1340)

[English]

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

We'll go on to Mr. Aboultaif for six minutes.

Mr. Ziad Aboultaif: Good afternoon, and thanks to the witnesses for appearing before the committee today.

I would like to start with the last testimony, by Mr. Gobeil. I couldn't hear everything, but what I did catch from his remarks is that he is concerned about supply management and the compensation throughout to protect the industry in Quebec—the dairy industry specifically.

Would he be able to comment on that based on this rollover agreement the government announced last Saturday?

The Chair: Mr. Gobeil.

[Translation]

Mr. Daniel Gobeil: Thank you very much.

The continuity agreement is indeed good news for Quebec's and Canada's dairy farmers because it prevents the arrival of new products on the Canadian market. As you said earlier, nearly 18% of the Canadian market will be conceded to other countries.

Quebec's and Canada's dairy producers have made massive investments over the past few years to respond to market growth. However, when the market growth goes to other countries, farms experience financial difficulties. That is why we must be vigilant. When the figure is 18%, it is clear to us that the concessions and

compensations model has reached its limit. I really want to bring that issue to your attention.

[English]

Mr. Ziad Aboultaif: Thank you.

I'll go to Mr. Sawyer. He mentioned his concerns about tariffs.

Again, this is a rollover agreement that the government announced. We don't have the text in front of us. We don't know when we will see that text. All we know is that it's a replica of the CETA. Based on my knowledge of CETA and if it's a rollover without our having any details in front of us, would Mr. Sawyer be able to comment on his main concerns when it comes to the industry he represents?

Mr. Doug Sawyer: Certainly, we're poised to have a significant increase in the EU and certainly the U.K.'s part of that, and a large part of it. We've had long-term large trading capacity and ability with the U.K.

However, the TRQs are very limiting to us. They don't allow us to fully expand into that market, in particular at the same rate the U.K. is allowed to expand into our market. They're basically open to import whatever they can sell, and we are very limited by these TRQs. I think we can survive them for the next couple of years, but beyond that, given that we trade 50% of our production, it's vital that we get into these very significant and the high-priced markets, and the U.K. has certainly been one. Those TRQs are definitely holding us back.

• (1345)

Mr. Ziad Aboultaif: Mr. Sawyer, do you believe that these concerns will be a feature of this interim agreement, or this rollover agreement, again?

Mr. Doug Sawyer: Yes, it appears that, if they follow the methodology they were describing going into this, we will be faced with a limited number of TRQs going into the U.K. We don't know that number yet until we get the text, the same as you.

Mr. Ziad Aboultaif: Are you satisfied with the consultation by the government on what's been done so far?

Mr. Doug Sawyer: Certainly we've had a voice, and we've had a good working relationship with all parties in the entire government. It's certainly been helpful to have that. However, we do look for broader consultation in the future on the impact this trade agreement, this FTA, could have on our farms.

Mr. Ziad Aboultaif: Thank you.

Mr. Poirier, you talk about the necessity of having this agreement ratified by January 1. Are you confident this is going to happen?

Mr. Matthew Poirier: I'm hopeful. As far as we know, we know that it can.

Parliament has to do its due diligence, of course, but I don't see these as mutually exclusive goals, to try to be done by the first and doing due diligence at the same time.

We're hopeful that there will be no bumps in the road because a pause to that access is very complicated and costly for business, mostly in terms of red tape. Even if they can get some of those monies back somehow, with COVID it's not a good time for that. It's not a good time at the best of days, but especially now, given the economic challenges that most exporters are facing.

Mr. Ziad Aboultaif: How is the communication with the government on this when it comes to your industry?

I'm hearing what you're saying about the SMEs and our ability to open new markets and be competitive there, but do you think that the government has done enough satisfactory consultation with your industry to be able to come up with a better agreement or best agreement for us?

The Chair: Give a brief answer, sir.

Mr. Matthew Poirier: Yes.

Mr. Ziad Aboultaif: Okay, thanks.

The Chair: Thank you very much.

We go on to Mr. Dhaliwal for six minutes.

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

My question will be related to small and medium-sized businesses, particularly because I perked up when Mr. Lansbergen was talking about coastal communities and those businesses, as British Columbia has a lot of both.

I'm going to ask multi-pronged questions, and I will give all of the rest of the time to the presenters.

In June 2019, Madam Chair, this committee proposed to Parliament enhancing small and medium-sized businesses and awareness of international trade agreements and the opportunities they provide. Particularly when it comes to this agreement, how would your industry be affected if we did not have this transitional agreement in place?

Second, what are the main challenges faced by your particular industry, and what actions should our government take to help small and medium-sized businesses to become aware of this agreement and take advantage of it?

• (1350)

Mr. Paul Lansbergen: Madam Chair, if this is directed to me first, thank you for the question.

Unfortunately, I'm not familiar with your June 2019 report on SMEs, so I will take a look at that. However, as I said in my opening remarks, if we don't have a deal in place by January 1, we will face higher tariffs that could be prohibitive in the marketplace. For some companies, it could represent a large portion of their exports. For individual companies, that could be ultimately catastrophic, particularly on top of all of the impacts from the COVID pandemic and the loss of the food service markets.

In terms of what more the government can do, certainly for my members, as a service to them, I try to make them aware of as many of the government agencies as possible that are there to assist ex-

porters, whether it be EDC or BDC, or many of the other acronyms that Mr. Poirier had mentioned in his remarks.

In fact, one of the things that changed during the pandemic, and we thank the government for this, is that Farm Credit Canada expanded its financing authorities to include the frozen-at-sea factory vessels. They are the large vessels that process as well as harvest. That added financing capability will be very important now and in the years to come as we go through a fleet renewal.

Mr. Sukh Dhaliwal: Do any other presenters want to add something?

Ms. Fawn Jackson (Director, International and Government Relations, Canadian Cattlemen's Association): Yes, I could.

I would first say that farms in Canada are small to medium-sized businesses. Some of our challenges in shipping into the European market are getting the audits completed to be able to send into that market.

We would say that for the U.K., first of all, we should remove those requirements. We should have that full systems approval where they recognize our food system, we recognize theirs and we're able to do trade just as we do with the United States, Japan and South Korea. We would hope that there certainly wouldn't be requirements for those types of audits in the future, but if there are with the EU, then let's make sure that we have all the efficiencies to be able to do that.

Government support is needed there, both in developing programs within Canada and making sure that we have the capacity to manage them.

Mr. Sukh Dhaliwal: Do any other presenters want to respond?

Mr. Matthew Poirier: If I could jump in, I'd love to add the importance of supply chains. For manufacturing, especially in a North American context, but now more and more so with Europe, the supply chains are integrated, with parts moving back and forth in the production of final goods.

If there's any disruption to that, it would run into the same existential threat that our sector had with NAFTA negotiations when the outcome of where those negotiations were going was questionable. It's not good for business. It's not just the trade that happens, but it's the movement of goods between the countries. It's important to maintain that access uninterrupted.

In terms of SME supports, as I mentioned, we have excellent programs that Paul touched on, from the various agencies that are dedicated to this. The issues comes when nobody knows about them in the community. Think about it from a business perspective. If you're an SME, you're not sitting around saying, "Gee, I wonder what the government has to offer me." You're thinking, "I will talk to my accountant, I will talk to my lawyer and I will talk to my staff to try to get ideas." It's not a default way of thinking to wonder what the government has.

That's where we need to bridge those two solitudes really. As I said, trade associations are perfectly positioned to do that type of work to help out.

Mr. Sukh Dhaliwal: Madam Chair, do I have more time?

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

We'll go on to Mr. Savard-Tremblay, for six minutes.

• (1355)

[Translation]

Mr. Simon-Pierre Savard-Tremblay (Saint-Hyacinthe—Bagot, BQ): Good afternoon, everyone.

Allow me to first thank all our witnesses for joining us today. I also thank them for their presentations.

The dairy sector is of paramount importance for the economy, health, food and security of the Quebec population in all respects—and I am not afraid to use those terms, as I don't think I am at all exaggerating.

Mr. Gobeil, you were saying that you hoped this continuity agreement would be reproduced as a permanent agreement because it contains no breaches. That said, the negotiating team's members testified before the committee last week. We were told that the United Kingdom was pushing for increased exports of their cheeses.

Is that a concern for you over the short or the medium term?

Mr. Daniel Gobeil: Thank you for the question, Mr. Savard-Tremblay.

I gave an overview of dairy processing in Quebec. The province is responsible for more than 60% of the country's cheese production. The situation you are describing does in fact worry us. Through the World Trade Organization, or WTO, significant tariff rate quotas are currently granted by the European Union. That is what the continuity agreement includes. However, we feel that it is completely unacceptable for this sector to be further damaged.

You know there were only two tariff rate quotas for the European Union. Other agreements contain 13 or 14 tariff rate quotas. Those other agreements also have major repercussions, but the one we are talking about really undermines a specific sector, and that accounts for significant loss of income.

Mr. Simon-Pierre Savard-Tremblay: Those are indeed substantial income losses.

You were saying earlier that you were given guarantees that nothing was being conceded in the continuity agreement, that there were no—*nyet*, zero point zero—breaches.

Mr. Daniel Gobeil: We have indeed obtained those guarantees. Quotas were reallocated, but we must remain careful, as there is still a possibility of an increase. Two agreements have been negotiated since then, and there will certainly be an appetite for other products. We want it to be clear that we should not move toward those options.

Mr. Simon-Pierre Savard-Tremblay: You continue to fight for compensations. You have received only one cheque consecutive to

a single agreement. Of course, that amount covers the bare minimum—a small band-aid—but it must absolutely be paid out to you.

You have warned us against the temptation to do the same thing again—in other words, to concede once again because cheques will be sent afterwards anyway. It will then be said that it's not a big deal, that we are just trading four quarters for a dollar, if I may put it that way. However, you are saying that's not it.

Can you elaborate?

Mr. Daniel Gobeil: It goes without saying that the dairy production model was based on the necessity to meet Canadians' needs. As you know, millions of dollars have actually been invested over the past few years, be it in Quebec or in Canada, to meet societal expectations.

Consumers have requirements, whether in terms of the environment or of animal welfare. Concerning the environment, the country is a global leader in dairy production as far as the carbon footprint goes. We think that we have certainly met the demand.

However, when it comes to reducing a product's market access to make room for products from other countries—countries that do not take reciprocity of standards into account—there is no doubt for us that the model has reached its limit. I just want to point out that Canada will import 18% of its dairy production.

Many political parties are saying that the supply management system must be protected, but protecting it is not enough. More needs to be done by promoting it. We have been seeing a great deal of erosion over the years, and that must be stopped.

Mr. Simon-Pierre Savard-Tremblay: We are in complete agreement on this. We must not only protect it, we must not only defend it with vigilant effort, we must promote it.

As you know, a bill prohibiting any future breach in supply management has been tabled. In other words, this is going to stop being an election campaign promise. It will no longer be a promise. That does not prevent a government from changing the law later on; we are in a free country, we live in a democracy. However, any government that would do so would have to bear the unpleasant brunt of that.

Do you welcome this bill?

• (1400)

Mr. Daniel Gobeil: There is no doubt that it was well received. These are things you hear a lot during election campaigns. Often, in those circumstances, the four party leaders are very supportive. Having said that, it is now time to move from words to action. For our part, we think it is important to have the support of all political parties.

[English]

The Chair: Thank you very much.

[Translation]

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

[English]

The Chair: We will move to Mr. Blaikie, for six minutes.

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

I want to begin with the process for ratification and what that might look like.

I've heard loud and clear from all of our witnesses that you'd like to see a speedy ratification. We were reminded earlier this week at committee that while negotiations have concluded, the deal itself isn't signed yet, and that there's still some hammering out of the final details. We've been told that could take two to four weeks.

Then, of course, enabling legislation has to be tabled after that, and depending on the outcomes of the legal scrubbing, there may be some modifications that have to be made to whatever draft may already exist, although we understand there is no draft that is complete.

The House is set to rise on December 11, and we haven't heard from the government that there's any plan to extend the sitting of Parliament. What do you think the government should be doing to prepare for a situation where this transitional agreement is not in effect by December 31?

What kind of support would your members hope to see in such an eventuality? What are some of the things that could be done to mitigate the harm that might be done to Canadian exporters in the event that we don't see the deal, and its enabling legislation pass before the end of the year?

Perhaps we could start with Mr. Poirier.

Mr. Matthew Poirier: There is a lot process-wise that needs to happen, obviously, between now and January 1.

In the unfortunate event that it can't be done, there are some models, and some tools out there that we've sort of run into in our dealings with the U.S. over the past few years in terms of duty remissions and drawbacks. There are mechanisms that can compensate importers and exporters that are affected, and have to pay duties all of a sudden where they don't have to today.

The problem with those, even though they get their money back, is that there's an administrative burden, obviously. To file for those you have to know they exist, that it's an option for you to begin with. Then it takes many months to get that money back. The problem with that now—it's a problem generally—is that during COVID most businesses, especially manufacturers, have a capital or cash crunch. Cash flow issues are a big problem.

Even though there are mechanisms out there, and we would be hopeful that in the event we don't have something in place by January 1, it's still problematic, given the nature of the economy right now and COVID.

Mr. Daniel Blaikie: Has the trade minister or anyone from her office reached out to you in order to talk about what kinds of sup-

ports might be put in place, or how a no deal scenario would affect your industry?

Mr. Matthew Poirier: We have ongoing conversations. We certainly bring up this point whenever we can. We were very active, for example, back during the tariff disputes over steel and aluminum. We're going back to that toolbox to say these worked, and hopefully we can improve the administration of that a bit more.

Those conversations are always ongoing, but the main goal is to avoid that altogether by rolling over on January 1 into a transitional agreement.

Mr. Daniel Blaikie: Mr. Lansbergen, could you speak to the impact on your industry, but more particularly, what kinds of measures you and your members might like to see to mitigate any potential harm in the event that this isn't done by December 31, given that the government can't commit at this point to getting the documents tabled before the House rises?

• (1405)

Mr. Paul Lansbergen: Thank you.

Mr. Poirier, I think, spoke a lot about measures that would apply to a multitude of sectors, so I think basically everything he said would also apply to fish and seafood. The part that I would perhaps add is that because our products are food, we would need to make sure that the rules associated with the export of food and the export certificates would still be accepted by the U.K. and that would mean engaging with the Canadian Food Inspection Agency to make sure that there are no additional regulatory hurdles to keeping the trade flow going.

Really, we know it's a difficult situation for parliamentarians, given that there's such a short time frame. It's kind of like everything this year has been totally thrown upside down, so we would just urge, very diplomatically, politely and respectfully that the deal be passed and be in place before January 1.

The Chair: Thank you very much, Mr. Blaikie. Sorry, but your time is up.

We go to Mr. Lobb for five minutes.

Mr. Ben Lobb (Huron—Bruce, CPC): Thank you, Madam Chair.

My first question is for the Cattlemen's Association. I wonder if Mr. Sawyer or Ms. Jackson could outline when the first dialogue took place with the trade officials in regard to negotiating a Canada-U.K. trade deal.

Mr. Doug Sawyer: Fawn, you'd have a better timeline on that than I would.

Ms. Fawn Jackson: I suppose our discussions started when Brexit was clearly moving forward, so for some period of time we've been saying that we need to look at what a future FTA with the U.K. could look like. Certainly there has been more consistent dialogue over the last couple of months.

Mr. Ben Lobb: How have those interactions typically worked between, say, you and somebody from international trade? Has the discussion been on TRQs or on the rates? Has it been on non-tariff barriers? Is the discussion a give and take, or is it just kind of “thank you for your info”?

Ms. Fawn Jackson: We communicate on a number of the different priorities we would like to see for both a transitional agreement and a longer-term FTA. I think all the topics you covered would commonly be discussed.

Mr. Ben Lobb: Okay, so now that we're here—last week we weren't here, but this week we are here as far as the agreement or the notice of it goes—what can the Canadian cattlemen say as a commentary on the results of that deal? Is there anything that you know inside that I wouldn't know, or that anybody here would know? How does that work? Pretty much everybody has just said, “We don't really know the details. It's a rollover.”

Is there a point at which they actually sit down and say, “Here's where we are, and here's where we think we should go”? Is there any dialogue with that?

Ms. Fawn Jackson: I think we are expecting the details to come out sometime soon. As you said, we have heard that it's a rollover of CETA. I guess our communication back has been that we recognize the importance of the transitional agreement in not creating a large gap in the trading relationship, but our focus is really on that long-term FTA and we encourage a very quick return.

I think everybody here knows that we have concerns about our ability to do meaningful trade with Europe, so we would not want to see that replicated in [*Inaudible—Editor*] an FTA.

Mr. Ben Lobb: Do you know if the trade officials were able to gain any ground with regard to Canadian beef in which hormones had been implanted at a point in time, which was shipped to the U.K.? Is there any progress on that? I read in the U.K. news that it's going the other way, that they're pushing against any U.S. or Canadian beef with hormones. Are we making any progress on that, or are we spinning our tires?

Ms. Fawn Jackson: We would hope that in our future trading relationship with the U.K. they would follow international best guidelines and recommendations on the use of innovative technologies that would allow us to reduce our environmental footprint. I guess what I'm going to say is that we'll wait to see the text, but we're certainly hopeful that in future FTAs that will be dealt with.

• (1410)

Mr. Ben Lobb: I'll go quickly over to the Fisheries Council.

How did your consultations work? Do you feel like you had any consultations at all? We talked with the Lobster Council earlier this week and they had zero consultations. Were yours above zero or was it at zero as well?

Mr. Paul Lansbergen: No, we're above zero. We're based in Ottawa, so it's much easier for us to stay engaged with various departments on issues. We had been following this, much like Fawn said for cattlemen, and as soon as we saw that Brexit was indeed going to happen, we stayed engaged with the government officials on this. We've been talking to them here and there since 2018 and are com-

fortable with the level of consultation we've had with the department.

Mr. Ben Lobb: With that, then, do you know any of the results, on behalf of your organization, that came out of this temporary deal?

Mr. Paul Lansbergen: Well, essentially we were looking for a rollover of CETA as a transitional arrangement and this is what we have. The officials have told us that there will be virtually no change in the tariff schedules from what we're facing under CETA and how they're being scaled down. We're very comfortable with the level of detail we've been given so far.

Mr. Ben Lobb: I'll just make one last point, and what I'll say in regards to beef and trade is it just—

The Chair: Mr. Lobb, I'm sorry. Make it a very short question.

Mr. Ben Lobb: Well, I was just going to make a statement that in regards to these trade deals, it defies logic how we have a trade deficit with the U.K. in beef and we give up so much access for other things in the hope that we'll have access and a surplus in trade for items like beef, pork and other things. To see this play out and to have a rollover, to me, is just unacceptable, but we'll see how it plays out.

Thank you.

The Chair: Thank you, Mr. Lobb.

We'll go on to Mr. Sheehan for five minutes.

Mr. Terry Sheehan (Sault Ste. Marie, Lib.): Thank you very much, Madam Chair. Thanks to all of the presenters for your very informative presentations today.

One question that I'll begin with is, what would your industry look like if there weren't a transitional agreement? I think we need to frame it that way for us to understand it.

I'll just go around the horn and ask, if there weren't a transitional agreement, how might that have affected the industry you represent?

Mr. Doug Sawyer: I was the first speaker, so I'll speak and Fawn can jump in and correct me if I don't get everything.

Without the transitional agreement, I feel we would have been in trouble, because our product starts very young and if we're going to meet their requirements, we have to follow that animal right through the entire system, from me as a cow-calf producer and backgrounder through the feedlot. The animal has to be handled properly and be channelled into a manufacturing facility with the contacts and connection with the EU, and in particular, in this case, with the U.K. to actually put that product in there.

We can't turn the tap on or off. It's not a hit and miss. We don't stop for a month and start over again. Having this interim agreement in place, in particular now and by January 1, is, in my view, paramount to us. We would be left in limbo without it. As you know, if you built a restaurant franchise on a particular product, you don't replace it for a month, bring in something else, and start over again.

This is vital to us in my view.

Mr. Terry Sheehan: Would anybody else like to answer that particular question?

Mr. Paul Lansbergen: I'll just add that I think Mr. Sawyer touched on a very important point. The impacts of not having the transitional deal in place by January 1 would last much longer than just a month or two, because to have access to a market, it takes time to build up the relationships with customers to get those sales, and if the trade is disrupted, those customers will go elsewhere and might not come back. It could be very problematic for the companies that really depend on the U.K. market.

• (1415)

Mr. Matthew Poirier: I want to add quickly to Paul's comment. Regarding my earlier comment about supply chains, if the supply chains are routed through the U.K. and there's a disruption there, that might affect trade elsewhere too, right? It's not just a two-way street between Canada and the U.K. It could be global supply chains that are disrupted. It's not just the market that exists between those two. The global chains that exist are important to remember as well. It adds to the urgency of having something in place January 1.

Mr. Terry Sheehan: Thank you.

One of the things I mentioned before was the virtual trade missions that we had begun and made available for SMEs during this pandemic. I was listening to testimony in which one of the individuals spoke to the need to introduce some mentorship. When we were studying CETA and whatnot, there was a gentleman from Sault Ste. Marie, Gerry Fowler, who represented Manna International. He's basically a broker for soybeans across Canada. He had mentioned that, years ago, the government had these mentorship programs, and I was pleased to hear it. I would like for you to expand a little bit more on how the mentorship program might assist, in particular, by getting SMEs involved in trade deals going forward. How might that work? That was a very interesting piece of information.

Mr. Matthew Poirier: Thank you, Mr. Sheehan, I think it was I who brought that up.

Mr. Terry Sheehan: It was.

The Chair: Please give a brief answer, Mr. Poirier.

Mr. Matthew Poirier: Sure. The structures can be pretty simple. As I said, they already exist within all of our associations that we stand here, where we do some networking and mentoring between our members, so it could just be funding and supporting that. To a certain extent, the government used to do that. There could certainly be more formal ways of doing it as well, but as a basic way of approaching it, these things are already happening. It's just supporting it. We're not-for-profit, so we don't have endless resources to pour into projects like that, but they are important. You're right.

Mr. Terry Sheehan: Thank you for getting that on the record.

The Chair: Thank you, Mr. Sheehan.

On to Mr. Savard-Tremblay, for two and a half minutes.

[*Translation*]

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

I'd like to address Mr. Lansbergen now.

Mr. Lansbergen, you said earlier that you have been better consulted and informed about the progress of the negotiations, their meanders and the form that this agreement should take—about which we are still essentially in the dark—because your offices are located in Ottawa.

Is it absolutely necessary to be geographically close to be consulted in such a process?

[*English*]

Mr. Paul Lansbergen: That's a good question.

No, you don't have to be in Ottawa, but you have to be proactive. Sometimes as part of our consultations, the government was contacting us, and sometimes we contact them. For example, in September I was curious about the status of the negotiations, so I reached out to our trade commissioners in the embassy in London and had a video call with them. Sometimes we have to be proactive and not let the officials—or elected officials, for that matter—forget that we exist.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: When it comes to proactivity, it is obvious that we can very quickly distinguish lame ducks from the most dynamic elements. However, in general, I believe that a much more developed process of transparency and consultation is needed. I am now closing this parenthesis.

You mentioned the need to vote on this agreement before January 1, and we understand why. We understand the need to resolve this issue as quickly as possible. However, you will understand that we can hardly vote when we have not seen the text. You mentioned the bill, but we have not seen it.

If there were accompanying measures for a short period of time, the current tariff schedule would still allow a very large part of the products to circulate. I would like to know why that would be such a problem.

• (1420)

[English]

Mr. Paul Lansbergen: For any tariffs that get applied without a deal until a new deal is put into place, there are measures to enable companies to get that back, but they have to pay it first. There are cashflow issues and certainly, given the certain circumstances of the marketplace now, that could be very problematic for companies. Therefore, if there's any way possible that we could avoid that situation, that would be our strong preference.

The Chair: Thank you very much.

We're on to Mr. Blaikie for two and a half minutes.

Mr. Daniel Blaikie: Thank you very much.

I think I've heard from each of our witnesses today that, notwithstanding their gladness at the fact that there is some kind of transitional agreement, they'd all like to see Canada get back to the negotiating table and work on the longer-term question.

We've heard that there's no sunset clause in this agreement. Whether that would be on a one-year, three-year or five-year timeline, there's nothing that actually requires Canada and the U.K. to conclude another agreement at any point. This could be a permanent agreement.

I'm wondering if we could get the opinion of our witnesses on what that means, in terms of leverage, to get the U.K. back to the table, if they later decide they like the terms of this transitional agreement on a permanent basis.

We started with Mr. Poirier, so maybe somebody else, like Mr. Sawyer, would like to start on that question this time.

Mr. Doug Sawyer: Again, not seeing the actual text of the whole agreement, we don't know what the leverage point is. There have been discussions around those. We certainly hope there is something there that we can push forward. We're certainly encouraging the Government of Canada to push forward as soon possible.

Fawn, did you have anything else to add? You're a little closer to that text than I am, I think.

Ms. Fawn Jackson: I would just say that we would be extremely disappointed if this were a forever agreement.

Mr. Daniel Blaikie: Thank you.

Mr. Poirier.

Mr. Matthew Poirier: The problem with NAFTA, before we renegotiated it as CUSMA, was that it went 26-some-odd years without ever being updated. In the interim years, the Internet became a thing. We want to avoid that situation.

The problem I see with sunset clauses is that it's sort of a shotgun approach to it, rather than just healthy reviews and agreeing to review, without falling off a cliff as the cost of not doing it. As long as that is avoided in any sort of negotiation, I think that's important.

You don't want to have that disconnect or a discontinuity to happen in coverage of the agreement while we're negotiating.

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

We're on to Mr. Hoback for five minutes.

Mr. Randy Hoback (Prince Albert, CPC): Thank you for being with us here on a Friday afternoon.

This one's really tough for us. We want to see business continuing to move forward into the new year. This is something that Conservatives stand for, but we've been dealt a really bad hand here right now, because—like Mr. Blaikie has said—we don't have any trigger points that we know of at this point in time to force a review in the new year. We don't know what is in the agreement, so they're telling us to close our eyes and approve it.

I know with CUSMA they wanted us to do the same thing. We identified a lot of faults in the agreement. For a lot of sectors, we wouldn't [*Technical difficulty—Editor*] left no compensation, no assistance, no help or no addressing of their issues at all. There's no window to do that here, so we're in a really tough spot.

Maybe I'll start off with you, Mr. Poirier. Put it in perspective for me. If this becomes a 10-year agreement, what do we need to see in it that makes sure we have a good agreement?

• (1425)

Mr. Matthew Poirier: Thank you, Mr. Hoback.

Frankly, I share your concerns as well in the sense that we haven't seen a document yet. We've been told that it mirrors CETA. That's a good first step because, presumably, most people got along with CETA before.

However, we don't know that's a thing for sure. We don't want to run into the situation where we're locked in for 10 years and there are some big problems in it.

I think maybe we could pass the transitional agreement with the hope that we'll have more time to digest, look at and study properly a permanent agreement. I'm not sure how the mechanisms work there for that, but I think the costs of the disruption probably outweigh living with having to rush this through. It's a 20/20 sort of scenario.

Mr. Randy Hoback: Exactly.

Mr. Sawyer, we've seen that from the beef side of the things that the CETA agreement has some flaws in it. To cookie-cut it and put it over into the U.K., that's problematic for our egg sector.

Again, if this is a cookie-cutter agreement from CETA, how do we put triggers in the new year to address those issues so we don't have these problems going forward?

Mr. Doug Sawyer: Certainly, as you well know, we're hopeful that we can get some sort of a trigger point in there, because we definitely need it. We can certainly see a great expansion into the U.K. Under the CETA rules, we've been very, very limited. As I pointed out in my speech earlier, the U.K. is poised to move forward probably more than double—maybe four or five times—what we're able to put in there.

That's a real problem.

I don't what mechanisms could be put in. Perhaps Fawn has an idea on that. I hope they're in there. I really do.

Mr. Randy Hoback: I only have five minutes, so I will have to be fairly quick here.

Again, if this doesn't happen by December 31, what kind of compensation will you require from this government? Let's face it, they dropped the ball. They screwed up. They didn't take this seriously enough, early enough, to actually get it done in an appropriate time.

What would the beef guys need for compensation? What would manufacturing need for compensation? What sectors would be identified that should actually have compensation? They are not paying for this government's mistakes.

Ms. Fawn Jackson: Maybe I can answer that.

I think it is a challenging position that we're all in. Of course, it's not just this government's dollars; it's all of our dollars. I think we need figure out a solution.

Mr. Randy Hoback: Yes.

Ms. Fawn Jackson: It's challenging, admittedly, but I think we all have to put our oars in the water and figure out a way forward. We also have to figure out a way to come back and renegotiate a real FTA.

Mr. Randy Hoback: Yes.

That's the problem I have. I've had those dreams before when I was a farmer. I've heard governments promise that we're going to get this done and it never gets done. I've been on this road before. I don't trust words; I need something on paper. I need something in documents. I'm trying to figure out how to do that.

I have no issue working right up to New Year's Day to get this done. I have no issue with Parliament's doing what it has to do. However, I have a hard time just putting a rubber stamp on something, letting it go through Parliament, and three years later having you come back to me and saying this was the most horrible thing we've ever done. I don't know if it's good or bad. I don't know.

How do you tell this committee to get it done? We're at a loss for abilities to do that. If we could find some solutions that would allow us some breathing room—to make sure we have some bankability and if it's not what we want, we have the chance to renegotiate it—then it is a true transitional agreement. I could maybe live with that a bit more, but I don't see or hear anything like that.

That's why I come back. What are those trigger points? What are those things that would give us that comfort, that would give you the comfort? It's you guys who are going to have to live with the results of this.

The Chair: Who would like to offer some brief responses?

Mr. Paul Lansbergen: Maybe I'll address that a little bit.

As Mr. Poirier said, I think we would prefer a fixed review over a sunset clause for a transitional agreement. Our focus in the short term has been that a rollover agreement of CETA would certainly be preferable to not having something. Also, as witnesses and stakeholders for the sectors we represent, it comes upon all of us to some degree to keep the government accountable, both in terms of making this a transitional agreement and of your own individual roles as opposition.

● (1430)

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

On to Ms. Bendayan, please.

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

I'm going to have to preface my questions with a response to my Conservative colleague, who just now implied that somehow the government has dropped the ball. It's quite the contrary, Madam Chair. In fact, if we had rushed to make a deal with the United Kingdom, the industries represented by the witnesses before us would have been severely impacted by concessions that we could have made, but have refused to make. Instead, we got a good deal. We are actually one of the first countries in the world to have successfully concluded such a deal with the United Kingdom.

[*Translation*]

I will move on to questions if I may.

Mr. Gobeil, I also want to thank you for your statement and your remarks. Just a few hours ago, I had the privilege of answering questions during question period in the House. I explained to my colleagues that we have defended the supply management system tooth and nail and that not a single ounce more cheese will be coming into Canada under this transitional agreement with the United Kingdom.

I am wholeheartedly behind you and your industry. I hear you when you say that we must not only protect and defend the supply management system, but also promote it. Can you tell us how we can work together to promote our dairy farmers, to work hand in hand with you to identify other markets, or, again, to promote the industry here in Canada?

Mr. Daniel Gobeil: Thank you, Ms. Bendayan. These are very good comments.

I talked about promoting the supply management system. As you know and as the federal government knows, this is done through innovation and research, and we need to take advantage of that to find new opportunities, because our consumers are on the lookout for new products.

You know, there are a lot of markets for butterfat, but there are also a lot of structural surpluses for non-fat milk solids. The various agreements—I'm thinking of the last one with the Americans, for example—have put the country at a disadvantage, as you've said.

We need to help producers and processors find new opportunities and value-added markets. This can be in animal production, for example, for dog and cat food. I'm also thinking about the market for baby formula. We need to find Canadian value-added markets.

I think we have a high quality product, and we have very strong values when it comes to the environment. We stand out around the world with our products, even on the Canadian scene. I'm not talking about a world price product, but a value-added product.

Ms. Rachel Bendayan: Of course. Thank you very much, Mr. Gobeil.

[*English*]

If I still have a few moments left, I will ask a question of Mr. Poirier with the Canadian Manufacturers & Exporters.

Thank you very much for bringing forward some concrete solutions that my colleague, Mr. Sheehan, already raised briefly with you. One of the other suggestions you made was with respect to bridging our export development agencies and other government institutions with business trade associations such as yours and others.

If you do have direct contact with EDC and our trade commissioner service, I am wondering how that relationship is going and how it is that our government can continue to support you to make sure that our small and medium-sized businesses and manufacturers right across the country are able to do the scale up and growth that is required to compete more effectively internationally.

Mr. Matthew Poirier: We do have excellent working relationships with all of the major agencies. In fact, at certain periods in time, we've shared office spaces together to try to bridge those gaps. The problem we kept running into is that even though those partnerships were well-intentioned, it's still a bureaucrat knocking on the door of a company and saying, "I'm from the government and I'm here to help". The idea arose that it would be more efficient and effective to have the trade associations do that among others.

That's the route that we see. The government has certainly already gone down this road with their partnerships with the Toronto Region Board of Trade and other organizations. It would just be to expand that model and give it to more people. Within that, you can build in that mentorship piece that I spoke to as well.

It's basically leveraging us and our tens of thousands of members as a channel and a pipeline into the government agencies.

• (1435)

The Chair: Thank you very much.

We'll go on to Ms. Gray for five minutes.

Mrs. Tracy Gray (Kelowna—Lake Country, CPC): Thank you, Madam Chair.

I want to counter the previous member's comments on the perception of this being rushing through. I just want to remind every-

one that this government pulled out of negotiations in March 2019, only to re-engage again this summer. We also had the Prime Minister making comments that the United Kingdom didn't have the "bandwidth" to be negotiating, and who then also insinuated that their negotiating team was out of practice, which isn't overly helpful, you would think, during negotiations. All the while, over 20 other countries were able to sign agreements during this time. We'll just put that on record to put the conversation into context.

I do have a question for the Canadian Cattlemen's Association.

You mentioned that you are disappointed if this is the final agreement that exists for the long term. I was wondering about this. In some of the conversations you've had, was it your perception that there was going to be a simple rollover? Was that always the perception?

We've heard that the government has been working on this for three years. Over that time, was it your understanding that it was going to be a simple rollover and there were going to be no changes? Or was there a point in time when there seemed to be a shift into saying "we're not going to be making any changes and we're going to roll over with the same agreement"?

Ms. Fawn Jackson: Yes, and some of that, I guess, would be from my colleague previously, John Masswohl, who would perhaps have some more context on that. We can get back to you, but I think there was a discussion about what this could look like in a number of different avenues, whether it was an FTA or there was continuity later on. I don't have a lot of detail there for you.

Mrs. Tracy Gray: Okay.

There was another part there where you said that you would "look for broader consultation". What does that look like as we move forward with other recommendations going into negotiations for a long-term trade deal?

Ms. Fawn Jackson: I think we would anticipate—and maybe others have further comments—a full consultation process that would normally go along with free trade agreements.

Mrs. Tracy Gray: Great. Thank you, because we've heard—unless you can advise us otherwise, Ms. Jackson—that there weren't round table discussions and this real extensive outreach.

Ms. Fawn Jackson: I think it was different from previous FTA consultations, but to be fair, we were engaged regularly.

Mrs. Tracy Gray: Thank you very much.

I did have a question for Mr. Poirier. You were talking about the administrative burden. We have heard from other witnesses who were talking about uncertainty right now and not knowing even from a paperwork perspective what might be moving forward. Is all the paperwork the same, even with customs brokers or with businesses doing different types of work?

Can you maybe speak to that? Is that something you're hearing? Are you hearing concerns about what is the paperwork and what is the administrative work that we have to do within literally a few weeks?

Mr. Matthew Poirier: Yes, absolutely. It's a good point. When you get down into the weeds, you start to see all those sorts of implications running up. The cumulative effect of all of them is that it means major costs and a slowing of trade. Even if we get that transitional agreement, there are still going to be adaptations and changes that have to be made.

Most SMEs rely on customs brokers and agencies, so there's help there, but still, if they're going it alone and they have to navigate all these waters, it's all-consuming and, like I said, there are bandwidth issues because of COVID.

• (1440)

Mrs. Tracy Gray: Also, for you, is your industry working on estimating what some of the costs might be, depending on...? We've also heard, too, with regard to this agreement, that it's not just a copy-and-paste one, so there might be some tariffs. We don't know what they are or where they might be. Have you done any analysis as to what that might look like and, first of all, if it's exactly the same, and second, if there are some other tariffs that are added on and how that might affect your various industries?

Mr. Matthew Poirier: No. There are no measures yet simply because there are too many variables that are unknown to be able to measure it to any reliable extent. Certainly, in my remarks, it wasn't to be cute. It was to say that by not having the transitional agreement, the costs would be bad, because you can assume that it will be without knowing what the details are going to be.

The Chair: Thank you very much.

We'll move on to Mr. Sarai for five minutes.

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

I'm pleased to note the consensus among all speakers here that having an agreement is essential, and having it before...expires is essential. The fact that we have an agreement, as opposed to not having one, saves in many cases millions of dollars and ensures stability in production.

Mr. Poirier, what's the biggest opportunity for diversification and increasing our exports to the U.K., particularly in advanced manufacturing and the most profitable sectors?

Mr. Matthew Poirier: I think that if there's a rollover of most of CETA's provisions, that's a good thing from a manufacturing perspective. We never had an issue with the mechanics of CETA or of a U.K.-Canada trade agreement that would look a lot like CETA. That's not the issue. To us, it's more our domestic ability to take advantage. We heard from the other witnesses here today that even though we had all of this new access, we weren't really taking advantage of it. The same thing goes for manufacturing.

The irony is that the problem is internal even though it's an external trade agreement. It's really a matter of increasing that manufacturing capacity in Canada to be able to export more value-added goods.

Mr. Randeep Sarai: Are there any regulatory hurdles to increasing that manufacturing capacity, or is it just because of hesitancy among Canadian manufacturers to be as aggressive in competing in those foreign markets?

Mr. Matthew Poirier: No, it's definitely a general business competitiveness problem. There's probably blame to be spread out among all orders of government for policies that hamper business effectiveness, but certainly when we're talking about tax codes, land approval processes and electricity costs, these are all things that factor into competitiveness and that are all shared among the various orders of government.

There's the low-hanging fruit and there's the big stuff that we can target, but, as I said in the report, which we'd be happy to share with members of the committee, we go through in gory detail everything that we think needs to be done to help that competitiveness side.

Mr. Randeep Sarai: Do you think Canada, after ratifying this new deal—this interim measure—has to go to exporters and share the new process, or do you think it'll be relatively simple for exporters to navigate those waters, as most of the provisions are similar to those already in CETA? Do you think it will cause any disruptions, or is there anything we can do to make it smoother for exporters so they have fewer hiccups along the way after January 1?

Mr. Matthew Poirier: That's a good question.

As I mentioned earlier, the breakdown happens between all the help the government currently offers and people not knowing about it and taking advantage of it. If we fix that gap and narrow it, it'll go a long way to helping people take advantage of whatever new deal, whether it's a Canada-U.K. deal or all our other trade deals that we're just not taking advantage of.

• (1445)

Mr. Randeep Sarai: Thank you.

My next question is for the Fisheries Council of Canada. As my colleague has alluded to, obviously British Columbia has a large coastline and fisheries are very important to numerous communities here.

You've already alluded to how the stability from the transitional agreement protects at least \$10 million in exports that could have otherwise gone, if we had not had this interim measure. How can we diversify and increase that market to an even larger one for our fishermen out here in British Columbia?

Mr. Paul Lansbergen: That's a great question.

I think, first, when we look back at various trade agreements and whether Canada has taken full advantage of them or not, we also have to take it in the context of global trade opportunities.

Under CETA, fish and seafood were benefiting quite extensively from tariff reductions and the speed of some of those eliminations, but our exports did not go up in the first year. It took two years for us to take advantage of that in the trade stats. That wasn't without some effort; it's just that other markets were even more lucrative, and so I think it'll come down to how many opportunities there are to make exports to the U.K. more profitable than to other jurisdictions.

I think the fact that Canada will have this deal will put us in good stead, because not a lot of countries will have a bilateral deal with the U.K. right away. That'll give us an early advantage, first mover advantage so to speak, which will be very helpful.

The Chair: Thank you very much.

Now we'll go on to Mr. Savard-Tremblay for two minutes.

[Translation]

Mr. Simon-Pierre Savard-Tremblay: I would like to come back to the question that was asked. I'm going to speak again to Mr. Lansbergen of the Fisheries Council of Canada.

Mr. Lansbergen, on the United Kingdom side, we've already heard that their salmon could be a winner in this agreement. Have you heard anything about that?

[English]

Mr. Paul Lansbergen: No, I haven't heard that. I'm not too concerned about which salmon is better. Are our farmed Atlantic salmon better than their farmed Atlantic salmon, or are our wild Pacific salmon better than what they have? I think that is for the consumers to decide, and I hope our companies will be marketing and branding their products as the best, as the premium ones.

You are right that when we look at our imports from the U.K., salmon and trout are actually sizable components of that, but our export to import ratio is 6:1, so we're definitely benefiting more than they are.

The Chair: You can ask a short question.

[Translation]

Mr. Simon-Pierre Savard-Tremblay: How much time do I have left, approximately?

[English]

The Chair: You have one minute.

[Translation]

Mr. Simon-Pierre Savard-Tremblay: Okay.

In other words, you do not fear the competition in that area that could arise under this agreement. Did I understand you correctly?

[English]

Mr. Paul Lansbergen: A trade agreement doesn't eliminate the competition. There is growing global competition in all markets, so any tariff advantage that we can have will definitely give us an edge.

The Chair: All right. We'll go on to Mr. Blaikie for two minutes.

Mr. Daniel Blaikie: Thank you very much.

When Canada signs onto a number of trade agreements—CETA, the TPP and others—there are a lot of things that we give up. I'm sure that our witness from the dairy sector is all too aware of the things we give up. Particularly when there are investor-state dispute settlement clauses, we also give up Canadian sovereignty in the sense of being able to make decisions in the public interest without being pursued by multinationals and international trade tribunals.

We do this—the rationale is that we are going to get better market access and that it's going to help Canadian producers—even just within the context of this panel, and there is other evidence to reinforce this. We've heard about growing trade deficits. We've heard about other barriers to market access when it comes to cattle, for instance.

At what point do we say that maybe Canada's trade approach isn't working? We're going out, and we're signing a lot of deals. We're hearing from a lot of folks that.... We've heard from some that there are success stories, but we've also heard that, in exchange for what we're giving up, we're not actually realizing the potential that we are told these deals hold.

I do want to go to the president of the Canadian Cattlemen's Association first—Mr. Sawyer—just to hear.... At what point or at what threshold can we say that, actually, this way of approaching our trade agenda isn't working? Is there anything that would count to say that this approach doesn't work, or are we just committing to this fundamentally and the evidence doesn't really matter?

• (1450)

Mr. Doug Sawyer: I would hate to think that we are committed fundamentally to anything. We need to continue to be progressive, and we need to continue to adapt to the changing world that we are all in. Certainly, trade has been a huge discussion over my tenure in this group.

No, I am certainly not entrenched in any particular form of how we get there. My issue is that we need to get there.

We've seen with CETA that we've gained. Certainly, that was a gain for us—there is no question about that—but it has come with some bumps along the road. We need to install mechanisms in there where we could discuss those bumps because certainly some of the non-tariff trade barriers that we've been up against.... In my view—and this is my personal view—the mechanisms that we have in place take far too long. We need to get to the threshold of some of these issues.

I am pro-trade, of course, because 50% of our production is exported, so I'd like to see these trade deals come, but they have to be valuable.

The Chair: Thank you.

Sorry, Mr. Blaikie, but your time is up.

We'll go to Mr. Lobb for four minutes.

Mr. Ben Lobb: Mr. Poirier, I have a question with regard to the kickoff of the Canada-U.K. deal back in February.

Maybe you wouldn't have said it quite how I am, but when you were talking to various officials, did you say that if the best we could do is a CETA rollover, let's do a CETA rollover, or did they say to you that it looks like the best we're going to do here is a CETA rollover, and they were just letting you know that in advance? Is that the kind of discussion that took place in February, March or April, or were they a little more aspirational than that?

Mr. Matthew Poirier: From our perspective, when we had these conversations we were being realists about what we could achieve and where we were in the pecking order of all these countries that wanted to sign a deal with the U.K. Our push was to keep it simple and get a deal that protected what we have right now with CETA. As long as that was respected, if you have all the time to be aspirational and achieve all these great things...but I don't know what more we could do, other than to fix the issues that my fellow panelists have raised. It was more to keep market access. That's always our primary focus.

Mr. Ben Lobb: I understand the pandemic likely played a part in the deal and the time frame, but it occurs to me that if the CETA rollover was the best we were going to do, why are we talking about this deal pretty much in the middle to the end of November? If you were to look into your crystal ball, what do you think the hold up was? I've joked that Randy Hoback and I could have had a CETA rollover deal done by the first of March, so what do you see as the hold up here?

Mr. Matthew Poirier: I wouldn't know. It's a capacity thing. As I said, the U.K. is trying to sign a whole bunch of trade deals. That's not my day job.

Mr. Ben Lobb: That's fair enough. I didn't know if you had any insight on it or not.

I have two quick questions for the cattlemen.

One is about the beef we're shipping to the U.K. right now. Does any of it have hormones or is it all hormone-free? On the other side, for the meat that's shipped from the U.K. to Canada, what cuts are they shipping and who is buying them? There's a tremendous percentage increase. Is it A&W that's buying this? I haven't seen any Scottish beef in my grocery store. I'm wondering about those two questions.

• (1455)

The Chair: Thank you, Mr. Lobb.

Can I get a short answer please?

Mr. Doug Sawyer: I can take a stab at a short answer. I will try.

First of all, all beef has hormones. All broccoli has hormones. But we don't put any added implants into the cattle going over there, so there is none landing on their shore with any added implants in them at all—any growth promotants, whether it be a hormone or not.

I think Fawn would be a better person to answer the second half of your question.

One of the concerns I want to point out on a political level, speaking to you from the political side, is that a lot of this beef appears to be landing in Ontario and Quebec. While producers all across Canada are concerned about the trade imbalance, Ontario and Quebec are most upset about it. I think a lot of the products landing there are secondary process products.

The Chair: Thank you, Mr. Sawyer.

We'll go to Mr. Arya, our last questioner, for four minutes.

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

My question is for Mr. Poirier of Canadian Manufacturers & Exporters.

In my life, Madam Chair, I have owned and managed my own manufacturing company, and six years back, before entering politics, I was a part of a small, very high-end defence product manufacturing company, so I'm biased towards manufacturing. I agree with the witness that we have been seeing a declining trend in value-added exports, which I have noted with caution for so many years and have highlighted for many years.

One of the problems, Madam Chair, we face is that, especially during the last four years, the policy-makers have a limited bandwidth, and that bandwidth is used by a lot of large, foreign-owned, Canada-based manufacturers that export only to the North American market. For example, the steel producers, who have not increased their capacity during the last 10, 15, 20 years, hog the bandwidth because their market is only North America and they don't export anywhere else in the world. Because of that, many times the smaller manufacturers, the growing manufacturers and the new sunrise industries, don't get heard much. That was the part of the industry I was in. The legacy manufacturers like the auto sector, right now they're talking of investing in electric vehicles, which is a good thing, because it's the new frontier in manufacturing. However, we don't hear about manufacturing of new oil and gas, and there's the battery manufacturing we don't hear about.

Mr. Poirier, you did mention that small businesses don't have knowledge of various government programs, and to address that we have actually brought in the Canada Business app. I hope your association and others do promote the use of that business app amongst your members.

My understanding is that most of the manufacturing exports to the U.K. are basically destined to other parts of Europe. If my understanding is correct, and with Brexit at the end of this year, what will the effect be if the U.K. and European Union don't come to an agreement?

Mr. Matthew Poirier: You're right. Traditionally for our manufacturers, the U.K. has been the entry point into the broader European market, so it is concerning as a secondary thing. Obviously, we want to preserve the two-way trade going between Canada and the U.K., but like I mentioned earlier, it is an important link to the European market, so that's a concern as well.

The Chair: Make it a very short comment, Mr. Arya, as you have one minute left.

Mr. Chandra Arya: If no agreement between the European Union and the U.K. is reached, will it basically affect Canadian manufacturers' exports into the European Union?

• (1500)

Mr. Matthew Poirier: Probably. They're all linked, right? If we get a deal with the U.K., but the U.K. isn't dealing with Europe, then obviously that's a big problem, and if there are any discrepancies between all three of us, that's a problem as well. As much as we can harmonize and as much as we can all row in the same direction, that's the optimal outcome.

Mr. Chandra Arya: Thank you.

The Chair: Thank you to all of our witnesses. We very much appreciated your testimony today.

Thank you to the clerk, translators and everyone else.

I hope everybody has a wonderful weekend. We'll see you at committee on Monday when we'll have the minister with us.

The meeting is adjourned.

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