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# Standing Committee on International Trade

EVIDENCE

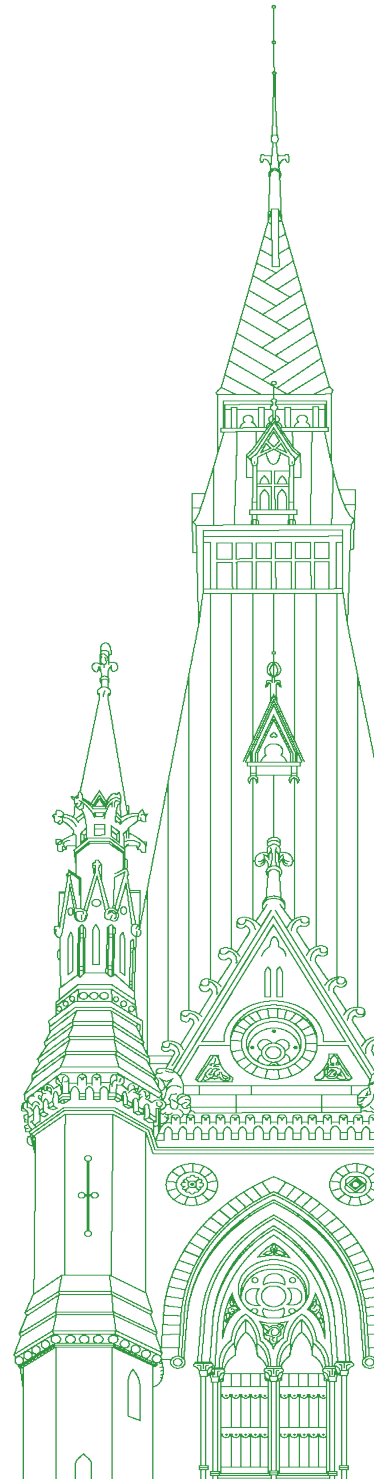
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Monday, June 12, 2023

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Chair: The Honourable Judy A. Sgro





## Standing Committee on International Trade

Monday, June 12, 2023

• (1105)  
[English]

**The Chair (Hon. Judy A. Sgro (Humber River—Black Creek, Lib.)):** I call the meeting to order.

This is meeting number 71 of the Standing Committee on International Trade.

Today's meeting is taking place in a hybrid format pursuant to the House order of June 23, 2022; therefore, members are attending in person in the room and remotely using the Zoom application.

I would like to make a few comments for the benefit of witnesses and members.

Please wait until I recognize you by name before speaking. When speaking, please speak slowly and clearly. For those participating by video conference, click on the microphone icon to activate your mike, and please mute your mike when you are not speaking.

With regard to interpretation, for those on Zoom you have the choice at the bottom of your screen of either floor, English or French audio. For those in the room, you can use the earpiece and select the desired channel.

I remind you that all comments should be addressed through the chair. For members in the room, if you wish to speak, please raise your hand. For members on Zoom, please use the “raise hand” function. The clerk and I will manage the speaking order as best we can, and we appreciate your patience and understanding.

Please also note that, during a meeting, it is not permitted to take pictures in the room or screenshots of Zoom.

Should any technical challenges arise, please advise me, and we will suspend in order to ensure that all members have full access to translation.

Pursuant to Standing Order 108(2) and the motion adopted by the committee on Monday, January 30, 2023, the committee is continuing its study of U.S. countervailing and anti-dumping duties on Canadian exports of certain softwood lumber products.

We have with us today the Alberta Forest Products Association's Jason Krips, president and chief executive officer, by video conference. We have Trevor Kennedy, vice-president of trade and international policy with the Business Council of Canada. We have Gorman Bros. Lumber and Nick Arkle, chief executive officer, by video conference. We have Jerome Pelletier, chairperson, New Brunswick Lumber Producers, by video conference. We have Jeff

Bromley, chair of the United Steelworkers Union's Wood Council, by video conference.

Welcome to you all.

We will start with opening remarks and then proceed with rounds of questions.

Mr. Bromley, I understand that you have to leave shortly, so I will give you your opportunity now to ensure that your comments get on the record.

**Mr. Jeff Bromley (Chair, Wood Council, United Steelworkers Union):** Thank you, Madam Chair. I appreciate the opportunity to jump the queue, as it were, as my flight is in about 45 minutes, and I have to run.

Through you, thank you to the clerk and all members of the committee for the opportunity to join you here today.

My name is Jeff Bromley. I'd like to begin by acknowledging that my office is on the unceded territory of the Ktunaxa Nation, located in southeastern British Columbia.

I've spent 29 years in the forestry industry in the Kootenays, in southeastern B.C. I now serve as chair of the United Steelworkers Wood Council. The council is made up of 11 local unions across Canada, representing 14,000 forestry and manufacturing workers, with approximately 1,500 members in Quebec.

The United Steelworkers Union is the largest private sector union in North America, with 225,000 workers in nearly every economic sector in Canada, including 15,000 workers in the forestry industry.

To begin, I think we can all agree that when we're talking about protecting the forestry industry, we're talking about the Canadian economy, but we're also talking about the workers, their families and the communities they support, a very large majority of which are in rural Canada.

There's more, though, along with steel, aluminum and cement, wood products produced in Canada have some of the lowest carbon emissions in the world, and Canada's forest products are a net carbon sink.

As we look for ways to lower Canadian and global emissions, Canadian wood products need to be part of the equation. The Americans are already on it. The Biden administration is tying together infrastructure spending with fighting climate change and creating good union jobs. Canada should be a natural partner, but instead of becoming a bigger and bigger supplier of forestry products to the U.S., we're shipping them less and less. Competing nations out of Europe are earning larger and larger amounts of the U.S. softwood lumber market, because they aren't being hit with the huge tariffs that the U.S. puts on us.

Even though they have to ship their products across the ocean, other countries can get their products into the U.S. market for less, and they are.

For example, 10 years ago Russia exported less than 1,000 cubic metres of lumber to the U.S. By 2021, before Putin's latest invasion of Ukraine, that number jumped to over a million cubic metres a year.

Meanwhile, last year Canada had exported close to six million fewer cubic metres of lumber than we did just six years ago.

Let me put that into perspective. For every 850,000 cubic metres per year that we export or use, that equals roughly one sawmill operation. Approximately 160 workers make between \$80,000 and \$100,000 a year. Let me assure you that our members are not socking that money away into offshore-based bank accounts. Their money gets spent to support and grow their families, and it gets spent in their local communities.

Now, I'm not usually a defender of the employer. In fact, I'm heading into bargaining with the number one and number two largest forestry companies in the country this week. However, when markets for the softwood commodity are low, unfair duties have added an increasing percentage of cost of anywhere from 4% to 17% over the seven years of this latest U.S.-Canadian softwood lumber dispute.

The duties and the anti-dumping amounts have been set at various amounts since the expiry of the last deal in 2017, and the difference can mean the employer is staying above water or not, which means the difference between our members working or not.

I will say that when things are going well, what they are able to make gets put back into developing the Canadian industry, and the future of our industry is getting higher value from our softwood products in the form of CLT, or cross-laminated timbers, for example. It will take capital to add to the ability of these mills to produce high-value, carbon-neutral products for the future.

As for the U.S. tariff money, it goes to the American economy; it goes to the American industry, and it goes to paying American lawyers to keep defending the tariffs and jacking them up.

The U.S. softwood lumber lobby in Washington continues to say that our publicly owned Canadian forests are subsidized to our industry, but they aren't. Our industry builds the roads, decommissions the roads, plants three seedlings for every one tree harvested and, on average, pays 1.5 times the average wage and benefits of the U.S. industry.

• (1110)

It goes without saying that these tariffs are unfair and damaging. We know they contravene fair trade in almost all WTO decisions, but the U.S. government has missed key opportunities to scrap them. I hope that with the work of this committee, we do better next time.

With that, I thank you for your time. I look forward to your questions.

**The Chair:** Thank you very much, Mr. Bromley.

Mr. Krips, you have up to five minutes, please.

**Mr. Jason Krips (President and Chief Executive Officer, Alberta Forest Products Association):** Thank you, Madam Chair. Good morning, everybody.

My name is Jason Krips, and I'm president and CEO of the Alberta Forest Products Association.

First and foremost, I'd like to recognize that I am currently in Edmonton, on Treaty 6 territory. Our members operate in Treaty 6, 7 and 8 territories. I would like to acknowledge those who came before us, as well as the Métis nations of Alberta.

The Alberta Forest Products Association is a non-profit organization that has represented the sustainable forestry industry in Alberta since 1942. We represent companies that manufacture lumber, panel board, pulp, paper and secondary manufactured wood products in Alberta. Our members range from small, local businesses to large, publicly traded corporations. Alberta's forestry industry supports over 30,000 jobs throughout the province. These are well-paying jobs in a sustainable sector, creating products that are in demand around the world.

The AFPA member companies produce over three billion board feet of softwood lumber in Alberta each year, approximately 13% of Canadian production. Well over half of our members' annual production is exported to the United States. Those exports are subject to unfair anti-dumping and countervailing duties that the United States, in this latest iteration of the decades-long softwood lumber dispute, known as Lumber V, has been imposing since 2017.

When the United States Department of Commerce made its final dumping and subsidization determinations against Canadian softwood lumber in November 2017, the affected Canadian industry, along with the federal and provincial governments, requested binational panel reviews of those determinations, as was our right under chapter 19 of NAFTA.

Decisions by these binational panels are critical to Canada's interest in the softwood lumber dispute, because they have direct force of law in the United States. They can be Canada's most effective tool for challenging the unjustified duty orders against Canadian softwood lumber, and for recouping the billions of dollars in duty deposits, currently well over \$7 billion, that our members and other Canadian exporters have been forced to pay under those orders.

Given the importance of these binational panels, one of the biggest sources of frustration in Lumber V has been the conduct by the United States that has prevented the panel process from working as it should. That conduct takes three forms.

First, the United States has been exceptionally slow in nominating its panellists.

Second, when the U.S. has nominated individuals to serve on panels, those nominees have been anything but independent and impartial. Many of them have been involved in the softwood lumber dispute while serving at the Department of Commerce, or have represented the U.S. industry. The United States has repeatedly renominated candidates who have been previously opposed by Canada because of material conflicts.

Third, the United States has refused to nominate, or appoint panellists concurrently, to hear appeals from the Department of Commerce decisions in what since the 2017 final determinations are now three subsequent administrative reviews. They are AR1 for the 2017-18 period, AR2 for 2019, and AR3 for 2020. Instead, the U.S. has insisted that each panel must be appointed successively.

Largely as a result of the United States conduct, the panel hearings in the anti-dumping appeal from the 2017 final determination took place only last week, more than five and a half years since the appeal was launched. Panels still have not been composed to hear the AR1 appeals that the Canadian parties launched in December 2020, nor the AR2 or AR3 panels launched in 2021 and 2022. That backlog will likely take longer when the Department of Commerce issues its AR4 final determination later this summer.

To put these delays into perspective, the rules of procedure for binational panels, under NAFTA and its successor, the CUSMA, contemplate that the entire process, from the request of the panel review through to the panel's decision, should take approximately 10 months. When the panel process has been conducted as intended, in prior softwood lumber disputes and even in other disputes under the CUSMA, these timelines, for the most part, have been respected.

Preserving that binational panel process was a key objective for Canada in the CUSMA negotiations, and one that Canada bargained hard to achieve. When it achieved that objective, the government rightly claimed it as an important success. Unfortunately, that success has been illusory. Due to the United States' conduct, the panel process is not operating as intended, and Canada is not receiving the benefits it bargained for. As a result, our members, like sawmills across the country, have no effective recourse for the billions of dollars in unfair duties that the United States has charged them, an amount that continues to grow daily.

• (1115)

We recognize that officials at Global Affairs Canada have made repeated efforts over the past several years to persuade their United States counterparts to approach the composition of binational panels in the Lumber V dispute in good faith. We are extremely grateful for those efforts, but sadly they have not succeeded.

It is clear that resolving this issue will require political engagement at the highest levels. It is our strong hope that the Prime Minister will undertake that engagement with President Biden to ensure that the binational panel process functions as the parties committed to, and that, going forward, our appeals from the U.S. panel lumber duty determinations can be heard expeditiously, by fair and impartial panellists.

Thank you very much, Madam Chair.

**The Chair:** Thank you very much, Mr. Krips.

Mr. Kennedy, you have up to five minutes, please.

**Mr. Trevor Kennedy (Vice-President, Trade and International Policy, Business Council of Canada):** Madam Chair and committee members, thank you for this invitation to take part in your meeting on Canada-U.S. trade issues.

The Business Council of Canada is composed of 175 chief executives and entrepreneurs from Canada's leading enterprises. Our member companies directly and indirectly support more than six million jobs across the country and hundreds of thousands of small businesses. Since our establishment more than four decades ago, the Canada-U.S. partnership has been a priority for our members. We played a critical role in supporting the development of the first free trade agreement and its expansion into NAFTA and into our new framework, the CUSMA.

Today Canada and the United States enjoy a strong, mutually beneficial trade and investment relationship. In 2022 we had a record year of exports. In the big picture, the future of bilateral trade looks bright, in large part due to the greater certainty provided by the CUSMA. Unfortunately, this certainty has not extended to the softwood lumber industry, nor to the various industries that rely on lumber inputs, such as home builders.

We believe the only workable long-term solution to provide certainty and stability for the industry would be a new softwood lumber agreement. We are disappointed that eight years after the expiration of the last softwood lumber agreement, there is no new agreement in place, nor are there active negotiations toward one. A new agreement would clearly be in Canada's interest, but it would also be in the interest of American consumers.

We understand that there has been resistance by certain industry groups in the United States to negotiate a new deal, and as a result, this has not been a priority for the administration. However, we know that there are many supporters in the United States as well. Just last year, members of Congress called on the United States to return to the negotiating table. We were especially encouraged to see United States senators Menendez and Thune, a Democrat and a Republican respectively, call on the administration to negotiate a new deal to benefit industry and consumers, particularly to reduce home building costs and housing costs.

Following up on this initiative, the Business Council of Canada sent a letter to the government, calling on the government to work with congressional leaders as well as other supporters in the United States to build some renewed pressure toward a new deal. This is still possible. We encourage Canadian officials to intensify efforts with like-minded partners in the United States to make progress toward negotiations this year.

Securing a deal becomes more important as we approach the review and what we hope will be a smooth extension of the CUSMA in 2026. While there is still considerable support for the agreement across a range of stakeholders, we should not take this support for granted. To create the conditions for expansion, it should be a priority for Canada to reduce the number of irritants and disputes facing the trilateral trade relationship. Reaching a long-term solution for softwood lumber would certainly improve this discussion.

Another challenge in resolving this dispute has been the current state of the WTO appellate body. This concern extends well beyond softwood lumber, but this dispute demonstrates just how important this institution is for Canada. We were encouraged that at the 12th ministerial conference, the United States and other WTO members agreed to restore full functionality of the dispute settlement system by 2024. We urge Canada and its partners in the Ottawa Group to work closely with the United States this year to overcome long-standing concerns and restore this important system.

The recent expansion of buy America rules to include a broad range of construction materials further threatens to harm Canada-U.S. lumber trade. We reiterate the importance of Canada's securing a carve-in to proposed restrictions placed on government procurement.

In conclusion, we urge Canada to prioritize securing a softwood lumber agreement. The Business Council of Canada and its members stand ready to support efforts to build a more stable and prosperous Canada-U.S. relationship and a competitive North America.

Thank you for this opportunity.

• (1120)

**The Chair:** Thank you very much.

Mr. Arkle, you have up to five minutes, please.

**Mr. Nick Arkle (Chief Executive Officer, Gorman Bros. Lumber):** Thank you very much, Madam Chair.

I'd like to recognize that we operate on and alongside the Okanagan Syilx and Secwépemc nations.

I'd also like to give a special welcome to Richard Cannings, who I know resides most of the year just 40 minutes south of us. It's nice to see him on the panel.

**The Chair:** Mr. Arkle, could you turn your camera on, please? We were missing a handsome face.

There he is.

**Mr. Nick Arkle:** Good morning, and thank you for the opportunity to present to the committee.

I am Nick Arkle. I'm the chief executive officer of Gorman Bros. Lumber, based out of the Okanagan, here in British Columbia.

We are a B.C.-based, independent, family-owned and -operated company that is currently in its third generation. We have five divisions that range from what I would call very small through to mid-size, totalling just under 1,000 employees. That's before you count contractors and all others associated with the businesses.

We've operated continuously without interruption since 1951. While we have many employees, we'd still be considered small to mid-sized based on the throughput of logs that go through our mills.

We're an economic driver in each of the communities we reside in. When you add all the associated multiplier benefits, it just makes the importance even greater.

Our two largest divisions are focused on producing a variety of high-value products directed at the interior and exterior home finishing and renovation markets, with a large portion of that going to the U.S., although our products actually go to over 30 countries worldwide.

We are a member of both the BC Lumber Trade Council and the BC Council of Forest Industries, both of which I know are also making their own written submissions. I would like to point out that we fully support the positions and comments that will be identified in those briefings. We strongly believe in a pan-Canadian position regarding this dispute.

We also understand and appreciate the statutory rights of U.S. producers under U.S. trade laws, but we believe that working constructively to find and negotiate a solution to this trade dispute is really the approach we should be taking.

We're not afraid of litigation. We strongly believe, though, that our industry on both sides of the border has so much more in common than we have differences. I experience this all the time when I'm on trade trips.

We can and we should work together collectively to promote this incredible product that we all produce. There's an insatiable appetite for lumber products, and the benefit of using this product, as we all know, goes so much further than just the consumption of it.

The role of sustainable forestry and lumber use should be a major part of the climate change solution. It's not the problem. A greater use of wood across North America and within the global context should be aggressively explored—not barriers to its use. A combined North American position working together would be a far more efficient use of our combined resources than battling through ongoing trade disputes.

We'll continue to work closely with Minister Ng and her staff, with a focus on ensuring that high-value products are specifically recognized in any process or developments going forward. We appreciate the time that has been spent to date by both the minister and her staff to better understand the high-value portion of the industry and the specific impacts we face. The time the minister gave to a personal visit to our operations last year to better understand the challenges of the high-value producers was particularly appreciated.

This submission is to identify that high-value producers are disproportionately impacted due to the duty being based on the total value of the product as it crosses the border. What must not be forgotten is that high-value products require refined processes, special and targeted marketing, and customers building programs together with the producer. It comes with a very high cost. Many of the companies producing these high-value products are small to mid-sized companies that do not always have the same financial and borrowing depth of the larger producers.

Should this dispute go on for several more years, many small to mid-sized mills, especially those producing high-value products for the U.S., will be stretched beyond acceptable stress levels. Any and all delays in arriving at a settlement, whether due to delays in the administrative review processes due to the absence of appointed panellists or any other factors, could cause irreparable damage to the high-value lumber industry.

We believe high-value products need to be considered carefully going forward and receive the same level of attention as in 2006, when they were dealt with in a special fashion. This is important, especially in a dispute that is focused mainly on construction lumber.

Thank you again for this opportunity.

• (1125)

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

Mr. Pelletier, go ahead for up to five minutes.

**Mr. Jerome Pelletier (Chairperson, New Brunswick Lumber Producers):** Thank you, Madam Chair.

My name is Jerome Pelletier. I'm the vice-president of the Sawmills Division at J.D. Irving, Limited, and also chairperson of the New Brunswick Lumber Producers, the NBLP.

I'm pleased to appear before the committee today to speak about the softwood lumber agreement and its importance to the lumber producers in the province of New Brunswick.

The New Brunswick Lumber Producers are made up of nine lumber producers in the province. We represent 95% of the softwood lumber production here in New Brunswick.

The NBLP is a key part of the New Brunswick forestry products value chain. We're the largest wood buyers for the local private woodlot owners, supporting thousands of mill employees, professional loggers, truckers and silviculture workers in all regions of the province.

We, the NBLP, are the largest supplier of wood chips, biomass and sawdust, which are all key ingredients in the manufacturing of New Brunswick's pulp, paper and wood pellets products. We also supply products to wood fencing manufacturing facilities, as well as pellet manufacturing operations all located here in New Brunswick.

There are currently 40,000 registered private and industrial woodlot owners in New Brunswick. Historically, the Government of New Brunswick's timber utilization survey reports that approximately 50% of the wood supply comes from private land. This makes New Brunswick the only Canadian province other than Nova Scotia in which such a large volume of logs come from private sources.

The New Brunswick forests are sustainability managed. In fact, New Brunswick Crown forests have a growing inventory of timber and among the lowest losses to pests and fire in Canada. The majority of the finished products produced with logs originating from the New Brunswick forests are third party certified through chain-of-custody standards like those of the Sustainable Forestry Initiative, or SFI.

New Brunswick forests fall mainly into the Acadian forest type, a natural diverse forest not only from a species perspective but also in terms of age diversity.

I think it is important for committee members to understand the significance of the forestry products sector to the New Brunswick economy. The following information comes from Statistics Canada.

New Brunswick's forestry products sector generates more economic activity than does any other industrial sector in the province of New Brunswick.

There are 900 companies operating in this forestry sector of the province, and we operate in 70% of New Brunswick's communities. In 2021, New Brunswick's forestry products sector generated the highest provincial GDP per capita in Canada, which was 56% more than the amount in the next-highest province.

The New Brunswick forestry products sector exported 2.9 billion dollars' worth of products in 2019.

In 2021, the sector directly employed 11,800 employees. When you add in indirect and induced employment, it employs over 23,000 people in the province. That is one in every 18 people in the New Brunswick workforce.

The New Brunswick forestry products sector contributed to 1.5 billion dollars' worth of employment income in 2019.

As you can see, a strong forestry sector is vital to the economy of New Brunswick. This fact leads in to the next part of my remarks, which relate directly to the importance of the softwood lumber agreement to the New Brunswick Lumber Producers.

Since the antidumping and countervailing duties were unfairly imposed by the U.S. Department of Commerce in 2017, the NBLP have paid on average a combined duty rate of almost 14%. Current cash deposits paid by the NBLP are now over \$500 million Canadian.

The total amount of cash deposits paid by all Canadian producers is now at over \$8 billion, making the current trade case one of the longest and most expensive in Canadian history.

The duty imposed on the NBLP significantly reduces our capacity to compete with other lumber producers located in the northeastern United States, Scandinavia and the rest of Europe.

As part of the trade dispute resolution process under the North American Free Trade Agreement and the Canada-United States-Mexico Agreement, NAFTA and CUSMA, several appeals have been filed by the New Brunswick Lumber Producers and other Canadian lumber producers. Although NAFTA and CUSMA direct that a final panel decision be made in less than one year, after more than five years no decision has been made.

We expect that the outcome of the decisions from the NAFTA and CUSMA appeals will be favourable for Canada and the NBLP. We also expect that a significant portion of the cash deposits will be refunded to the Canadian lumber producers, as well as to the NBLP.

• (1130)

The current trade case between Canada and the U.S. is the fifth in the last 40 years. In the last four trade cases, the softwood lumber dispute was resolved when the Canadian and U.S. governments made it a priority. For that reason, the NBLP respectfully asks the Government of Canada to, one, insist the U.S. comply with the NAFTA and CUSMA appeal procedures, with a goal of meeting all ruling deadlines, as specified in the trade agreements; two, work jointly with all parties of each province, and the lumber associations and producers, to develop a negotiation strategy; and three, encourage the United States trade representative, Katherine Tai, to enter into serious negotiations to resolve this long-standing issue.

Dear members of the international trade committee, this concludes my presentation.

Thank you very much.

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

It's on to the members.

Mr. Seeback, you have six minutes.

**Mr. Kyle Seeback (Dufferin—Caledon, CPC):** Thank you very much, Madam Chair.

One thing we've heard is that industry requested that the government appoint a lead negotiator-slash-envoy to resolve the dispute. If

my memory serves me correctly, the trade minister asked for a name, and Mr. MacNaughton's name was put forward. To my understanding, nothing has happened with that. I asked the minister at the committee—I think it was five times—whether she had raised appointing special envoys or negotiators to try to resolve the dispute with our U.S. counterparts, and she refused to answer the question.

I'm wondering whether any of the industry representatives have any thoughts on why she refused to answer that question.

**The Chair:** Who are you directing that question to?

**Mr. Kyle Seeback:** That was for anyone. It could be Mr. Krips, Mr. Pelletier, Mr. Kennedy or Mr. Arkle—anyone.

Does anyone have any thoughts on that?

**The Chair:** It doesn't look as if anyone is particularly anxious to answer here.

**Mr. Kyle Seeback:** I see. Okay.

I want to talk to Mr. Krips.

Mr. Krips, you're suggesting there's a failure to have these panels run properly. I think you said the Americans are not appointing non-partisan people. They're slow to nominate. Then you gave a third thing, which I didn't get all of.

Who makes these appointments? Is it the U.S. administration making these appointments?

**Mr. Jason Krips:** I will reiterate the three concerns we have with respect to the panel process.

One, as you mentioned, is that it's exceedingly slow.

Two, those who have been nominated, by and large, have been anything but independent and impartial. We've had a number of appointments in which there has been a conflict of interest. The Canadian government raised concerns around it, yet the United States continues to renominate the candidates.

The third is the fact that they're being done successively. We have a number of panel requests in, and instead of having them—

• (1135)

**Mr. Kyle Seeback:** They're running consecutively.

**Mr. Jason Krips:** You have it. That's our third concern.

**Mr. Kyle Seeback:** Who's making those decisions? This would be the President's administration. Is that correct?

**Mr. Jason Krips:** The U.S. administration is making those, in conjunction with the Department of Commerce, as I understand it.



**Mr. Kyle Seeback:** This isn't being driven by some rogue senators or representatives, or by the industry itself. This is a decision being made directly by the Biden administration.

Is that correct?

**Mr. Jason Krips:** That's my understanding.

**Mr. Kyle Seeback:** This would appear, to me, to be something that has to be resolved on a government-to-government basis.

Would you agree with me on that?

**Mr. Jason Krips:** We would like to see, at the highest levels, the administration on both sides lean in to ensure we have functioning panel processes. We fought long and hard through the NAFTA negotiations, and now through CUSMA, to get these panel processes. We would like to see those processes held in a way that is impartial, functioning and running in good faith.

**Mr. Kyle Seeback:** This isn't just, "We're not going to negotiate." We hear this all the time. Am I right? We tried. We raised it, but they're not interested in negotiating. This is actually, it seems to me, a myriad of tactics to prevent a decision from being made entirely, or to delay that as long as possible.

Would you agree with my assessment of that?

**Mr. Jason Krips:** I would argue that we believe—I believe—that the processes have not been adhered to in good faith. These processes were negotiated by both sides, both the United States and Canada, to ensure we had functioning panels so that when disputes came up under CUSMA or softwood lumber, we'd have fair and impartial panels. I would argue that—

**Mr. Kyle Seeback:** The Americans appear to be ragging the puck, to use a hockey analogy.

**Mr. Jason Krips:** That's a great analogy to use, yes. I say that as an Edmonton Oilers fan.

**Mr. Kyle Seeback:** The only way to stop them from doing that would be for the Canadian government to find a way to stop them from doing that. Would that also be correct?

**Mr. Jason Krips:** We believe that we need pressure at the highest levels of government to ensure we have properly operating panel processes.

**Mr. Kyle Seeback:** The failure of any movement on these panels, on the issue with panels or on an actual agreement itself, would be a failure of the government to get the U.S. to move on these issues, would it not? There's no one else who can do it.

**Mr. Jason Krips:** We believe that Global Affairs Canada...we believe that Minister Ng has really pushed this hard. She has pushed it, as I understand it, in every meeting she's had with her counterpart. We believe that this has been raised by Prime Minister Trudeau to President Biden. We'd just say that we need to have increased engagement, so that we have highly functioning panels.

**The Chair:** I'm sorry, Mr. Seeback. You have 15 seconds.

**Mr. Kyle Seeback:** Quickly, Mr. Kennedy, what should we do differently?

**Mr. Jason Krips:** Well, in terms of being done differently, we just need to continue to push hard to ensure the U.S. is following in good faith these panel processes, getting proper appointments in place and getting the hearings happening concurrently.

**The Chair:** Thank you very much.

Mr. Virani, you have six minutes, please.

**Mr. Arif Virani (Parkdale—High Park, Lib.):** I'll pick it up there, because this is something.... You're probably all aware that we just had a trade trip to Washington, and we were pretty unified in a team Canada approach in terms of addressing various irritants. The lack of robust mechanisms under CUSMA or the WTO is a pet issue of mine that I've raised repeatedly.

Mr. Kennedy, what Mr. Seeback was trying to ask you is what we should be doing differently to make sure this is on the utmost priority level for the U.S. administration, because it has been and is raised repeatedly by Mary Ng with Katherine Tai, and it was raised with President Biden when he was here in March. It's not for lack of effort, but in terms of creative suggestions, it's over to you, Mr. Kennedy, in terms of what should be done differently.

**Mr. Trevor Kennedy:** There's no doubt that this is a serious challenge. We understand that a range of stakeholders and political leaders have attempted to move this conversation forward over the past several years.

In terms of new ideas, it is important to also work with some of the folks who can put pressure on the administration internally. When there are members of Congress, leading senators, who express support for a softwood lumber negotiation, those could be key allies for Canada to help push this forward. Of course, they still have a difficult time in making the case with the administration, but we see those folks as possible allies.

There are industry groups as well. Many people in politics and policy are focused on affordability, and one can frame this in the context of improving affordability. The senators who weighed in last year made that case around home affordability.

I think we all acknowledge that there has been a lot of effort put into this over the past several years to help get us to a point where we can negotiate a softwood lumber agreement, but we would appreciate a renewed effort. Anywhere we can be helpful and other associations can be helpful, I think we'd be happy to support the government's initiative.

• (1140)

**Mr. Arif Virani:** I'll stay with you, Mr. Kennedy, because you mentioned something about the WTO appellate body. Others raised it as well, but can you tell me, strategically, if you think that since there seems to be some appetite.... Indeed, the U.S. has made a commitment to have that appellate body functioning by 2024. Would one approach be to do it seriatim, to try to address the WTO mechanism, to get it up and running in a way that the Americans can agree to, to say, "Look, here's an example of things that can actually work," and then to turn to the CUSMA panel? Should it be approached incrementally to get them on the same page we're on?

**Mr. Trevor Kennedy:** That's an excellent question.

Because we have a number of cases through different venues with NAFTA, CUSMA and the WTO, maybe it's more broadly on the issue of the WTO appellate body that we were very much encouraged to see the United States, through other WTO parties, agree to restore functionality. I think we still have some way to go to get to that point in time, but we see that as an opening to restore the body.

There are U.S. stakeholders that have also been very supportive of getting to that point in time. Canada is a leader through the Ottawa Group in engaging countries toward reforming and restoring functionality to the WTO, so Canada is in an excellent position with its partners to intensify its efforts with the United States, to get us to a point such that we can restore that body. It could become a vehicle whereby we can at least address this dispute or, for the future, have a functioning dispute settlement system globally.

In terms of what an actual softwood lumber agreement would include, including if we were to drop certain cases, I don't know how that process would play out or what would be preferable to certain industry groups, but we see the restoration of the dispute settlement system at the WTO as a positive step in addressing this dispute and others.

**Mr. Arif Virani:** Thank you.

I'd like to turn to Nick Arkle of Gorman Bros. Lumber.

You mentioned Minister Ng's visit out to your location and understanding on the ground the challenges that high-value producers are facing.

Can you flesh that out a bit in terms of the differentiation in the work and the product that you are providing to customers as opposed to the building materials and softwood lumber that are going primarily into the construction of houses?

**Mr. Nick Arkle:** High-value products, as you point out, don't get behind drywall. This tends to be a product that is graded on visuals and feel, because it's what people are using in home finishings and renovations, products like ceilings and walls, feature walls and flooring. It would probably be used in baseboards, casings around windows, siding to houses and decking, particularly when you're looking at a product like cedar.

The way I describe high-value products is that they are margin through value, and the commodity world is a price taker. The world says how much it's going to pay for a product, and they have to produce that product at the lowest cost possible, and that's the compar-

ative advantage to the neighbours. We see the world differently, and this is the niche that we're in. We don't mind spending another five dollars on producing a product through a very refined process if we're getting \$10 or \$6 more for value. It really is a margin through value.

What are the differences? An example would be our drying process, where a dimension mill doesn't need to be as exacting. They can put their lumber into a dry kiln for maybe a day or a day and a half, something like that. We'll put lumber into a dry kiln to get it dried down to the right moisture code content that isn't going to twist and warp when it ends up in a house. It could be in for five to 10 days. Then we put our products through specialized equipment to get a very fine finish. Instead of through a regular planer, as we would call them, we'll put them through moulders.

Everything is more refined than it would be for the construction dimension business.

• (1145)

**The Chair:** Thank you very much.

Mr. Savard-Tremblay, you have six minutes, please.

[*Translation*]

**Mr. Simon-Pierre Savard-Tremblay (Saint-Hyacinthe—Bagot, BQ):** Thank you, Madam Chair.

I would like to thank all of the witnesses for their presentations.

I'll put my question to the industry representatives, Mr. Krips, Mr. Arkle and Mr. Pelletier.

In 2022, we conducted a study on the relationship between Canada and the United States which included a section on softwood lumber and was the subject of a chapter in the report we wrote. The report, which was quite voluminous, recommended that the government make "returning the amounts of anti-dumping and countervailing duties collected by the United States to the producers who paid them" a priority. Have these amounts been returned to producers, or are they in the process of being returned?

**Mr. Jerome Pelletier:** Mr. Savard-Tremblay, I can answer your question. I believe you're referring to the duties that are paid on lumber shipments to the United States. Can you confirm that this is indeed the case?

**Mr. Simon-Pierre Savard-Tremblay:** Yes, I'm talking about the anti-dumping and countervailing duties imposed by the United States.

**Mr. Jerome Pelletier:** The countervailing duties have not been redistributed to Canadian producers and cannot be until the committees established under the North American Free Trade Agreement, NAFTA, and the Canada-U.S.-Mexico Agreement, CUSMA, have completed their work. We referred to these issues earlier in our presentation. A number of appeals have been lodged under both agreements to clarify the countervailing duty issue. Once the appeals processes are completed and their findings confirmed, the countervailing duties can be redistributed to Canadian companies.

In the past, some or all of the countervailing duties reverted back to Canadian producers during negotiations and when there was agreement between the two countries. That's the approach we're advocating. We believe that legal proceedings are part of the process, and we must ensure that they take their course. However, we believe that this issue will be resolved during the final negotiations between Canada and the United States. We will then be able to ensure that a portion of the countervailing duties is returned to Canadian producers.

**Mr. Simon-Pierre Savard-Tremblay:** There are countervailing duties, but there's also another category, namely anti-dumping duties, which have been applied punitively by the Americans. We're somewhat familiar with the usual routine, that is, the United States ends up losing in court, but in the years when the duties are applied, it really hurts us and forces us into near-bankruptcy. That's why the report recommended that these amounts be returned to the industry without delay, so as to give it some breathing room to absorb the hit.

Is what you're telling us based on discussions you've had with the government?

**Mr. Jerome Pelletier:** We have not had discussions with the government on the return of countervailing duties to Canadian companies at this time. We believe that this should be done in the context of the ongoing legal proceedings under NAFTA and CUSMA. The proceedings are behind schedule, as all the witnesses have said this morning, and are not following the timetable that was originally negotiated. There are no negotiations between the two countries.

**Mr. Simon-Pierre Savard-Tremblay:** During last fall's study of the Canada-U.S. relationship, which I alluded to, the Quebec Forest Industry Council encouraged the government to consult more with the provinces, but also with forestry stakeholders and other concerned partners, in order to obtain the best possible action plan to put an end to this dispute. As part of this study, Resolute Forest Products, a major company that manages a third of Quebec's forests, also asked the government to work with wood producers in Canada to ensure a good exchange of information.

Since last fall, do you feel there's been increased dialogue on this specific point? You say you haven't had any discussions about duties, but is there really a willingness to end this dispute and consult with the industry?

Since you brought it up, Mr. Pelletier, I'll let you answer first, but I'd like each witness to answer the question afterwards.

• (1150)

**Mr. Jerome Pelletier:** I believe there have been two roundtables with Minister Ng since last fall. There have been direct consulta-

tions with different producers, but also with different associations. We're very grateful for the time and energy the Minister is putting into the file.

Our position is that we must continue in this direction. We must even accelerate talks between the provinces and between producers within Canada to develop a negotiating strategy.

**Mr. Simon-Pierre Savard-Tremblay:** Madam Chair, I'll leave it to you to decide who answers in which order.

[English]

**The Chair:** You have 11 seconds remaining in your time.

[Translation]

**Mr. Simon-Pierre Savard-Tremblay:** So we are now moving on to the next round.

[English]

**The Chair:** Okay, exactly, thank you.

I'm sorry, Mr. Seeback was trying to get my attention.

**Mr. Kyle Seeback:** I wanted to say that I just got an email that there might be bells at 12:30, so I would suggest that maybe we stop at 12:30 and do our in camera until 12:45, and then people can get to the vote as they need.

**The Chair:** Is everybody okay with that?

**Mr. Arif Virani:** We'll do that in camera....

**The Chair:** Yes, but we'll stop at 12:30—

**Mr. Kyle Seeback:** —go in camera, do our committee business....

**The Chair:** Then everybody will get to the House for the vote, if that's what they want.

Okay, thank you.

Mr. Cannings for six minutes, please.

**Mr. Richard Cannings (South Okanagan—West Kootenay, NDP):** Thank you.

Thanks to all the witnesses for being here today.

Thanks especially to Nick Arkle for giving me a shout-out. For full disclosure, in my previous life—maybe 25 years ago—I did a couple of contracts with Gorman Bros. and met Nick then. It's been a long and happy relationship there.

I wanted to pick up on this concern about the high-value producers and how they've been disproportionately impacted.

Nick, you mentioned that in the 2006 deal, they were treated differently because of that impact. I'm just wondering if you wanted to expand on what happened then and what you would like to see with a new solution to this dispute.

**Mr. Nick Arkle:** Thank you very much.

Obviously, I'd like high-value products to be excluded and recognized as something different. What they did back then—and I believe it was something that was put into the negotiated agreement at the very end—was put in a cap on the value. They said that after a certain amount, which I believe back then was \$500, there wouldn't be any extra duty paid. That was the tax back then. It was on a sliding scale, but once you hit that amount, it was....

I assume what they tried to do there was take high-value product and make it somewhat similar to construction dimension lumber as far as the way it would get treated, so that there was an equitability across the board, whereas right now—as I pointed out and as you just picked up on—today, we pay the duty on the total value of that product going across the border. We're sending something across at \$1,500 for 1,000 board feet, with a lot of costs associated with that. We're paying the duty based on \$1,500, whereas someone else today is paying it based on \$350.

**Mr. Richard Cannings:** If I understand correctly, products like glulam beams and CLT panels are excluded already. You could argue that they are higher-value products, similar to yours but maybe taken one step further in the manufacturing process.

They are excluded. Why not exclude your products, which are very different from simple two-by-fours and two-by-sixes?

• (1155)

**Mr. Nick Arkle:** That is correct.

**Mr. Richard Cannings:** I was going to ask Jeff Bromley some questions about the British Columbia situation, but it looks like he had to catch a plane.

I'll continue with you, Mr. Arkle.

Various mills in British Columbia have been closed or curtailed. I'm just wondering if you could perhaps comment on your experience.

Gorman has several mills. Which of these mills has been closed, and why? Why have they been impacted to the point that they have closed? Are they big companies that are just trimming around the edges, or are they small mills?

What are the factors that are really hurting mills in British Columbia in particular?

**Mr. Nick Arkle:** The changes to the number of mills in the province is really based on the available fibre supply.

As most of the committee members are probably aware, we had a mountain pine beetle infestation go through the province back in the 1980s, 1990s and into the 2000s. It attacked a lot of the interior lodgepole pine—which is really the staple for a large part of the interior industry. We've had forest fires associated with that as well.

There was a decision back then to harvest timber before it deteriorated to the point at which it had no value, which I believe was the right decision to make. At some point we all knew there was going to be a day of reckoning.

By law, we have to be at a sustainable level, so you're cutting only what you have in growing stock and what's in standing timber. We knew that if we were overcutting to remove the damaged tim-

ber, someday there was going to be a reduction in that supply, and that someday is today.

What you're seeing is a rebalancing of mill capacity with the available fibre supply. A lot of mills are having to make the decision to shut down completely. Some have just curtailed production.

We quite often get asked the question, "Why haven't you shut down a mill?" and I say, "We have." Those people then look at me with great surprise and say, "No, you have all of your mills running." I say, "No, we've gone from three shifts to two shifts in three of our primary operations. That means we have shut down one mill." It's the equivalency.

What you're seeing in the province is a lot of equivalency as well—total mill closures and equivalency.

**Mr. Richard Cannings:** I have one further question on that.

For a while last year, lumber prices were very high. Mills seemed to be handling the tariff situation because prices were so high. Now, prices are lower. I assume that's impacting mills as well, and will impact them in the future. The anti-dumping tariffs will increase because of those low prices. Can you comment on that?

**Mr. Nick Arkle:** Yes, we've come off a sugar high. There's no doubt about it. Those were two of the best years the industry had experienced probably ever—certainly in recent memory. One year we hit \$1,600 CAD—\$1,000 USD—for dimensional lumber. Then we came down to the lofty low of \$1,400 the following year. We all started to think that maybe this was the new norm. Well, we should have known better. We're back to 20-year averaging again.

That's a bit of a shock to the system, but I think it was sort of expected. It means that we're still trying to balance our delivered log costs and operating costs with what the market is prepared to pay at the other end. That's the struggle today.

Having said that, we needed those two years, because we had just come off about five years of not much better than breaking even or heavy losses. It was—

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

Mr. Carrie, you have five minutes.

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

I, too, wanted to ask questions of Mr. Bromley in regard to jobs, jobs at risk and job losses, but I think I'll shift over to Mr. Kennedy.

You mentioned six million jobs in Canada, small businesses, and that we require certainty in the industry. Without certainty, we really can't make plans; we can't make investments, and the future isn't as clear.

I remember, when we were first in government in 2006, that we were faced with making an agreement with the Harper government, and I remember Mr. Emerson. We were successful. It wasn't a perfect agreement, but it did give certainty.

Fast forward to 2015, and one of the first things we had on our plate was the original TPP, and Canada walked away from that. It was Mr. Obama's deal, and my understanding is that there was a lot of upset in the United States when we walked away from that.

To give him credit, Mr. Obama appointed Michael Froman, I believe his name was, and we had Madam Freeland. In March 2016, he instructed them to come back within 100 days, so that this would be resolved. I think you're aware that it failed.

We had another administration, the Trump administration, with CUSMA, and we had a great opportunity to get something solidified there. Nothing happened. Now, with Mr. Biden just here a short period ago, we had an opportunity to get it resolved.

It has to be a priority. It has to be a negotiated settlement. Mr. Seebach talked to the panel here today about this idea of a special envoy, and I really didn't get a clear response.

I was just curious. Are you and your members in favour of a special envoy? Mr. MacNaughton's name was brought up because it seems what's going on isn't really working. We're not getting that certainty that you say is so important.

Could you comment on that a little more clearly?

• (1200)

**Mr. Trevor Kennedy:** Absolutely, we would be supportive of having an individual or individuals leading the effort to fundamentally get U.S. policy-makers on board with a negotiation. It is important, and that seems to be where we're struggling at the moment. Having somebody who's familiar with policy-making in the United States stakeholder community, who can really drive this for Canada, would be beneficial, whether that's Mr. MacNaughton, another senior former official or somebody with experience in the industry.

We need to find a way to move this discussion forward. Unfortunately, the administration has not considered this to be a priority at this time, so we should consider many options, including working with other members. I know there are suggestions to work with the provinces and other stakeholders in Canada, but anything we can do through our networks to help drive this forward as well....

**Mr. Colin Carrie:** I think it has to be at the highest levels. I was wondering, and perhaps you could comment, because I was going to talk to Mr. Bromley about jobs. A good friend of mine is a union steward in a mill, and there are concerns on the ground.

Could you comment on investments in the industry in the last few years or a hesitancy to make investments to improve our productivity because of the uncertainty and maybe foreign direct investment? You could even talk about the opportunities that we have; however, they might be held back because of this uncertainty.

**Mr. Trevor Kennedy:** Perhaps this is a broad comment, but what we saw with CUSMA entering into force was the restoration of certainty in the industry and across many industries, not just the softwood lumber industry. With that, we've seen companies comfortably make long-term investments for a number of sectors. Unfortunately, we haven't necessarily seen that extended to the softwood lumber industry, so we would welcome any initiative that

could bring the certainty that other industries have experienced through CUSMA to those firms.

**Mr. Colin Carrie:** I'm just concerned; it seems to be getting worse. You mentioned buy America instead of improving.... We have buy America thrown at us, and the WTO is not working either.

Perhaps, Mr. Krips, you would be able to comment on the idea of these investments. Mr. Arkle said he has equivalent shutdown mills. I'm hearing that people are really concerned about it. This is a great opportunity. We know that Canadian lumber will help with climate change, and it just seems not to be a priority. Would you be able to comment on the amount of investment we're perhaps losing out on unless the government makes this a super priority?

**The Chair:** I am sorry, Mr. Carrie, but your time is up.

Mr. Krips, perhaps you could give a brief answer to a long question.

**Mr. Jason Krips:** Certainly. Thank you, Madam Chair.

I would certainly echo Mr. Kennedy's comments around needing certainty. Business always needs certainty. It certainly helps with the investment climate. I would say that, from a forestry perspective—from an Alberta perspective—a number of factors go into what that certainty looks like. There are a number of policies that are not just federally driven but also provincially driven, which can impact....

To cut a long story short, we very much believe in the sustainability of our industry and the fact that we are a key contributor to reduction and net zero by 2050. The more we can get investment certainty.... That will help with increased investment for forestry within the country, and in Alberta in particular.

• (1205)

**The Chair:** Thank you very much.

I will go to Mr. Sheehan for five minutes.

**Mr. Terry Sheehan (Sault Ste. Marie, Lib.):** Thank you, Madam Chair.

I want to make the following statement.

We have forest fires happening all across Canada. We're thinking about all the people who work in the forest—"in the bush", as we say in northern Ontario—and their safety.

Thanks to all the fire crews out there protecting people, and those people's livelihoods as well. Thank you for that.

My first question, Madam Chair, is for the Business Council of Canada.

Can you provide an analysis of the political and economic factors within the United States that contribute to their current stance on the softwood lumber dispute and hinder the prospect for negotiations?

**Mr. Trevor Kennedy:** I'm happy to weigh in.

To our understanding, at least at the administration level, this has not been a priority. I know we've seen some public statements from the USTR, indicating that they would be open to a negotiation. However, we know we haven't been able to move the discussion forward, at least with this administration, and I suppose the previous administration as well. We're aware of groups like the Lumber Coalition in the United States, which have favoured delaying a negotiation and are perhaps providing political support for the approach the administration is taking.

Within Congress, it's a bit more complicated. We've seen some congressional leaders, like we did last year, express support for a softwood lumber agreement. I know that when Ambassador Tai testified in front of the House ways and means committee earlier this year, she was asked by some members of Congress what their approach was. There are some supportive voices in Congress, and there are also voices critical of Canadian lumber policies. In certain parts of the country, there are areas where they have an industry they're protecting.

It is a complicated political environment, but we know that all three parties—this includes Mexico, as well, through USMCA—value the agreement. Once again, the certainty it provides.... We think the agreement.... Collectively, business communities across all three countries support the implementation and enforcement of the agreement. It is critically important that all three countries honour the agreement and understand this in that context as well.

We are hopeful that we'll at least be able to create the political conditions in the near future to get the United States to come to the table and have an honest discussion about how we can resolve this dispute for the long term. That would be a favourable development.

**Mr. Terry Sheehan:** Thank you for that.

My next question is going to be for the New Brunswick Lumber Producers.

Frank, my college roommate, was from Dalhousie, New Brunswick. His father and his summer jobs were at the mill there. I've heard about that area quite a bit.

My question to you is this: In your opinion, what role can the Canadian lumber industry, alongside the government, play in advocating for negotiations and demonstrating the importance of resolving the softwood lumber dispute in both countries' economic interests?

**The Chair:** Excuse me, Mr. Sheehan. Can you get your video back on, please?

There you go. Thank you. Please continue.

**Mr. Jerome Pelletier:** Thank you for the question, Mr. Sheehan.

As you know, we live in a large country. The forest regime in every province is different. It's a complex issue to start a negotiation.

I think the answer to your question here is that the industry has to work very closely with the government on developing a negotiation strategy. I believe the more interactions we have early on with Minister Ng, or any members of Intergovernmental Affairs, to work on building what that framework should look like.... That is key to starting a constructive and effective negotiation with the USTR.

**Mr. Terry Sheehan:** There seem to be slight differences between the provinces, as was mentioned by one of the speakers here.

In Ontario, my brother-in-law worked for the provincial MNR on softwood for years—going back years and years.

What seem to be the differences that the Americans are getting hung up on?

• (1210)

**Mr. Jerome Pelletier:** I'm not sure whether the Americans have a specific opinion on a specific province or a specific item in the Canadian industry. I can't answer that question, unfortunately.

**Mr. Terry Sheehan:** I'll perhaps go to the one who mentioned that there were provincial differences. I don't know whether it was Jason or Nick who mentioned it.

If you don't have a lot of time to answer that, maybe someone could submit it in writing.

**Mr. Jason Krips:** Quickly, that was more about the different policies at a provincial level that impact growth in a forestry sector.

I apologize if I misspoke, but I was not speaking to U.S. differences within Canada. We very much believe in a team Canada approach when we look to negotiating a softwood lumber agreement. It has to be, absolutely, a team Canada approach.

**The Chair:** Thank you. Your time is up.

Mr. Savard-Tremblay, you have two and a half minutes, please.

[*Translation*]

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

Mr. Arkle, a representative of your company, Mr. Reedy, appeared before this committee in 2006 and criticized the 2006 Softwood Lumber Agreement as an "abomination". That was the last time a solution was found to this dispute.

In anticipation of upcoming negotiations to reach a new agreement which will hopefully be a lasting solution, what would you recommend to avoid repeating the mistakes of the past and which your company denounced back then?

[*English*]

**Mr. Nick Arkle:** Mr. Reedy has been gone for a long time. I imagine that views and approaches have changed dramatically since then. My understanding is that back in those days, there were two groups in B.C., with differing views of how this should be approached.

Today, as I mentioned, we are members of the BC Lumber Trade Council; therefore, we support and are supporting the messaging from the BC Lumber Trade Council on a combined and collaborative effort. Going to Jason's point, that then fits into the team Canada type of approach.

The "abomination"—boy, that's a strong term—was before my time. That certainly isn't the approach we would take today.

[Translation]

**Mr. Simon-Pierre Savard-Tremblay:** That's perfect.

Earlier, I asked all the witnesses whether they had been consulted, given the recommendation to consult more closely with the lumber industry, which came out of the study we conducted last fall on the relationship between Canada and the United States. Have you been further consulted since then?

• (1215)

[English]

**Mr. Nick Arkle:** I certainly would have been, through the BC Lumber Trade Council. I sit on that board, so any kind of communication coming back from Ottawa through the BC Lumber Trade Council I would have been part of.

**The Chair:** Thank you very much.

Mr. Cannings, you have two and a half minutes, please.

**Mr. Richard Cannings:** Thank you.

I'll continue with Mr. Arkle.

You mentioned, as I was questioning you earlier, the headwinds that the B.C. industry faces through reduced fibre supply, beetle epidemics, forest fires, etc. What is a real black box for me in this whole thing is how the U.S. sets the rates of these illegal tariffs. I'm wondering if those changing circumstances for the B.C. industry in particular are taken into account by their methods, by how much farther you have to go to get trees and by all of those extra costs because of that reduced supply.

**Mr. Nick Arkle:** I don't think that comes into any of the thinking. It's all about the value of the product going across the border. The costs associated with that aren't considered at all.

**Mr. Richard Cannings:** Theoretically, though, these tariffs are in place because they think your costs are too low, at least the cost that you pay to obtain the rights to harvest that timber.

**Mr. Nick Arkle:** Yes. It's an interesting dilemma, because the world we live in today is very different from how it was when these disputes started. A lot of the assumptions that were being fed into the dispute.... As you point out, there's a lot less fibre supply today. There's a lot less lumber going across the border today. It's going at much higher cost. It's a very different world.

**Mr. Richard Cannings:** Thank you.

I'll leave my questions there. Thanks, everybody.

**The Chair:** Thank you very much.

Mr. Seeback, you have five minutes, please.

**Mr. Kyle Seeback:** I'm going to ask my questions, and then Mr. Kennedy, followed by Mr. Krips, can respond.

If I look at this, I see that we have administrative review one and then administrative review two, where we've requested a panel. Then we have the third administrative review, where we've requested a panel, and we're probably going to request a panel on the fourth administrative review. They will not allow these to be decided concurrently. They're going to be decided consecutively.

What I keep hearing from the government is that we always win and that once we win, they'll come to the table to resolve. However, the fact that these are now going to be staggered—and who knows how long.... If it's taken five years to get a panel on one, will it take five years to get a panel on the second administrative review?

Doesn't it make it crystal clear that the only way that this is going to be resolved with is a direct, government-to-government, negotiated solution?

I want your thoughts on that, and Mr. Krips's thoughts as well.

**Mr. Trevor Kennedy:** Absolutely. We agree that the only sustainable, long-term solution is a new softwood lumber agreement. Even if the dispute settlement system was operating as intended and with shorter time frames, we would expect that we'd continue to experience this cycle, so we do think that. This is where it's in the best interests of the United States, as well. We need to have a long-term, durable solution for both countries.

The question is how you get the other party to the table. That's the real challenge here. We can appreciate that it's a significant challenge, but it's one that, perhaps, we can make some real progress toward in the months ahead. We certainly hope we can.

**Mr. Jason Krips:** I would echo that and also add that having the panel decisions gives us more quivers in our bow to actually come to the table with wins. If you look at Softwood Lumber IV, the panel processes stacked up a number of wins for Canada again and again, so it gave us a strong negotiating position to operate from. That's why it's so important that these panel processes get going in good faith and get decisions, so that they strengthen...put us in a good position at the negotiating table.

**Mr. Kyle Seeback:** I'm going to suggest to you that the panels aren't being put together in good faith, that the panels are deliberately taking a long time to form. They won't run consecutively, so the old strategy—which was to wait until we win and then they'll come to the table—is, I'm suggesting, a strategy that's going to cause further damage to the softwood lumber industry. We can't wait for all of these administrative review panels to be decided.

I think it's more urgent than ever that we have a focused government trying to resolve it, not waiting for the wins. The wins will be great. However, we could get one now, another one in two, three or four years, and we're already at \$8 billion in duties.

I guess I'm going to go back to this: Would you agree with me that the critical thing is for the current government to find a way, come hell or high water, to get this resolved, instead of waiting for the panels to make their decisions?

• (1220)

**Mr. Jason Krips:** I would add the caveat that it has to be the right deal. We cannot enter a deal that is a bad deal. Again, I'm speaking only on behalf of the Alberta Forest Products Association and, by extension, the Alberta Softwood Lumber Trade Council, but no deal is better than a bad deal, because the last thing you want to do is lock yourself in for five or 10 years of a bad deal.

**Mr. Kyle Seeback:** Mr. Kennedy, did you want to respond to that as well?

**Mr. Trevor Kennedy:** I think the industry—especially the other witnesses—would be better prepared to speak about the specific industry dynamics. Absolutely, if we negotiate a deal, it has to be a good deal for Canada. Given the different dynamics across this country, I think it would be important to get voices from those folks about what that could look like.

**Mr. Kyle Seeback:** If there are another five years without a deal, what damage will that do to the softwood lumber industry in Canada? Do any of the softwood lumber folks want to respond to that?

**The Chair:** Give brief answers, if you can, whoever wants to respond.

Does anyone want to respond to—

**Mr. Kyle Seeback:** Does no one want to comment on what the damage to the industry will be if there are another five years without resolution?

**The Chair:** Thank you very much, Mr. Seeback. I don't see responses coming.

I'm going on to Mr. Miao for five minutes, please.

**Mr. Wilson Miao (Richmond Centre, Lib.):** Thank you, Madam Chair, and thank you to all the witnesses for being here today.

I'll go first to Mr. Kennedy. Our committee is in the midst of studying non-tariff trade barriers, and I was wondering if you could point out any specific NTBs that haven't arisen specifically in light of the Canada-U.S. softwood lumber issue.

**Mr. Trevor Kennedy:** Maybe to answer the question in a different way, we can appreciate how complex this disagreement is between the U.S. and Canada. To flag for the committee's awareness, we are approaching the third Free Trade Commission meeting among the three parties for USMCA—the halfway point before our mandatory review of USMCA. We signed a good agreement for all three countries, and we think it's very important that all parties prioritize implementing and enforcing the agreement as negotiated. We have some occasions coming up in the near future to drive some attention toward that, and we hope we'll have a smooth renewal process in 2026.

**Mr. Wilson Miao:** My next question is addressed to Mr. Arkle. I understand Gorman Bros. has been around for a very long time. I'm curious as to whether you can share with the committee some insight into how the previous softwood lumber agreement worked for a company like yours, and if you think Canada can learn any lessons from it while negotiating future agreements.

**Mr. Nick Arkle:** Thank you.

As I mentioned in my opening comments, we're what we would call a small to mid-sized company. We don't have the ability to go to the public markets to raise financing. I think of various operations that we've purchased, where we as a family have had to put our houses up for security—the total disclosure on the part of the family, the ownership of the company. We've had to put up that kind of security.

Back in 2006-07, when we received a duty return, we were right on the verge of losing one of our companies in a community of 8,000, where we have 350 employees. If you look at all the dependents and the spinoff benefits of that company, you see that it would have been devastating to that community. We were within an inch, if I can put it into a distance, of losing that operation due to the pressures we'd been experiencing through that particular softwood dispute.

It drains the financial capabilities you have for investing. Earlier on, people were using the term “certainty”, and I would say, well, my experience is that there's no such thing as certainty, but we do need predictability, and the dispute takes away predictability. We need to be able to plan for investments into the operations that support the families we have operating with us. The dispute just adds to the lack of predictability.

• (1225)

**Mr. Wilson Miao:** Thank you very much for sharing that with us.

Next, I'd like to go to Mr. Krips. I'd like to get your thoughts on the national supply chain strategy, as earlier this year your association was advocating for better rail freight service for the region. How would you see a national supply chain strategy work to alleviate some of the pressure faced by our industry right now?

**Mr. Jason Krips:** It's something we've been advocating quite strongly for.

In essence, we're seeing an increased growth of natural resource products coming from the north—Alberta in particular. Having a national supply chain strategy would certainly help us look to increase investment within all of Canada with respect to rail, roads and ports. In particular, in the north, we're beholden to one rail service provider. A national supply chain strategy would ensure that investment into northern communities across Canada increases, so that we can get our products to market. It's extremely important.

It's not just rail. It's roads and it's ports. It really needs to be a combined systemic approach as we continue. We're an export-dependent nation. We need to make sure we have the infrastructure to support export industries.

**Mr. Wilson Miao:** That's great. Thank you very much.

**The Chair:** Thank you very much.

Thank you to all of our witnesses. We appreciate the valuable information.

We will suspend while we go in camera for committee business.



Thank you.

*[Proceedings continue in camera]*

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