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# Standing Committee on International Trade

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Chair: The Honourable Judy A. Sgro





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Thursday, May 2, 2024

• (1535)

[English]

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

Welcome, everybody. This is meeting 103 of the Standing Committee on International Trade.

Before we begin, I have to remind all members and other meeting participants in the room about important preventive measures.

To prevent disruptive and potentially harmful audio feedback incidents that can cause injuries, all in-person participants are reminded to keep their earpieces away from all microphones at all times. As indicated in the communiqué from the Speaker to all members on Monday, April 29, the following measures have been taken to help prevent audio feedback incidents.

All earpieces have been replaced by a model that greatly reduces the probability of audio feedback. New earpieces are black, whereas the former earpieces were grey. By default, all unused earpieces are unplugged at the start of a meeting. When you are not using your earpiece, please place it face down on the middle of the sticker you see in front of you for this purpose. That's the reason for the sticker. Please consult the cards on the table for guidelines.

The room layout has been adjusted to increase the distance between microphones and reduce the chance of feedback. These measures are in place to allow us to conduct our business without interruption and to protect the health and safety of all participants, including our interpreters.

Thank you all very much for your co-operation.

Pursuant to Standing Order 108(2) and the motion adopted by the committee on Tuesday, October 17, the committee is resuming its study of Canadian businesses in supply chains and global markets.

On our first panel, we have, from the Arctic Gateway Group, Michael Woelcke, chief executive officer, and Cory Young, vice-president, corporate services.

From the Canadian Northern Economic Development Agency, we have Jimi Onalik, president, and Michael Walsh, director general, policy and planning.

From the Federal Economic Development Agency for Northern Ontario, we have Lucie Perreault, executive director.

Welcome to you all.

The format is a bit different because there have been changes. Our microphones were giving us too much feedback. You're a little farther away from us. It's not that we want you to be so far away. I've said that pretty soon we'll need binoculars to see who is down at the end of the table.

Thank you all for being here.

Mr. Woelcke, I invite you to make an opening statement of up to five minutes.

**Mr. Michael Woelcke (Chief Executive Officer, Arctic Gateway Group):** Thank you, Chair.

Good afternoon, honourable members of the House of Commons Standing Committee on International Trade.

My name is Michael Woelcke. I'm the chief executive officer of the Arctic Gateway Group. I am accompanied today by Cory Young, vice-president of corporate services.

Before I go any further, I would like to acknowledge and honour the peoples and the lands on which we operate and are currently on. Arctic Gateway operates on Treaty 5 and Treaty 1 territories. Our shareholder member communities reside throughout Treaty 1, Treaty 6 and Treaty 10 territories, the original lands of the Cree, Dene, Ojibway and Oji-Cree, and the homeland of the Métis nation and the ancestral territory of the Inuit.

We are currently located on the unceded, unsurrendered territory of the Algonquin Anishinabe Nation, whose presence here reaches back to time immemorial.

Working with our indigenous allies is a priority for Arctic Gateway Group. We recognize these acknowledgements are only the beginning of reconciliation and cultivating strong relationships with the nations of these lands. Arctic Gateway Group aims to continue its efforts to actively partner with our indigenous allies across the lands we operate on and furthermore across Canada.

I'll provide you with a brief overview.

The Arctic Gateway Group is a highly unique consortium ownership model consisting of 26 first nations, six northern Manitoba municipalities and four provincial Northern Affairs communities, which are primarily indigenous. Additionally, ownership shares have been set aside for the Inuit of the Kivalliq region of Nunavut.

Our shareholders commit to a vision of maximizing the economic potential of the Arctic trade corridor to create prosperity and opportunity for the people and communities of the region while providing sustainable, safe and efficient transportation services to a broad range of customers.

Collectively, we are dedicated to indigenous reconciliation by re-activating the north's vast economic resources and human potential and revitalizing the northern economy through investments in the legacy infrastructure that we refer to as the Arctic trade corridor. Our vision is to leverage the unique geographic advantage inherent in the Port of Churchill and the Hudson Bay Railway to unlock economic opportunities and strengthen Canada's connections to global markets while supporting Canada's Arctic sovereignty.

Canada's visionary leadership and support has led to essential infrastructure investments that will enhance the future of the Arctic trade corridor for generations to come. PrairiesCan has been an essential force in assisting AGG, the Arctic Gateway Group, through their coordination with various stakeholders. They are to be congratulated for their leadership in articulating Canada's vision of a diversified prairie and northern economy. While these investments are greatly appreciated and have led to significant improvements in rail performance, additional investment is essential if Canada is to fully leverage this corridor to support Canadian businesses with a reliable Arctic trade corridor.

The Port of Churchill's strategic location can be traced back to pre-contact, where for generations indigenous peoples would gather from all directions to trade. Post-contact saw European exploration, and with the onset of the fur trade, the construction of the Prince of Wales fort in the early 1700s, demonstrating that local and international trade has been occurring in the Arctic for over 300 years.

We have a number of points I would like to raise.

First is the geographic advantage.

The Port of Churchill, located on the southwestern shores of the Hudson Bay, is Canada's only deep-water Arctic seaport with ground access to southern Canada. Coupled with the Hudson Bay Railway, the Port of Churchill is connected to the North American class I rail network. This rail network provides a direct and efficient route to and from international markets, including within North America. It becomes increasingly strategic as the northern terminus of the mid-continent trade corridor from Mexico to Churchill through the Arctic, to and from international markets.

Number two is the accessibility to Arctic regions.

The Port of Churchill's strategic location serves as a critical gateway to Arctic regions, offering a shorter and more cost-effective route for shipping goods to and from northern communities and industries. The reduced distance means greater resupply frequencies, enabling Nunavut to continue its economic growth without sailing frequency limitations from southern Canada.

● (1540)

Air connections from Churchill are also shorter and provide for cost and emission savings when compared to locations further south. The airport's legacy infrastructure and a 9,200-foot runway create these economic opportunities. Additionally, AGG, Nukik

Corporation and the Town of Churchill recently signed an MOU to mutually collaborate on this exciting nation-building project.

As for diversification of supply chains, utilizing the Port of Churchill can play a significant role in diversifying and de-risking Canada's supply chain options, reducing dependence on traditional southern ports and providing a more resilient network for international trade—

**The Chair:** I'm sorry, sir. The time is up. Could you do your closing quickly, please?

**Mr. Michael Woelcke:** I'm sorry. I guess I should have read faster. I'll go straight to our closing remarks.

We believe that increased infrastructure investment is necessary. We are optimistic about the future of the Port of Churchill. We believe that the port and the Hudson Bay Railway present a unique opportunity to strengthen Canada's role in global supply chains and, by extension, Canada's Arctic sovereignty.

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

Go ahead, Mr. Onalik, please, for up to five minutes.

**Mr. Jimi Onalik (President, Canadian Northern Economic Development Agency):** Thank you. *Merci. Qujannamiik.*

[*Witness spoke in Inuktitut and provided the following translation:*]

My name is Jimi Onalik. I'm the president of the Canadian Northern Economic Development Agency, or CanNor.

I would like to thank you for inviting me. I have recently completed my six-month anniversary in the federal system, and this is my first opportunity to appear before the committee. I'm incredibly honoured to be here.

I'll start by giving a brief introduction on the mandate of CanNor and its role in the north, on this, our really important 15th anniversary as an organization.

Like other regional development agencies, CanNor is responsible for promoting economic development within a distinct region of Canada—in this case, Canada's three beautiful territories. Through the delivery of targeted funding, CanNor is working to enhance the resiliency of the territorial supply chain and create conditions for growth and job creation.

The north represents 40% of Canada's land mass and is significantly distanced from the normal supply chains that support businesses and trade in southern Canada. Northern communities and remote resource projects are serviced principally by long-haul air transportation year-round and a short ship-based sealift season during the open water months. While the Yukon and the Northwest Territories do have a road network, it is limited and costly to haul goods long distances, especially in regard to resource sector products such as mineral ore.

Economic development in the north is further challenged by a sparse and widely distributed population, significant infrastructure deficits and high operational and energy costs. Headquartered in Iqaluit, Nunavut, CanNor's core responsibility is to support the conditions for a sustainable, diversified and innovative economy in collaboration with northern and indigenous partners.

With a portfolio in 2023-24 of over \$77 million, CanNor has a strong suite of funding programs, such as inclusive diversification and economic advancement in the north, or, as we call it, IDEANorth, which will distribute over \$29 million this year to projects that bring strategic support to small-scale infrastructure as well as sector development and business scale-up.

Much like the broader economic contributors in our respective regions, the projects supported by IDEANorth can vary dramatically in scope and size, such as CanNor's investment of close to \$500,000 for the Town of Hay River in the Northwest Territories to plan and design a new business park to provide needed space for business. This project is leveraging Hay River as a transportation hub for critical minerals and freshwater fish available from the nearby Great Slave Lake fisheries.

Targeted CanNor investments helped northern businesses weather the pandemic impacts on our supply chains while maintaining or increasing our export potential. For example, CanNor provided funding to the Yukon free shipping initiative alongside the Yukon Chamber of Commerce, which offered free shipping for Yukon products to make their way to markets within Canada and overseas.

CanNor can also play a role as a ground-level investor for generational infrastructure projects. We have contributed over \$4.5 million since 2019 to support feasibility studies of the Kivalliq hydro-fibre link.

CanNor's northern project management office, or NPMO, is similarly unique among our colleagues in the RDAs, the regional development agencies, in its role of supporting efficient environmental review processes for proposed resource development and infrastructure projects in the territories. Much of Canada's mineral resource potential lies in the territories, including critical minerals essential to Canada's economic and Arctic security and the transition to a low-carbon economy. This is primarily driven by the mining sector, which is the largest private sector contributor to the territories' economies, accounting for 23% of GDP in 2020 and increasing to well over 28% this year.

The north has a lot to offer our Canadian economy. The north is open for business and eager to break into new markets, both domestically and abroad.

I'm very happy to address any questions you have.

Thank you. *Qujannamiik. Merci.*

● (1545)

**The Chair:** Next is Ms. Perreault, please.

**Ms. Lucie Perreault (Executive Director, Programs, Federal Economic Development Agency for Northern Ontario):** Thank you, Madam Chair and honourable members.

My name is Lucie Perreault, and I'm the executive director of programs with the Federal Economic Development Agency for Northern Ontario, better known as FedNor.

I am pleased to join you here and respectfully acknowledge that we're on the traditional territory of the Algonquin Anishinabe nation.

I welcome the opportunity today to discuss how FedNor supports businesses through the various stages of the trade continuum. Our mandate is the promotion of economic growth and diversification and the creation of jobs and sustainable communities in northern Ontario.

Our region is home to roughly 856,000 residents, including 24% of the province's francophones. Northern Ontario is home to 105 first nations communities and 150 municipalities, the majority with a population of 2,000 or less. There are approximately 72,000 businesses across our region, most of which are small. Only 71 companies, or less than 0.001%, have more than 500 employees.

During the COVID-19 pandemic, exports in northern Ontario experienced a notable decline, with a \$2.5-billion decrease observed between 2019 and 2020. However, by 2022, the region showcased its ability to recover, with export values surpassing prepandemic levels.

In 2022, the value of goods exported from northern Ontario was \$11 billion, marking a substantial 45% increase over the previous years. This milestone represents the highest export value the region has seen in the past 12 years, highlighting a significant upturn and demonstrating northern Ontario's resilience and growth potential.

Some of northern Ontario's primary exports include manufacturing, mining, agriculture and forest products. Recognizing the potential for trade to increase employment and wealth, FedNor supports not-for-profit organizations. One example is MineConnect. MineConnect represents the mining supply and services sector of northern Ontario and helps businesses grow by improving access to trade and export-related information through services, website conferences and trade missions, for example.

FedNor has also funded the northern Ontario exports program through the City of Greater Sudbury, and in partnership with other communities in northern Ontario, including Sault Ste. Marie and Thunder Bay, it has supported 700 export-building initiatives. The program provides financial assistance and targeted training to help export-ready small and medium-sized businesses, industry associations and not-for-profit organizations from northern Ontario access new markets.

FedNor plays a key role in supporting marquee events, such as the Northern Ontario Mining Showcase at the Prospectors and Developers Association of Canada's international convention. The event provides participating northern Ontario firms with an opportunity to network, make key connections and promote their products and services to an international market.

In addition to working with third party organizations to support the trade ecosystem, FedNor targets its support to help trade-oriented businesses directly with the adoption and adaptation of new innovative technologies that support scale-up, increased productivity and market expansion.

Since April 2019, FedNor has approved more than \$29 million in support of 34 projects to help companies become more competitive in both domestic and global markets. SafeSight Exploration is an example that benefited from direct funding to commercialize innovative technology to increase its manufacturing capacity, enhance its productivity and increase its exports.

Another example is Beam Paint and Colour. It's an indigenous-owned company on Manitoulin Island that does watercolour paints. With the support it received, it expanded and purchased new equipment to increase productivity in order to meet domestic and international demand for their product.

As convenor and pathfinder, we assist communities to strengthen their position in the global supply chain. We work with federal partners such as Global Affairs Canada, Innovation, Science and Economic Development Canada, Export Development Canada and the BDC in support of our efforts to grow northern Ontario exports.

• (1550)

Thank you.

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

Now we'll move on to the members.

Mr. Seeback, go ahead for six minutes, please.

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

I was very interested to hear from the Arctic Gateway Group. I'm bullish on the Port of Churchill. I think there's enormous potential there.

One of the things we've talked about at this committee is the necessary investments in infrastructure, particularly transportation infrastructure, when it comes to trade. The government's own national supply chain task force report in 2022 said that between 2020 and 2070, there will need to be 4.4 trillion dollars' worth of investments, which works out to be \$88 billion per year.

I'm seeing investments from this government in the range of \$3 billion to \$4 billion per year, which seems like nowhere near enough, and we're a trading country. Sixty per cent to 70% of our GDP comes from trade, depending on the year.

I took a quick look at the budget. I don't see any money in the budget allocated for anything with respect to the Port of Churchill. Am I wrong in that? What are your infrastructure needs to expand, and are they being met?

• (1555)

**Mr. Michael Woelcke:** I can't speak to the entire budget, but we are not aware of any direct financial support in the budget for the Port of Churchill.

Arctic Gateway has benefited from significant support through PrairiesCan and through the Province of Manitoba for a number of years. We are currently requesting additional funding through PrairiesCan, through government, to support us for what we call bridge financing. We believe that as we develop the port, we're going to look for equity partners or debt financing to become independent, and we believe that we can get to that point in less than five years.

The port needs significant investment. We've just invested almost \$150 million to upgrade the rail system, to stabilize and secure it. That project will come to an end at the end of this year, the end of the 2024 construction season.

The next step is the development of the port, and it will require significant funding. We estimate that probably over.... If you look at a 20-year development plan for the port, you'll see that it will require probably half a billion dollars—in that order of magnitude—but as I—

**Mr. Kyle Seeback:** Do you mean half a billion dollars? It sounded like you said half a million.

**Mr. Michael Woelcke:** It's \$500 million.

Again, we are not looking for government to support us with that kind of investment. We believe that we'll be able to attract equity partners. However, in the interim, we require government assistance to get us to a certain level so that we can do so.

**Mr. Kyle Seeback:** Thanks very much.

What are the other infrastructure needs? You talked about connection to a class I railway. How's that? How's road transportation? How are all of the things that would make the Port of Churchill more viable and a more attractive place to attract trade?

**Mr. Michael Woelcke:** Well, Churchill is a multimodal facility, but it has no road link to southern Manitoba. It's landlocked, so to speak.

It has, as I said, a 9,200-foot-long runway. It can land anything, including the space shuttle. It was an alternate landing site. It's a very well-established runway. It has railway infrastructure through the Hudson Bay Railway, which we operate, which connects directly to CN at The Pas, Manitoba. That's how we connect directly to the class I network.

We have a trade corridor that goes north-south from southern Manitoba directly to Churchill, and you can enhance it so that you have air, shipping and rail.

**Mr. Kyle Seeback:** Are there any options for road transportation?

**Mr. Michael Woelcke:** At this time, no. One would have to construct an all-weather road. There have been multiple studies done in that regard. I can't speak to them. We're the Arctic Gateway Group. We're the railroad and the port.

**Mr. Kyle Seeback:** Right.

**Mr. Michael Woelcke:** I know that studies have been done in that regard. I'm not sure of the cost.

**Mr. Kyle Seeback:** Do you have any idea of what the investment would be for rail to improve rail capacity at the port?

**Mr. Michael Woelcke:** Well, we're currently in the midst of concluding the capital work. We'll have spent almost \$150 million to stabilize the rail line over the last three years. We need to continue to spend approximately \$25 million in capital annually, and that is consistent with class I railways like CPKC or CN. When you consider that we're operating about 600 miles of track, the number I'm quoting you—\$25 million—is approximately what they would spend on a similar amount of track, and that's just normal annual capital maintenance of a rail line.

However, we believe that by the end of this year, we will have taken ourselves back to a good base level from which we can then do what we call the annual maintenance program.

**Mr. Kyle Seeback:** Okay. Those are all of my questions.

Thanks.

**The Chair:** Mr. Sheehan, go ahead for six minutes, please.

**Mr. Terry Sheehan (Sault Ste. Marie, Lib.):** Thank you, Chair, and thank you very much to all our presenters on this very important study that we're undertaking on Canadian supply chains and trade diversification.

Lucie, I'm very glad to see you here today, and thank you for presenting on behalf of FedNor.

Lucie, recently I had the pleasure of being parliamentary secretary for FedNor. One of the things that I heard loud and clear from the mayors, communities, indigenous groups, private businesses and not-for-profits was that FedNor, they felt, was not on a playing field that was level with the rest of the regional economic development agencies, FedNor having been created in 1987. The reason for that was independence.

Recently the government changed that and gave FedNor independence. Could you update this committee about what that means? How is it going and what does it mean for those folks who were lobbying so hard, and not just recently, but I think since 1987?

• (1600)

**Ms. Lucie Perreault:** It has been an interesting transition, for sure, for the agency. We do see the benefits of the agency for sure, so thank you for lobbying for that. It brought a louder voice for northern Ontario at a table where northern Ontario been before, but in a really small way.

In general, I think that becoming an agency has been really good for northern Ontario. It gave us the ability to be able to participate in a different way. We would have liked more money, of course, but I think that the transition has gone well, and we're no longer saying that we are in transition. Actually, right now we're saying we are a full-fledged agency. Our staffing has been completed. Our capacity is in place in the most part, so we're content.

**Mr. Terry Sheehan:** One of the things that I had heard from the stakeholders was that earlier FedNor basically had to report to Fed-Dev or somewhere else or Ottawa or whatever, but independence meant that there were more decision-makers in northern Ontario making decisions for northern Ontario, and I thank you for that.

Now, having said that, we've been talking a lot lately about EV batteries and the supply chains that have been announced, including just recently Honda with the largest announcement in Ontario's history. Can you explain to us the critical mineral strategy or what FedNor is doing with critical minerals in trying to unlock that potential for the EV battery supply chain?

**Ms. Lucie Perreault:** Yes. Thank you.

As high-growth sectors and the push towards a green economy drive demand for critical minerals, northern Ontario is uniquely positioned to become a global supplier of choice. FedNor recognizes that these large infrastructure projects—the mining developments, those pieces that are happening—are creating a really huge opportunity for communities in northern Ontario. As such, FedNor has played a key role in leadership, and continues to play a key role, in supporting those projects by providing access in a convenor role or by providing federal funding on its own.

There are challenges, infrastructure challenges, both environmentally and in electrification as well, but we support the commitments for large infrastructure projects like the Ring of Fire through building the capacity in the communities that are in the regions and in the areas. That could be through support for planning or it could be support for economic development officers to be able to work with the communities and to do that engagement. It's community capacity building and economic diversification through planning.

We also co-chair, with NRCan, the Canadian critical minerals strategy, the interdepartmental committee, in support of developing the strategies to ensure that these developments go well and that they advance as quickly as they can. We also support Ring of Fire or other large development projects by providing innovative money, if you will, for developments for industry, for businesses to be able to develop and be able to be part of that supply chain, whether that is at the beginning or whether it is at the end of the supply chain. We offer opportunities for them to be able to develop and be part of that role.

We've developed about \$15 million or \$16 million, even in the last couple of years, directly towards those types of investments, ensuring that the small businesses in our region can benefit from opportunities from those types of developments.

**Mr. Terry Sheehan:** There are CFDCs, community futures development corporations, in Sault Ste. Marie, Sudbury and Thunder Bay. A lot of them have their own economic development corporations per se, but in northern Ontario, there are a lot of small towns.

Can you talk about the role that the the community futures development corporations have in communities such as Elliott Lake or Wawa, Ontario?

**Ms. Lucie Perreault:** There are 24 community futures development corporations across northern Ontario. They play a huge role in advising clients like small businesses and also in providing loans to those small businesses. They have a unique blend of hand-holding and of being able to do that analysis with them.

We have statistics that demonstrate that businesses that invested in community futures with community futures development corporations have a much more positive sustainability rate than businesses that haven't invested through the CFDCs. The community futures also support local economic diversification through strategic planning for the communities, and they are also able to provide advice on immigration and on all kinds of things. If they don't have the information the same way we do, we're pathfinders to be able to bring those businesses the support that they need in order to be able to advance. It's like a right arm, very useful and profitable.

• (1605)

**The Chair:** Thank you very much. I'm sorry that I have to interrupt.

We have Monsieur Savard-Tremblay for six minutes, please.

[Translation]

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

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

Mr. Onalik and Mr. Walsh, at the end of April, the Canadian Northern Economic Development Agency, or CanNor, participated in a conference as part of the symposium on Nunavut mines.

Mr. Onalik, at the time, you felt that the government should take advantage of existing mining facilities to strengthen security in Canada's far north, particularly port and air mining infrastructure.

Let's agree that we still have to be vigilant when it comes to China's interest, in particular, in acquiring critical minerals and infrastructure in the Arctic.

We know that it wants to do so, and we know that it has a strategy in place that, in many cases, has been successful.

We also know that Canada is often used in many ways—and this committee did a study on this—as a flag of convenience for mining companies.

So there are foreign mining companies, often Chinese, that register as Canadian companies. It allows them to display the Canadian flag, when in fact they are not Canadian.

Aren't you concerned that it may be risky to partner with these private companies for strategic considerations as important as Canada's security in the north?

[English]

**Mr. Jimi Onalik:** *Qujannamiik.*

I would agree that it's a major consideration that a few years ago you might not have had to consider. One of the strengths of the resource development environment in the north is local control and local autonomy over a lot of decision-making. The point we were trying to make is that these are considerations that small communities need to consider as they make decisions about adjacent projects.

[Translation]

**Mr. Simon-Pierre Savard-Tremblay:** The agency is therefore sensitive to this fear, to this danger.

Are there any checks and balances in place?

[English]

**Mr. Jimi Onalik:** I've been incredibly thankful. Before my role in my current position in the federal government, we've seen a dramatically increased presence of the RCMP, CSIS and other organizations meeting with communities and individuals to raise the issue. I think that's been a healthy dialogue there, for sure.

[Translation]

**Mr. Simon-Pierre Savard-Tremblay:** Are these oversight mechanisms sufficient?

Are they able to conclude that security is protected? Could a little something be added to it?

[English]

**Mr. Jimi Onalik:** I think that through the broader controls put in place by ISED and others, there are some safeguards there. My real worry is the advancement of projects that may or may not have economic reality to them and are raising expectations in communities and wasting time in a lot of ways. Making sure that communities are equipped to know who to talk to within the federal family to look at the projects in front of them with that lens is really important.

[Translation]

**Mr. Simon-Pierre Savard-Tremblay:** Have there ever been partnerships with private mining companies, specifically partnerships focused on activities related to government security in the north?

[English]

**Mr. Jimi Onalik:** The mining industry plays a huge role in security in the north. We had a recent example of hunters lost on the land a week ago. It is mining company helicopters that are out there and mining employees who are there.

The work that's under way right now to ensure that mining companies have a way to receive increased threat assessments from the Government of Canada and then have a place to respond to individual concerns is important.

*Qujannamiik.*

• (1610)

[Translation]

**Mr. Simon-Pierre Savard-Tremblay:** So you're saying that mining companies are important partners for security. Finally, when it comes to security, you rely somewhat on the self-regulation of these mining companies, rather than state power.

Is that what you're saying?

[English]

**Mr. Jimi Onalik:** No. We have a very structured environment. The Nunavut Impact Review Board, for example, within Nunavut, is able to apply a broader socio-economic lens. There is the opportunity.

The role that CanNor plays is convening the federal family to take part in these assessment processes, and it's definitely a lens that we want to find ways to bring to the table. The onus should not entirely be on individual companies to protect the national interest, but to be a part of the conversation.

*Qujannamiik.*

[Translation]

**Mr. Simon-Pierre Savard-Tremblay:** Okay.

Earlier, you talked about a problem that didn't exist 10 years ago but that we now have to deal with.

Another one is cyber-attacks. Were you subject to any? We know how much this can affect supply chains.

[English]

**Mr. Jimi Onalik:** My previous hat was as secretary to cabinet in the Government of Nunavut. I have a bit of trauma from that experience. We were the target of two major cyber-attacks. We worked really closely with the CSE and the RCMP.

It's one area where highlighting the vulnerabilities and ensuring that people have literacy around cybersecurity are incredibly important. We've seen the potential for major disruptions in an already fragile environment in the north, and we can't have that.

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

We have Mr. Cannings for up to six minutes, please.

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

Thank you all for being here. It's very interesting.

I'm going to go to Mr. Onalik of the Northern Economic Development Agency.

I have limited experience in the north. I've never been to Nunavut. I've had a little time in the Northwest Territories and a fair bit in the Yukon. I have been in Inuvik in that period when the rivers are breaking up, when you can't get across on the ferries and you can't drive across on the ice, and as a result, there's no food in the restaurants in Inuvik except caribou. I've also spent a summer in Old Crow, where everybody ran down to meet the plane whenever it landed, just to see what food might be on there.

I'm wondering what your agency is involved with in terms of projects to develop land highways. There's the Mackenzie Valley highway project, but we also hear increasingly of the ice roads becoming less and less reliable. Very many communities in the north need that supply.

How much priority are you putting on something like the Mackenzie Valley highway project, which would connect the Northwest Territories from north to south, or south to north?

**Mr. Jimi Onalik:** *Qujannamiik.*

CanNor is in the proponent development business, and so many of these projects need to have a capable, strong proponent. To lead very complex infrastructure in the north is incredibly hard to do, so we see ourselves as being there to equip often smaller indigenous organizations to do that early engineering and early scoping work to be able to get to a point where we have a viable proposal to look at.

We've had conversations, primarily. Most recently, there's been a lot of dialogue around the Grays Bay road and port project, which would link that greenstone belt around Contwoyto Lake up into the Arctic Ocean, with a port there.

It's really important for us to make sure that we can meet communities where they are and make sure that with some of these national projects, we're able to help communities scale and find the right partners to advance the project.

• (1615)

**Mr. Richard Cannings:** Then is the project you mentioned more of a resource-based project rather than a connecting community project?

**Mr. Jimi Onalik:** It's a resource-based project with a community proponent. The regional Inuit association was previously trying to bring this project to fruition; they've now partnered with an exploration company. I think the goal is this: The closer you get road or rail to northern communities, the better it is for everybody. Using the financial and economic potential in that area to build up economies of scale and get that land link closer is important, I think.

**Mr. Richard Cannings:** Let's switch to the ocean, then. I'll talk to both of you.

My other connection to this is, very vaguely, through my family's history in Newfoundland. My mother's family was involved in the Labrador fishery, so there was a lot of Arctic exploration. This is way back in the day.

I'm wondering what the various advantages of the sealift are—say, from the east to the north versus through Churchill. What's the timing of that season, and how is that changing?

**Mr. Jimi Onalik:** The season is growing. I think it was last year when we saw a Woodward tanker in Iqaluit in December. That was a first. I think the real opportunity with the Churchill option is with the mine construction going on and the Government of Nunavut's plan to increase the amount of housing constructed. We found that the ships reliably coming out of the port of Montreal are full, so finding a second option and ways to get critical infrastructure built is important. Churchill provides a very interesting opportunity on that front.

**Mr. Richard Cannings:** Mr. Woelcke, I'm curious what your season is. When does Hudson Bay open up, for instance?

**Mr. Michael Woelcke:** It's currently about 16 to 18 weeks. However, we're actually in the midst of an academic study with some world-renowned ice scientists who've confirmed that Churchill can operate six months of the year right now. We just need to get sufficient data. We're doing more targeted research with them now. They will confirm that.

For the process, you have to go to Lloyd's of London. They're the insurer. They have to insure the ships, and then the shipping companies will ship. We could go six months of the year. That would have a huge impact on the Kivalliq region of Nunavut, because it would allow ships to come up Hudson Bay from Churchill for a much longer period of time. I think, as you said, the capacity out of Montreal is pretty significantly full right now. This offers an opportunity to enhance that and to work. It's not to compete against them but to add capacity, which will assist the communities.

**Mr. Richard Cannings:** That's the region—

**The Chair:** I'm sorry. That's time.

We have Mr. Baldinelli for five minutes.

**Mr. Tony Baldinelli (Niagara Falls, CPC):** Thank you, Madam Chair.

I'd like to thank the witnesses for being with us today.

I'm going to start with Mr. Woelcke.

In your remarks, you mentioned a vision of maximizing Arctic trade and the Arctic trade corridor. You mentioned the benefits, including reconciliation and the participation of indigenous communities as full partners.

My colleague spoke earlier in his questioning about—unfortunately—budget 2024. There are no additional dollars towards the critical supply chain infrastructure required.

You mentioned the investment so far. For rail, it's about \$150 million to stabilize the current Hudson Bay rail system. You're going to need a \$500-million investment in the port itself. You also talked about your three points. One was increasing access to Arctic regions. My colleague mentioned it best—the notion of a sealift.

However, you mentioned the investments required for your specific projects.

Do we have the capabilities in other areas of our Arctic regions to handle that additional sealift? Do we have the ports and facilities to address the growth you plan and hope for?

• (1620)

**Mr. Michael Woelcke:** Sealift is provided by ships that are about 10,000 to 15,000 tonnes, out of Montreal. An alternative that we have considered and are seriously looking at is what's called a tug and barge operation.

If you operate a tug and barge out of Churchill, you could operate probably a weekly sealift using tug and barge. In other words, you could go to a frequency of 18 in a season right now. That additional capacity....

You see all these communities like Rankin Inlet or Arviat and you speak about the housing construction. None of them have built-up ports that you can actually bring a ship right next to. They use a lightering system. They bring smaller ships out. Barges can be moved in closer as well, so you could have a mechanism that works together with sealift that could provide for significantly greater commodities and goods.

We talk about the housing supply challenge. We could assist by bringing prefabricated components through Churchill to that region.

**Mr. Tony Baldinelli:** That leads into my next question.

What kinds of sectors of the economy do you see benefiting from this and the investments that are being made?

**Mr. Michael Woelcke:** The commodities we're looking at targeting.... One group is Nunavut resupply. Another would be agribusiness.

There are still large sectors of Saskatchewan, Manitoba and parts of Alberta that are the farthest away from any of the current ports, and for their agricultural product capacity, Churchill is the nearest port. It would allow them an opportunity to ship commodities to Europe, the Middle East and even South America.

Another one is critical minerals. Everybody's looking at critical minerals right now. Manitoba, like many other provinces, has a significant abundance of them. In fact, we're doing our first shipment of zinc concentrate from Manitoba to Churchill to Europe this summer. It's something we're pretty excited about.

**Mr. Tony Baldinelli:** Mr. Onalik, has your agency looked at the types of investments in infrastructure that would be required to handle increased capacity with, for example, sealift? What would be required?

**Mr. Jimi Onalik:** It's definitely a part of the conversation. I know we've been working with several companies that are looking to scale up in modular housing. The current sealift system is not really set up to handle modular in that way.

It's really exciting. I think the opportunity for us to leverage what's already been committed—what's already in the plan—and get things built faster and get things built is probably less money and more coordination. That's something that CanNor hopes.

**Mr. Tony Baldinelli:** In our briefing notes it says that under the five-year plan of the pan-territorial growth strategy, some food sectors are looking to export their products, but it indicated some regulatory problems that were hindering that ability.

Can you explain what some of those regulatory burdens are?

**Mr. Jimi Onalik:** We've been working a lot with the territorial partners who have a lot of the infrastructure responsibilities to handle food inspection and to make sure that meat plants are export-capable. We've been working behind the scenes to support their work in that area.

**The Chair:** Thank you.

Ms. Fortier, you have five minutes.

[Translation]

**Hon. Mona Fortier (Ottawa—Vanier, Lib.):** Thank you, Madam Chair.

The issue of the north, which we're discussing today, is of great interest to me, particularly when it comes to northeastern Ontario. That's where my parents and grandparents came from, and they did a lot of business there.

I'm very interested to see how francophones have played an important role in northern Ontario for many decades. They play a critical role in its economic development. You said that they represented 24% of francophones in the province, if I'm not mistaken, Ms. Perreault.

How is the Federal Economic Development Agency for Northern Ontario, or FedNor, helping businesses in northern Ontario to succeed and prosper, both in the region and elsewhere?

**Ms. Lucie Perreault:** FedNor provides targeted support to the region's official language minority communities, including through the Government of Canada's economic development initiative. Since 2015, approximately \$6.4 million has been invested in francophone communities under this program. In addition to this initiative, our core programs have also made it possible to make key investments in official language minority communities, totalling \$60 million since 2015.

For example, we supported Drillco Mining, a francophone company in the critical minerals sector that created the industry's first modular clean-tech drilling system. We've helped them export that technology.

I would also like to point out that FedNor has 101 positions, more than 50% of which are designated bilingual. This allows us to support bilingual organizations.

• (1625)

**Hon. Mona Fortier:** Have these companies told you about certain barriers? Have they talked to you about how they might be able to develop and export their products through your investments?

Do you do that type of analysis to adapt the programs?

Do you think certain programs need to be adapted to allow the initiative to move forward?

**Ms. Lucie Perreault:** Francophone businesses and a number of businesses in northern Ontario are very small, and they're having trouble growing. Part of it is that it's a very large area, so there are challenges. However, it's also a question of capacity.

To be able to advance the situation of francophone businesses in those regions, you need a critical mass. We're working on types of models, such as co-operatives, to bring people together and reach that critical mass. That way, they can move forward and get the support they need. We want it to be multi-purpose.

It's a good approach, but it always comes back to the capacity issue. The businesses are small, and we need to bring them together so that they're able to move forward and work more collaboratively.

**Hon. Mona Fortier:** I'm going to move on.

Last year, I had the privilege of touring northeastern Ontario to understand how certain companies operate and their connections not only with FedNor, but with other authorities as well. In fact, I had the opportunity to meet with you on this tour.

I visited Three H Furniture Systems in Temiskaming Shores. I was pleasantly surprised to see that it does business with the United States. However, I've heard about some of the regulatory barriers and difficulties. I know that some thought had been given to how FedNor could help businesses facing these difficulties.

Do you think FedNor can help these companies? Are there other ways to help businesses that face regulatory barriers?

The company I mentioned gave me a real-world example of the difficulties it faced. What's preventing it from doing more is the lack of targeted support.

I'm trying to understand if your programs can help them or if there are other ways to remove those regulatory barriers.

**Ms. Lucie Perreault:** This is a good example of how the agency is able to help these businesses with the regulations.

If we're not able to provide businesses with financing, we're still able to give them advice on certain things.

We're also prepared to sit down at the table to find solutions and reduce the number of barriers. We can also discuss what we can contribute to other levels of government or to the departments.

[English]

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

Thank you to all of our witnesses. We received valuable information from all of you.

I will suspend for a moment while we exchange places and have the other witnesses come to the table.

Thank you very much.

• (1625) \_\_\_\_\_ (Pause) \_\_\_\_\_

• (1635)

**The Chair:** I call the meeting back to order.

Thank you all very much.

We will start with opening remarks from Mr. Carey and Mr. Harvey for up to five minutes.

Please go ahead.

[Translation]

**Mr. Michael Harvey (Executive Director, Canadian Agri-Food Trade Alliance):** Good afternoon.

I'd like to thank the members of the committee for inviting us to take part in this study.

The Canadian Agri-Food Trade Alliance, or CAFTA, is a coalition of national organizations that advocate for a freer and fairer international trade environment for the agriculture and agri-food sector.

CAFTA's members include growers, ranchers, farmers, processors, producers and exporters from key trade sectors such as beef, pork, grains, oilseeds, sugar, pulses and soybeans.

[English]

As I said, CAFTA works for a fair and open international trade environment. This is in our country's economic interest and in our national security interest with respect to making an important contribution to international peace and stability.

Economically speaking, agri-food is responsible for one in nine jobs in Canada, the majority of which are in export-based agri-food. In 2022 Canada exported nearly \$92.8 billion in agriculture and food products, including raw agricultural materials, fish and seafood and processed foods. More than half of our agricultural production is exported or processed to be exported.

**Mr. Dave Carey (Acting President, Board of Directors, Canadian Agri-Food Trade Alliance):** CAFTA members have established the following priorities for our work.

One, to open new markets for Canadian agri-food, including by prioritizing trade liberalization discussions with growing emerging markets like Indonesia and ASEAN countries.

Two, to uphold the international rules-based trading system. A delegation of CAFTA members attended the WTO's recent ministerial conference in Abu Dhabi. We witnessed first-hand the challenges the system is facing, and we support Canada's efforts, through the Ottawa Group, to advance key priorities at the World Trade Organization.

Three, to strengthen trade diplomacy capacity and industry-government collaboration. We welcomed the opening of the Indo-Pacific Agriculture and Agri-Food office in Manila and we are co-chairing the industry working group that is assuring alignment between government and stakeholders.

In terms of our national interests and our contribution to the world we live in, Canada is the world's fifth-largest agri-food exporter. We are one of the few countries in the world producing enough food for ourselves while at the same time feeding others around the world. We make an important contribution to international peace and security and to feeding the hungry, especially at a time of international instability when major grain producers are at war. We cannot forget that these economic and national interest contributions are a function of ensuring that our customers see Canadian products as being competitive and reliable.

These customers place great emphasis on predictability in food delivery. Supply chain challenges affect predictability, as evidenced by COVID and the effective closure of the Suez Canal and the Red Sea, as well as reduced capacity in the Panama Canal. There have also been major disruptions in Canada caused by natural disasters, strikes and other protests.

Key elements of Canada's supply chain affecting Canada's predictability are bulk and container shipping and rail, road and port infrastructure. We know you've listened to representatives of these key sectors in your previous committee hearings. There are also deficiencies in the road and bridge infrastructure in smaller municipalities where farms are located, making the connection from farm gate to national trade corridors less efficient.

Further, it is important to underline that reliable labour relations have been a challenge in recent years, and our customers are noticing. Customers abroad and exporters in Canada are the main sufferers when strikes or lockouts take place in monopoly service providers, such as the railroads.

These are just some of the ways in which supply chains can affect our ability to succeed in global markets.

We'd be pleased to answer any questions the committee members may have.

Thank you, Madam Chair.

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

From the Canadian International Freight Forwarders Association, we have, by video conference, Bruce Rodgers and Julia Kuzeljevich, director of policy and regulatory affairs.

[*Translation*]

**Ms. Julia Kuzeljevich (Director, Policy and Regulatory Affairs, Canadian International Freight Forwarders Association):** Good afternoon.

Madam Chair, committee members, on behalf of the Canadian International Freight Forwarders Association, or CIFFA, I'd like to thank you for the opportunity to appear before you today.

[*English*]

CIFFA is keenly interested in measures to enhance and protect our national supply chains. Our membership represents all parts of the chain, including the truckers who serve the ports, called drayage operators; the brokers and forwarders, who manage 80% of Canada's imports and exports; the customs brokers, who facilitate shipping through national borders across the world; and operators of warehouses, where goods are stored awaiting release, assembly and distribution.

We really appreciate the committee's decision to invest time in this subject. Supply chain issues are a critical factor in our national economy. In your study, CIFFA suggests several topics we believe you should carefully examine. Of course, we're ready to discuss any other item that may be raised as well.

Labour disruption in the ports and railways has been a chronic problem in our country, significantly impacting our reputation as a reliable trading partner. Our economy took a major hit last summer due to the west coast port strikes. Although resolved with the long-shoremen, the agreement with the foremen of these individuals is not, and we could be experiencing another disruption this month. We continue to experience ongoing challenges between the parties in Montreal and could be faced with another work stoppage at any time, with only 72 hours' advance notice.

Additionally, both railways are also in a mediation process that could lead to strike action later this month, on May 22. We have received notice from the railways indicating the negotiating parties remain far apart. We have also been informed that in the event of a strike, commuter train services in three major cities will also be disrupted.

Canada is suffering a very serious decline in investment, and this is why: We have an unreliable business environment and we seem to be unable to create an efficient resolution system. These disruptions may close a port for just a couple of days, but the system doesn't bounce back very quickly. It takes weeks to gear up to full capacity again.

The labour minister has promised a study on the key issues in port labour, and we are impatient to see this. Any thoughts on how Canadian labour issues could be resolved with less confrontation and fewer delays would be very welcome, but now we understand that the minister's study may take another couple of years.

As you know, workers often get their lost wages back upon settlement, and the international shipping companies divert traffic to keep it flowing. It's the ordinary Canadian citizens and small businesses that actually suffer.

● (1640)

**Mr. Bruce Rodgers (Executive Director, Canadian International Freight Forwarders Association):** Last year, the government's magic bullet in supply chain efficiency seemed to be data sharing. We agree that this can be critical, but we've still not seen a coherent plan and we don't know what data will be required or how it will be shared among agencies.

Another recent issue is the requirement to file data elements on air shipments to the government for security screening. Both the CBSA and Transport Canada require identical data elements, although Transport Canada requires the information pre-load, while CBSA requires the information pre-arrival.

These two agencies do not share the data. Canada is running two separate systems performing risk assessments, and both have the potential to levy administrative penalties. This is not a shining example of efficiency. We have not been given any explanation of why the data isn't shared or any assurances that this will be addressed.

It would be great if this parliamentary committee were to demand some explanation. Managing data relations between governments and a huge business community is very challenging. We think the guidelines should include data that is produced in normal operations and doesn't require someone to recreate it, data that reveals industry-wide trends without trespassing on business confidentiality, and data that can be shared in a single form through a single portal for all government users.

The establishment of a supply chain office is an encouraging initiative that we support. We are eager to see the plan the officials are currently crafting, but we certainly have a lot of questions.

A lot of time and effort was expended after the floods and fires in British Columbia. A panel of knowledgeable people toured the country to get input and create a report. A supply chain office was one item of value that they recommended, and it has been established, but the recent federal budget did not provide any funding.

As we all know, infrastructure is one of the key factors in an efficient supply chain. We have seen large funds established for transport infrastructure, but there's no national strategy to help guide investments. We suggest that the committee may want to ask about the role of the new supply chain office in directing infrastructure investments, such as the national trade corridors fund.

One of the urgent issues we face is the need for strong contingency plans for disruptions. In this country, that means close co-operation between provincial and federal governments. We want to encourage planning now to avoid major delays and disputes when a crisis emerges. We would encourage the committee to push for answers about who has the leadership, what funds would be available and how approvals are granted.

Disruptions can take many forms. CIFFA supports the implementation of processes that are designed to insulate business operations from disruption wherever possible. However, CIFFA members are concerned about the imminent implementation of the CBSA assessment and revenue management, or CARM, digital initiative to change how CBSA assesses and collects duties and taxes on commercial goods imported into the country.

According to the World Bank, Canada is ranked number 51 for trading across borders on the 2020 ease of doing business index. We fear that the implementation of CARM without added contingencies, improved communication channels and a fall-back alternative puts Canada at significant risk.

In conclusion, we see the supply chains as an illustration of our national economic efficiency. In recent years we have been underperforming, and we need to bring urgency to the resolution of problems. This committee is doing a great service by spending time assessing the Canadian model and identifying its weaknesses and opportunities.

Thank you very much for the opportunity. We're happy to address any questions.

• (1645)

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

We're moving on to PECO Pallet and chief commercial officer Lisa Vegso.

**Ms. Lisa Vegso (Chief Commercial Officer, PECO Pallet):** Thank you, Madam Chair.

My name is Lisa Vegso, and I am the chief commercial officer of PECO Pallet.

I am pleased to be here today to share PECO Pallet's perspective on Canada's supply chain ecosystem and how it impacts international trade for Canadian businesses.

PECO Pallet is a leader in the North American pallet pooling market, with a fleet of over 24 million pallets.

In case you aren't familiar with pallet pooling, PECO rents pallets to manufacturers, who use our pallets to ship their products to retailers where consumers purchase their goods. Once they are empty, pallets are returned to PECO to be inspected, repaired and recirculated within our network.

PECO was founded in the U.S., and as we grew our network, American manufacturers who were using our pallets domestically began urging PECO to allow them to ship pallets to Canadian retailers. There were many challenges along the way as PECO expanded into the Canadian market, due to the market's high barrier to entry, including a high capital investment. PECO has invested nearly a billion dollars in our pool. There was a need for support from retailers who had to agree to accept and return our pallets.

By making these investments, PECO now has long-term relationships with over 700 food and consumer packaged goods manufacturers supplying North American retailers, including club stores, grocery stores and food service providers. Today, PECO is one of the largest pallet providers in North America.

As a cross-border pallet supply company, we experience firsthand any impact on the supply chain. Simply put, everything that you eat, drink and wear travelled on a pallet at some point.

The pandemic demonstrated that there were gaps in supply chains across the world, including in Canada. At a time when pallet availability challenges were rampant, PECO fully maintained its operations across North America while following health protocols and avoiding work stoppages within our facilities, demonstrating our ability to navigate through supply chain disruptions.

In the last 12 months, more than two million of our pallets have moved food and consumer packaged goods products between the U.S. and Canada.

While COVID-19 did create challenges, it also created an opportunity to develop positive change. It resulted in the creation of the supply chain task force and its final report, culminating in the establishment of the national supply chain office. When the initiative was announced, PECO welcomed this review of barriers that were impacting the efficiency of supply chains.

The most important recommendation to ensure strong supply chains would be to maintain and regularly consult with stakeholders through the national supply chain office. By receiving feedback end to end from the many parties involved in ensuring a product goes from production to the store aisle, the government can gain a full scope of the complexities of supply chains. PECO would be more than willing to participate in any consultations moving forward.

Our second recommendation would be to maintain consistency with requirements across North America and to help prepare stakeholders for any expected changes. Canada-U.S. trade relations are uniquely intertwined, and uneven requirements can create additional costs for an already costly process.

The ISPM 15 bilateral exemption between Canada and the U.S. remains in place and eliminates the need to heat-treat wood packaging, including pallets, which facilitates easier and more cost-efficient trade between the two countries. This is just one example of the importance of maintaining consistent policies with our largest trading partners.

In conclusion, PECO supports the committee's commitment to this study and urges the government to prioritize stakeholder engagement with all levels of the supply chain.

Thank you for your time.

• (1650)

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

We'll go to Mr. Seeback for six minutes, please.

**Mr. Kyle Seeback:** Thank you very much, Madam Chair.

I was interested to hear the comments with respect to the reliability of the supply chain, which is something that I think we should talk about. Everyone around the table respects the right to collectively bargain and, of course, the right to strike, but disruptions do have impacts on Canada's supply chain and our reputation as a reliable partner.

I have a couple of questions.

First of all, it would appear that despite having similar players, there aren't as many disruptions in the United States with respect to the supply chain as there are in Canada. Do you think there's a role for the federal government to try and make sure that relationships are moving in the right direction? The U.S. seems to have gotten it right. Are our ports of entry losing business because of our unreliability in the supply chain?

I'd ask if the freight forwarders could answer first, and then perhaps CAFTA could answer afterward.

**Mr. Bruce Rodgers:** Thank you for the opportunity in that question.

Could the federal government do more? I would say yes. When it comes to rail, we found out yesterday that they broke apart in their mediation or conciliation or whatever stage they're at now. They're in a potential to go on strike on May 22. The next date they are meeting is May 13. Why, from May 1 to the May 13, is it taking so long to bring the parties together? That's putting them together, in essence, nine days before a potential walkout.

From a rail perspective, they start gearing down their operations in anticipation of this. It's not that May 22 is going to occur and all of a sudden everything is going to stop; it's going to start to slow down the week before that.

Could the government do more? Yes, we need to get the parties, the right parties, to the table to discuss what the issues are and to come to a satisfactory conclusion overall. That's our position on that particular matter.

**Mr. Dave Carey:** I agree with my colleague that the federal government absolutely has a role to play and could have an even stronger one.

There are many tools in the tool box of parliamentarians when it comes to segments of the economy in which we simply cannot have a strike. If we have both class I railways on strike, nothing moves, including commuters in some of Canada's biggest cities, and back-to-work legislation is something within the power of parliamentarians.

On the second point, absolutely. What happens if we don't get products to the Port of Vancouver on time? The vessels at the Port of Vancouver anchor and incur demurrage costs, which means they're not delivering on time. They're not going to push off to China or Indonesia until they're full. Those demurrage costs come back through the Canadian value chain for the people whom we represent, the agriculture people. Farmers end up paying that, which reduces the profitability for Canadians.

Increasingly, what we are being asked by markets around the world on behalf of our CAFTA members is, first, about growing conditions and potential drought in the Prairies, and second, whether we will be able to deliver on time. If the Japanese, who are one of our longest-standing trade relationships, are asking us if our product will be there on time or if they have to go elsewhere, it's not like losing a customer; we're losing a country.

**Mr. Kyle Seeback:** Is it new that Japan is asking this question?

**Mr. Dave Carey:** Yes. It's over the last four to five years. Previously there were other conversations about how they just wanted the raw product so they could add the value themselves. Now it's all about whether it will get there on time. They are watching what's happening in Canada when it comes to collective bargaining and the class I railways. They're concerned. Australia is a big competitor for a number of agriculture products, and they're a lot closer.

• (1655)

**Mr. Kyle Seeback:** Are you hearing the same concerns from any other countries that you're hearing from Japan? Are you hearing that they're worried that we may not be able to deliver the goods we've promised on time because of instability in the supply chain?

**Mr. Dave Carey:** Japan is the example I used, but we hear that constantly. A number of members do outbound trade missions, both with government and solo, and the number one topic that is raised across all agriculture commodities is whether it will be there on time, and they can source from other countries.

Canada doesn't have a price advantage when it comes to agriculture products. We have quality, safety and some of the proteins that the world wants, but if it's not there on time, they will source it from elsewhere. That's a very hard thing to recover from reputationally, and it's very hard to quantify the economic impact of reputational damage.

**Mr. Kyle Seeback:** If that reputational damage happens—and people were making that argument at the committee when we were studying the strike at the Port of Vancouver—how hard is it to recover from that damage that is caused if we can't deliver or we can't deliver on time? If that market's gone, how hard is it to get it back?

**Mr. Dave Carey:** It's much easier if you're dealing with North America or western Europe, but in Indonesia and that part of the world, the Indo-Pacific, it's not transactional; it's a relationship. It's about rebuilding a relationship. It's not just a transactional occurrence. These are relationships that take years to build, and as we all know, a reputation and a relationship can take years to build but a moment to erode.

**Mr. Kyle Seeback:** I want to go back to the freight forwarders, because you didn't answer my second question, which was this: Are you seeing any freight or other things being diverted from Canadian ports of entry to American ports, and then coming up over land as a result of what we're hearing about people having concerns about the reliability of the Canadian supply chain?

**Mr. Bruce Rodgers:** I'm sorry for not addressing that point earlier, but yes, we are seeing examples of that. Our members are indicating that their clients are moving product south of the border. They are making some of those conditions or some of those arrangements at this point in time.

It occurred last year with Vancouver. It occurred with Montreal. It's occurring now. Now it's a more dire situation, because now we have both the ports and the railways, and there's great uncertainty that one or all could go out at the same time, so people are moving their product south of the border in order to ensure that it gets to market on time.

**Mr. Kyle Seeback:** I have very little time, so just quickly, has the grain and rain problem been resolved at the Port of Vancouver—I don't think so—and how much trouble can that cause?

**Mr. Dave Carey:** It has not yet been resolved; however, Seattle is able to do it, and they have a very similar climate.

It does have an impact. Certainly we have times when we cannot move the product, particularly in a rainy place like Vancouver.

**Mr. Kyle Seeback:** When it rains in Vancouver, we can't load grain, and that backs up the supply chain. That's been going on for a number of years, and the government hasn't fixed it.

**Mr. Dave Carey:** That is correct.

**The Chair:** We have Mr. Miao now, please, for six minutes.

**Mr. Wilson Miao (Richmond Centre, Lib.):** First I'd like to thank all the witnesses for being here today to share your important perspective on this study.

Through the chair, I'd like to direct my question to the Agri-Food Trade Alliance.

It's good to see both of you, Dave and Michael.

Could you please share with us the importance of trade diversification and how it impacts supply chain resilience?

**Mr. Michael Harvey:** I can take that.

Roughly 60% of our agri-food exports go to the United States, so with that level of concentration on only one market, diversification is something that we're always pushing for.

We've been very supportive, for example, of the government's efforts to open up markets in the Indo-Pacific, where we have some of our bigger growing markets. We've been supporting the trade negotiations going on with those countries. We've been supporting the opening of the agri-food office in Manila.

When you diversify, that means the supply chain is not always going in the same place. That's a positive thing, because a blockage in one spot isn't always a blockage in other spots. However, there can be bottlenecks affect almost all of your markets, so the reality is that when you diversify your markets, you need to expand your supply chain so it can support different markets going in different directions.

**Mr. Wilson Miao:** Thank you.

I understand that time is also crucial for our farmers in Canada, especially in the prairie provinces with the weather and climate that we're currently experiencing. Although it is only May now, we are already seeing some of the impact of the wildfires and other upcoming climate events due to climate change.

Would you agree that building a climate-resilient supply chain is fundamental for farmers as well?

• (1700)

**Mr. Dave Carey:** It definitely is.

We have major choke points in our infrastructure system. There's one bridge that goes into the Port of Vancouver—one bridge. We saw different outages that happened around Abbotsford as well. If one part of our supply chain breaks down, it has massive reverberations. For example, if the railway does go on strike, one day of a strike is seven days to recover, but there's also a ramp-up and a ramping down. One day of a strike could lead to two weeks of lost productivity.

The agriculture sector felt it keenly with a lot of our exports going to China, and China blocked canola for a period of time, as well as pork and cattle products going into that market. Diversifying is key, and we need to invest in our resiliency.

We're looking at another drought in the Prairies this summer, which will really hurt growing conditions, but when we have that product, we have to be able to move it, and seven out of 10 tonnes of grain from the Prairies goes through the Port of Vancouver. We don't have a lot of ways to get our landlocked products to ports, and the bulk of agriculture products go through the Port of Vancouver.

**Mr. Wilson Miao:** Thank you.

Let's talk about the green shipping corridor program.

Would you agree that this initiative helps build the climate-resilient supply chain that Canada needs to secure its competitiveness across the world in the future?

**Mr. Dave Carey:** Absolutely. Canada is a country with wild swings in temperature, from minus 35° to plus 35°, so I would agree with your assertion that it will help. There's no silver bullet and there's no panacea, but we need to start looking at infrastructure as a nation-building process. We can't think in two to three years; we need to think 30 or 50 years down the road, because if the Americans, as alluded to earlier—regardless of party, regardless of dynamics in Congress or the Senate—need more capacity at Long Beach, they get more capacity at Long Beach.

I know that some of our times for permitting in Canada can be up to five times longer than in the United States, and that is who we benchmark against. They are our biggest customer, they're the world's biggest economy, and they're our closest neighbour, so absolutely it helps.

**Mr. Wilson Miao:** Okay.

Let's talk about the Indo-Pacific. You mentioned it in your remarks and during some of your comments as well.

Minister Ng recently also announced a date for the next team Canada trade mission to the Philippines and Indonesia, and it will

take place around December 1 to December 6 of this year. It will build on the success of the previous team Canada trade mission.

Would you agree that trade missions like this improve relationships between trading partners and help bolster supply chain resilience? As you mentioned, it's all about relationship building.

**Mr. Michael Harvey:** As you said, relationship building, especially in cultures in the Indo-Pacific, which are relationship-based rather than transaction-based.... When these team Canada missions take place, we always have several CAFTA members joining, which shows that they see the value in them.

**Mr. Wilson Miao:** Would you recommend that the government continue these kinds of engagement efforts to support our Canadian businesses and industry across the country?

**Mr. Michael Harvey:** We're always in favour of opportunities to build up relationships. We also think it's important to take advantage of the infrastructure we have on the ground.

We're very supportive of the agri-food trade office that was opened up in Manila, after calling for it for years, because in an environment like the Indo-Pacific, you really want to have people who are able to build up long-term relationships with local authorities. Being able to come from Canada for a few days is great, but really, what you're doing is opening doors, and then you need to follow up with people who are on the ground, so something like the office in Manila is very important.

**Mr. Wilson Miao:** That's great.

How's my time, Madam Chair?

**The Chair:** [*Inaudible—Editor*] seconds remaining.

**Mr. Wilson Miao:** Okay. I'll just let that go.

Thank you.

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

Monsieur Savard-Tremblay, you have the floor for six minutes, please.

[*Translation*]

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

I would also like to thank all the witnesses for being with us.

My question is for the representatives of the Canadian International Freight Forwarders Association.

You talked a little bit about the contribution management system. As you know, we did a study on this, which is not yet complete. We're waiting for a lot of information and a lot of documents that we requested that were supposed to be provided in two weeks and still haven't been.

Your organization is part of the Trade Chain Partner Working Group, which worked with the Canada Border Services Agency, or CBSA, to test and implement the CBSA assessment and revenue management system, or CARM. The CBSA is also one of the 22 signatories to a brief containing strong, if not murderous, criticism of the system, particularly with regard to the lack of preparation and consultation.

We received other documents after that. Even people from the CBSA union say they weren't consulted. Also, in your brief you point out a lot of inaccuracies in the testimony that was given here by CBSA officials.

Feel free to expand on that. That said, since it was recently announced that implementation of the CARM for partners would be postponed until the fall, I'd like to know if you're satisfied with that decision.

• (1705)

[English]

**Mr. Bruce Rodgers:** That's a very loaded question. Thank you for bringing it up.

The standing committees have dealt with these matters. I know you've met with the particular industry stakeholders, as well as the CBSA directly, on the challenges with the program. After those standing committee meetings...we were having biweekly meetings with the CBSA, but those have been cancelled. There has not been another meeting since the standing committee discussions. As trade chain partners, we're now even further out of the loop than we were previously.

The deferral until October will be a good thing initially, but there's a lot of work that has to go on between now and then. Again, when they were going to implement on May 13, there were some contingencies put in place. They had a 180-day contingency for how importers with a business number were going to import products, and then there was another 12-month extension.

In October, I don't know if those same extensions will be granted. Again, we don't know at this point in time. All we've heard about is the deferral. There have been no meetings, no correspondence and no communications other than that at this point in time.

[Translation]

**Mr. Simon-Pierre Savard-Tremblay:** In other words, collaboration and communication with the agency, even in the context of this major about-face, have not been forthcoming.

Is that correct?

[English]

**Mr. Bruce Rodgers:** That is correct.

[Translation]

**Mr. Simon-Pierre Savard-Tremblay:** Okay, thank you.

You say that it should be ready in October, but what still needs to be done?

[English]

**Mr. Bruce Rodgers:** It was identified at the last meeting that out of the trade chain partners and the people who were doing the system testing, there were only three who were certified. That's out of all of the service providers, so that testing has to continue.

There were a number of issues that were brought forward and discussed with this committee, such as the incorrect calculation of duties and taxes. Other issues, such as trying to get responses from the CBSA, were very delayed as well.

Again, we don't have any further information other than the announcement that came out from a trade chain partner. They basically indicated that the system is ready and they're moving forward internally, but the trade chain partners have been deferred until October. Until we have better information on what that actually means, I'm at a disadvantage to be able to comment any further on that.

[Translation]

**Mr. Simon-Pierre Savard-Tremblay:** I know that you weren't given any privileged information, but are you aware of the situation all the same? Normally, on April 26, the current system was to be completely suspended. Importers were to take notes on their own for entries to be made on May 13.

As far as you know, is the current system still in place?

[English]

**Mr. Bruce Rodgers:** Yes, it is. Everything is in place, as it was prior to that date.

[Translation]

**Mr. Simon-Pierre Savard-Tremblay:** My next question is for the representatives of the Canadian Agri-Food Trade Alliance.

Recently, the Senate in France refused to ratify the proposed Canada-European Union Comprehensive Economic and Trade Agreement, or CETA.

Mr. Harvey, at the time, you said, "Our food goes through a verification system that is among the best in the world and scientifically there is no risk. So we should not use lies and unconfirmed information to infringe on trade".

Could you give us more details on the frictions that led to this non-ratification, if you have any, of course?

**Mr. Michael Harvey:** I believe that the Senate in France did not ratify the agreement because of elements of French domestic policy, which I really cannot explain for lack of knowledge. Following that non-ratification, we received a briefing from the Canadian government, which explained how the embassy there understood the situation.

There are, in fact, elements of domestic policy that aren't very clear. What is clear, however, is that our food inspection systems aren't always received as they should be in France. We think it's because there are things that aren't very well understood, as our systems are at a higher level.

Sometimes it's also because people pretend not to understand our systems. They want to impose non-tariff barriers in place of other barriers to make our products uncompetitive. However, in cases where we can work together, we believe in communicating with the French authorities to ensure that they fully understand our systems.

• (1710)

[English]

**The Chair:** Next we have Mr. Cannings for six minutes.

**Mr. Richard Cannings:** Thank you all for being here.

I was going to start with PECO Pallet. However, after comments by the Conservatives about strikes and workers, I feel I should start there instead.

We had a port strike in Vancouver, which this committee studied last year. It was a 13-day strike, and it was the first strike since 1969. It's not like we've been beset by strikes in the Port of Vancouver. In the last couple of years, there have been several disruptions on the west coast of the United States, so they're not immune to strikes. Right now, there's great worry about the east coast of the United States, so much so that a lot of shippers are moving plans to the west coast, the opposite of what they did last year.

Perhaps I could ask the freight forwarders this, though I'm not even sure what the question would be.

What proportion of your concern about how to fix Canadian supply chains is related to infrastructure? We've heard a lot about railways, bridges and port structure. How much can or should we change our labour relations models?

I think the infrastructure situation is something the government could really get hold of and it could make a big difference in it.

**Ms. Julia Kuzeljevich:** Thank you for the question.

Certainly, we could make some major fixes in our infrastructure, and some major investments, if there was a dedicated strategy to do so. I think we still await a dedicated national trade strategy. I know it's been promised many times. The commentators from the agri-food sector mentioned that environmental approvals are impediments in our supply chain.

Regarding U.S. labour, yes, certainly, the west coast ports in the U.S. took a long time to resolve their issue. That was something that was a concern as well. However, they had national federal recognition of the issue. I think, here in Canada, we are lacking that recognition that the supply chain is a prominent contributor to a country's GDP.

The U.S. also has an agency called the Federal Maritime Commission, which oversees issues such as demurrage and detention. In Canada, it's a fight we do on our own when we deal with demurrage charges and detention charges throughout the value chain. There is no competition oversight, aside from the Competition Bu-

reau and throwing things at Transport Canada. We certainly think those are deficiencies in our system.

In terms of labour, we recognize the need for collective bargaining and that the best deals are made at the table. However, the circumstance in many of our disputes is that parties don't want to come to the table. You can't negotiate if you're not there.

Those are observations we've made in our system.

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

There are two sides to labour disputes, but we tend to hear more negative things about workers when they're often up against intransigent management.

I turn to Ms. Vegso for the last thing. I remember meeting with PECO Pallets in my office, and the whole story about this system of renting out pallets is so amazing. I'm wondering if you could again dive into more detail on what we could do to make that whole recycling system better in Canada. How do we make sure people send those pallets back to you? I will give you more time to dive into that.

• (1715)

**Ms. Lisa Vegso:** One of our strongest recommendations is really just taking a collaborative approach that considers the the supply chain end to end, and all stakeholders.

Pallets are the foundation of the movement of critical goods that are moving across the country, so our strongest recommendation is really just identifying pallets—which the supply chain task force did—as a vital part of the Canadian supply chain and making sure that key stakeholders from that industry are given a chance to weigh in on any changes that might be upcoming or considerations that are being made in government.

**Mr. Richard Cannings:** Is there anything that needs to be done about the people who...? These are rented by the manufacturers and sent to the consumer outlets. Are those consumer outlets always good about sending them back to you?

**Ms. Lisa Vegso:** One dynamic of the way that the pallets move, particularly within the food industry, is they are shipped to retailers. I mentioned in my opening remarks that we have a dependence on those retailers. We have a dependence on their being good stewards of our assets, and that means returning the pallets to us. We're constantly striving to mitigate lost pallet assets in our network, making sure those pallets get back and keeping costs low. When retailers are good stewards of our assets, it allows us to control cost, which ultimately impacts the consumer. If the cost of pallets and behaviours in the network are poor, it drives up cost of goods sold to the retailers, which ultimately affects the consumer.

**The Chair:** [*Inaudible—Editor*] five minutes, please.

**Mr. Tony Baldinelli:** Thank you, Madam Chair.

I thank the witnesses for being with us this afternoon.

Discussions of supply chains are hugely important in my riding [*Inaudible—Editor*] trade with the U.S. is very important to us, as 75% of our trade with the U.S. is by truck, and it goes through four main points of entry, which are Windsor, Fort Erie, Sarnia and Queenston. Two of those bridges are in my riding, so it was disconcerting to hear some of the comments today.

Mr. Carey, you were talking about how our traditional trade partners are questioning Canada's ability to deliver key commodities on time, and then I think it was the International Freight Forwarders Association. Mr. Rodgers, I think you mentioned that Canada is now number 51 in ranking in cross-border trade, and I wonder if you can elaborate on that.

**Mr. Bruce Rodgers:** Yes. I think that came from the 2020 “ease of doing business” index from the World Bank, and it's 51 for trading “across borders”, not necessarily U.S.-Canada borders but trading overall, globally, into Canada.

**Mr. Tony Baldinelli:** That touches on what Mr. Carey was talking about, and then we can add to it the notion of unpredictability. The reliability of supply chains is critically important. We have notions of possible strike actions with our rail. We just had port strikes. You know, it could be a perfect storm: The CBSA, this May, could also be on strike. What is disappointing on the CBSA aspect is that it seems that the CBSA is always negotiating the last contract, and so when they finally resolve this one, it will be 2025 when it ends, and they'll be negotiating a new contract. Again, what we have is no certainty in place with regard to our border crossings.

To the freight forwarders, you talked about your disappointment on learning that the study on ways to ensure strikes are limited had been put on pause. Do you have, for example, any ideas or recommendations to the government that you would like to submit with regard to its examination in this area?

**Ms. Julia Kuzeljevich:** In terms of what the government should look at, I think some things are systematic, for sure, with regard to the role that the longshoremen or foremen.... By the way, I use those terms because some of those terms have yet to be changed in the verbiage, but I know that's in progress.

Certainly, there are concerns over automation, and you could probably find just as many studies pro as con. I know that was definitely the case with the LA and Long Beach situation that held the negotiations back for some time. What we'd like to see is maybe—

and we've talked with the Maritime employers and ports on the same topic—a look at our labour code and at mechanisms within the code that could encourage stricter mediation timelines, avoiding the need to call on back-to-work legislation. We could bring the parties to the table, encourage stricter timelines and perhaps fast-track arbitration processes, which would offer some reassurance to industry that things are being dealt with and looked at. We don't have that reassurance currently; everything happens behind very secret closed doors.

• (1720)

**Mr. Tony Baldinelli:** Madam Chair, how much time do I have?

**The Chair:** You have one minute and 20 seconds.

**Mr. Tony Baldinelli:** I'd like to quickly ask ask PECO Pallet a question.

Wood pallets are used widely across the supply chains. Was your organization consulted for the supply chain task force report?

**Ms. Lisa Vegso:** We were not. As I said, the industry was identified in the report. PECO was not directly consulted with. Frankly, one of the motivating factors behind participating in today's session is making sure that we're a recognized player in that industry, and our hope is to be a part of consultations in the future.

**Mr. Tony Baldinelli:** I'll cede.

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

Mr. Arya, you have five minutes, please.

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

I am always glad to see the Canadian Agri-Food Trade Alliance at this committee. Its members have worked hard and have made Canada the fifth-largest exporter in the world in that sector.

I fully agree with its three priorities of going after the new international market, like Indonesia and ASEAN, of promoting and maintaining the international rules-based order, and of strengthening the capacity and having much more collaborative efforts between all the stakeholders. I agree with that.

However, I am quite surprised to hear the words from this body.... I'm surprised to hear words like “back-to-work legislation”, demanding it. Even our partisan political opponents have not used it. To hear a respected industry body demanding, or at least suggesting, back-to-work legislation at this time is unjustified, in my view.

Ms. Vegso, I am very glad to hear about this. I did not know about the importance of pallets and how the process operates.

I have a quick question on the supply chain task force, on whether its recommendations are working, but before that.... Because of the unique nature of your business, you are at the core of the movement of goods in North America. Which are the points—any specific points in your movement chain—that you think should be improved, or which are most problematic for you?

**Ms. Lisa Vegso:** Certainly, the most problematic issue that we face in terms of operating our pool is making sure that our pallets come back into our possession.

**Mr. Chandra Arya:** In the sense of their coming back or their going to your customers, is it the transportation time required? What is the major issue?

**Ms. Lisa Vegso:** It's working with the distributors that are the recipients of our assets to be sure that once the pallets become empty, the pallets are returned back to PECO. Making sure that those pallets come back to us remains one of the biggest challenges that we face, not only in Canada but in North America. We're working with those distributors and educating them on the impacts of poor behaviours that lead to losses or to excess damage to pallets, to excess dwell time—all the factors that drive up cost.

**Mr. Chandra Arya:** You did mention that there have to be consistent policies between U.S. and Canada. What are the key things where there's inconsistency now?

**Ms. Lisa Vegso:** There's nothing specific that I see right now, but I think that's important. We see it in the example that I referred to in my opening remarks in terms of ISPM 15 and the bilateral agreement that exists between the U.S. and Canada. There's nothing particular at the moment, but we see the advantage of that in certain areas of regulation today.

**Mr. Chandra Arya:** As for the supply chain task force, is it working? Is it yielding results? Are you seeing any improvements?

**Ms. Lisa Vegso:** We see nothing to speak of yet, but I think it's very early on. We have had some consultations, but it's very early on in the official formation of the national supply chain office and the work that they're doing.

**Mr. Chandra Arya:** Coming back to CAFTA, I have one specific question.

You talked about the problems with customers in Japan and other places. Yesterday I was talking to the ambassador from Singapore about the shipping routes around the South China Sea, etc. Do you foresee any problems? I've even heard that there are some Canadian companies that want to establish a transshipment port in Sri Lanka especially for grains.

I have not heard that anywhere else, but I just happened to meet the minister of that country, and they were talking about this. Do you see any problems there or any solutions being proposed in that part of the world, in the Indo-Pacific area?

• (1725)

**Mr. Dave Carey:** I'm sorry. I don't know anything on that, I'm afraid.

**Mr. Michael Harvey:** No.

**Mr. Chandra Arya:** No? Okay. This must be something totally new.

The minister of investment from Sri Lanka was here. In the meeting, he mentioned some Canadian companies that were talking about establishing a transshipment port in Colombo. Anyway, that's okay.

Coming to the Indo-Pacific, I think that obviously we want to help open up markets for your members, whether that's in Ecuador, Indonesia or ASEAN. I was with a group of ambassadors recently, mainly from ASEAN countries. They were talking about the need for the Canadian government and Canadian companies to be aware of the cultural sensitiveness in that particular region. ASEAN is not a unique homogeneous body, obviously. Each single country has its own systems and culture.

Where do you see that going? Do you see any problems in having a trade agreement with them?

**Mr. Michael Harvey:** I think what I'd say is that the trade agreement might not have the same level of ambition that you have with more developed markets like the United States or Europe. Maybe some of those countries have capacity issues that can make it difficult to have a trade agreement of the same style that one has with Europe. Flexibility will be needed to come to an agreement. You have to take into account the level of development of the countries.

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

Thank you to the witnesses for their very valuable information.

It's the end of the day.

Committee members, next week for our meetings we will complete our supply chain study, and any witnesses will be requested for the upcoming seafood import policy study as well. We'll have 15 minutes of committee business at our upcoming meeting on May 7.

Are we all right?

The meeting is adjourned.





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