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Mr. Leon Benoit

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• (1110)

[English]

The Chair (Mr. Leon Benoit (Vegreville—Wainwright, CPC)): Good morning, everyone.

We're here to continue our study on the opportunities and challenges facing the forest products industry.

Today as witnesses we have, from the City of Prince Albert, Jim Scarrow, mayor; from the Université du Québec en Abitibi-Témiscamingue, Hugo Asselin, professor, Department of Humanities and Social Development; from the City of Kenora, Leonard Compton, mayor; from Weyerhaeuser Company, William Candline, plant manager, Kenora Laminated Strand Lumber Facility; from the First Nations Forestry Council, Bill Williams, director and chief; from Corporation agro-forestière Trans-Continental Inc., Francis Albert, president and chief executive officer.

We will have the presentations in the order that you are in the orders of the day. We'll start with the mayor of the City of Prince Albert for up to 10 minutes, please.

Mr. Jim Scarrow (Mayor, City of Prince Albert): Thank you, Chair.

Good morning, everyone. It's wonderful to be here to speak on behalf of forestry, which has always been Canada's largest export-based resource. It has built the fabric of Canada and has been a part of the economic base of the Prince Albert region for about 100 years. Saskatchewan can boast several achievements in the forest industry: the largest sawmill in the British Commonwealth was at Big River; the first oriented strand board or OSB mill in Canada was at Hudson Bay; and Canada's first closed-loop hardwood pulp mill is at Meadow Lake. Forestry has created secure, well-paid jobs for residents and has created healthy communities. It has earned the right to be considered for national support that is at least equal to other industries.

In the fall of 2005 Weyerhaeuser announced it would be closing the Prince Albert pulp and paper mill. In January 2006 the paper line was permanently shut down and on April 12, 2006, the pulp mill closed its doors.

In August 2006 a merger between Weyerhaeuser and Domtar was announced, and Domtar took possession of most of Weyerhaeuser's Prince Albert assets. Today we approach the second anniversary of the mill closure and the loss of thousands of pulp mill, sawmill, and associated jobs in my city and across the province. The entire province has felt the impact of the closure of the Prince Albert pulp and paper mill in terms of losing jobs and economic activity. Clearly

the greatest impact has been in Prince Albert, Big River, Carrot River, Hudson Bay, Meath Park, Nipawin, Holbein, Green Lake, and communities throughout the forest region where much of the direct employment took place.

In terms of jobs, families, institutions and schools, health services and charities, etc., the social impact of the closure has been large. The city of Prince Albert is affected directly as the majority of employees live in the city. The surrounding communities where employees lived were affected, as were supporting and dependent companies—for example, harvest/haul operators and sawmills. The impact has expanded further to include communities outside the forest region where support companies exist—Saskatoon and Regina.

In purely economic terms, the pulp and paper mill was a significant component of the Saskatchewan economy. It contributed 0.5% to the provincial GDP on its own and 1.2% when the combined effects of sawmill, harvester, and support jobs were included. It directly employed 690 people and supported an additional 1,380 indirect jobs throughout the province. Just as important was the effect on local sawmillers who eventually closed their doors, and in this way an additional 1,883 jobs were affected, bringing the total to 3,953 jobs lost as the result of a single mill closure.

The closure has had a ripple effect throughout the province. For example, ERCO Worldwide, a chemical company in Saskatoon, supplied the mill with inputs for production of pulp and paper, and the company employed about 100 people and was significantly affected by the closure. Other Saskatoon- and Regina-based businesses that supplied products and services to the forest-based companies, such as trucking, packaging, supplies, and consulting services, lost a key customer. The impact is wide in scope and not yet fully understood.

The City of Prince Albert is hard hit by the closure of the mill. It stands to lose \$1.7 million in property tax revenue and has already lost \$1.6 million in energy surcharges. The total of the lost revenue exceeds \$3.3 million annually; the pulp and paper facility provided 19% of the city's total budget.

Schools in the area have been hard hit through lost taxes and also through lower enrolment. The Communications, Energy and Paperworkers Union, CEP local 1120, calculates a loss of over 1,000 students in the school system.

Many charities and other groups are feeling the impact of lower financial support from the forest sector.

A provincial task force was appointed the day after the closure was announced by Weyerhaeuser. Included in the task force was the mayor of the City of Prince Albert and union and community representatives. Further community involvement came in the form of business leaders who formed the Prince Albert Forest Action Committee, which lobbied on behalf of the Prince Albert businesses and acted in an advisory capacity to the task force and as a conduit for communication to the community.

Despite extended closure, the city has not lost hope. I have not lost hope myself. There is a future for the sector, but concrete steps are needed to build this industry.

Challenges faced by the forest sector are both global in nature and local in circumstance. International competition has been building in the pulp and lumber industries. Fast-growing trees and lower labour costs in South America and Pacific Rim countries have been too attractive for forest companies to ignore. Many of these companies have moved production of pulp and paper to these regions, abandoning their North American mills.

Other nations have moved faster than Canada to maintain their forest sectors. Scandinavian countries, Finland in particular, have supported their industries to the detriment of ours, and much of their growth has been at the expense of the Canadian forest industry, as Finnish product has out-competed ours on the global market.

When combined with decreasing demand for paper worldwide, the softwood lumber tariff, and the slowdown in housing starts in the United States, it spells a downturn for the Canadian forest business.

Unique and significant challenges for Saskatchewan would include climate change. Indications are that Saskatchewan's boreal forest may disappear as we know it today. Ground zero for climate change impacts is Saskatchewan. Today's forests are projected to move north. What will take its place is not yet fully understood, and time is short to develop this scientific understanding.

A whole industry was centred on one mill, the Prince Albert pulp and paper mill, and when it closed, our forest industry went with it. Without other pulp mills close by, many sawmills closed because of lack of sales for chips. Despite the advantages of high quality and lowest delivered wood cost in western Canada, ongoing operations could not be sustained.

With less than equitable treatment under the softwood lumber agreement, Saskatchewan received a quota well below its ability to deliver. The last softwood lumber agreement provided less than 0.5% of the national quota to Saskatchewan, but the province has the potential to meet about 2% of that market. Many mills lost access to the U.S. market during its historic high period as a result.

The recently announced funding by Ottawa for communities hard hit by closures is good for the communities that are moving away from forestry, but additional efforts are required for those communities that desire revitalization and want to stay in this sector. New initiatives are needed that could maintain the sector until the United States' housing market rebounds or, more importantly, can move the industry away from its commodity-based reliance on the U.S.

Forestry has a history like many other resource-based sectors; once upon a time, profits could be raked in on commodities alone. However, times have changed, and different approaches are required. Today, wood byproducts can be used in explosives, pharmaceuticals, and polymer feedstock for clothing and tires, to name a few. Technologies exist to automate the timber harvest, provide x-ray scanning to optimize lumber recovery, and deliver "smart" paper with memory. Technologies are emerging to convert wood fibre to ethanol and other biofuels. In short, our industry must move away from high volume and towards high-value production. More research and development investment is needed to fully exploit these opportunities.

To learn how our forest sector can become a globally competitive growth area, one need only look at one of our keenest competitors. Finland, a country with a forest 1/20th the size of Canada, exported about \$17 billion in forest products in 2005, compared to about \$42 billion for all of Canada. It also is home to three of the world's largest forest companies; Canada has none. The recent mergers of Abitibi and Bowater, and Domtar and Weyerhaeuser's paper division, began to create companies of scale in a sector that Canada should dominate.

Finland's forest industry faces the same global challenges as Canada's, so how are they succeeding? They have driven significant support into several key priorities: they supported industry consolidation to drive efficiencies and economies of scale; they prompted development of forest clusters to recognize efficiency brought on through minimized product handling; they grew the market for wood products by demonstrating superior wood qualities compared to steel or concrete; they involved labour in sector redesign; and they significantly increased support for product development and transfer of new technologies to a ready industry. Through this, they established the fiscal and intellectual capacity to grow their industry and help it adjust to changing world economies.

As mayor of the largest city in Saskatchewan in the forest belt, I am embarrassed; as a nation, Canada should be embarrassed that a smaller country with a smaller resource should be so much further ahead. So what can be done?

●(1115)

Science is our best answer to these challenges, and I call on the government to make good use of the scientific knowledge that has been built.

You can use that science to refute claims by environmental groups that our boreal forests are in a poorly managed condition. Our forests are not poorly managed and we can prove it.

We can use Canada's science to show that human management is part of the natural cycle and that our role can maintain healthy forests. Global warming is changing our forests, and science shows us the way to manage that process for economic and ecological benefit of the forest resource, and to use Canada's science base to increase public understanding of our forests to show that our forests are well-managed.

You can use Canada's science to expand products and markets and develop new manufacturing processes that can keep our industry competitive. You can use science to increase biofuel, pellet, and energy cogeneration potential for our forest resource. We can use science to increase the viability of our tree species, both economically and tied to climate change.

Agencies like the Saskatchewan Forest Centre can lead development of an industry built around high-value products, built around new markets for these products, and built around cost-competitive delivery to these markets.

New markets are required. Work is needed to expand the products from our forests and their markets. More national coordination is needed to expand markets in China and India and establish a carbon trading system to significantly change the economics of forestry. Carbon-neutral and carbon-positive forests could reduce Canada's CO₂ imbalance and be a real revenue source for the industry.

Support industry consolidation and capital reinvestment. This is needed. Measures announced in the 2008 budget should help, but more is needed.

One simple objective that could be adopted naturally is to double per capita consumption and use of wood. Finland did it.

You can support the development of the Port of Churchill as an alternative route to markets for Saskatchewan. This would greatly improve accessibility to our products and place our province's exports closer to Europe than export through the St. Lawrence does.

Canada's science can be used for an international "wood is good" campaign that shows superior qualities of wood construction over steel and/or concrete. Wood use should be doubled and wood fibre utilization improved nationwide through several avenues. A national building code to further encourage wood use would be a start. As mentioned, setting a national target to double per capita use of wood would show Canada's commitment to the sector. Investing in research and development, promoting forest business clusters, allowing industry consolidation, establishing a carbon trading system, and promoting the use of wood as green energy should follow.

As mayor of Prince Albert, I am poised to assist in any way I can to renew and revitalize this sector in my city and my province. I just need the support policies in place to begin my role.

Achieving many of these goals requires national coordination, financing, and determination. The provinces may be responsible for forestry as a resource, but I believe that the nation is responsible for forestry as a future.

Thank you.

● (1120)

The Chair: Thank you, Mayor.

I would like to ask you all to ensure that you keep your briefs under 10 minutes.

Now Professor Asselin from the Université du Québec, go ahead.

[*Translation*]

Mr. Hugo Asselin (Professor, Department of Humanities and Social Development, Université du Québec en Abitibi-Témiscamingue): My opening remarks will be in French and in English. I will hand out a copy of them.

Good day to all and thank you for giving me the opportunity to share with you my thoughts on the future of Canada's forestry industry.

I am a professor at the Université du Québec en Abitibi-Témiscamingue, where a group of several specialists is working on questions related to forestry and local and regional development.

It seems as though the comfort zone into which Canada's forest industry has been for several decades is now uncomfortable enough for many stakeholders to ask for a drastic paradigm change. I am more than happy to share today the talking stick with chief Williams, since I believe we can learn a lot from first nations about how to live in close harmony with forest ecosystems. Indeed, I think we have forgotten for too long that we are a part of the forest ecosystems we inhabit.

Before speaking about the opportunities and challenges facing the forest industry, it is worthwhile to first stress—no one will be surprised—that Canada's forest industry is presently in a state of crisis. In Quebec—and probably in other provinces as well—it is the worst crisis since the Great Depression of the 1930s. The crisis has major drawbacks in Canadian communities, starting with aboriginal communities, single industry towns, and small isolated communities. In these communities, the crisis translates into impoverished social networks, depopulation, discouragement, and loss of leadership and capacity.

I do not want to comment for too long on the subject of the causes underlying the crisis, but I think it is important to make a distinction that will be of great importance for the rest of the discussion. To explain crises in the forest sector, we often hear about conjunctural and structural factors. We presently are in the fourth crisis since the 1970s. I believe that crises start because of conjunctural factors, i. e. factors external to the industry and thus out of its direct control.

The most important conjunctural factors are the increased value of the Canadian dollar compared to the U.S. dollar, increased crude oil price, and decreased prices of forest products. What is important to understand is that the severity of a crisis, in terms of mills closed, jobs lost or plummeting profits, can be explained, in my opinion, by structural factors, i.e. factors due to the functioning of the industry itself. As every crisis has been worse than the preceding one for at least the past 40 years, it looks as though some major structural problems were left unresolved.

The most important structural factor is the massive production of low-value products such as lumber and newspaper, and massive exports towards a single market: the U.S. This has resulted in two major challenges: diversified products by focusing on high value and certified products, and markets, by reducing dependency on the American market and by considering emerging countries as major markets instead of competitors. To succeed in such initiatives, we need to focus on our strengths. Apart from having an important number of highly qualified personnel, Canada is known as an international leader in terms of environmental certification. The market for certified products has been increasing exponentially for about a decade and Canada is in a good position to take the lion share of this growth.

Amongst the envisioned solutions, we often hear that consolidation, i.e. the grouping of companies into bigger and bigger entities, is inevitable and even a good thing. My own observations lead me to believe exactly the opposite. Without neglecting the important socio-economic role of large companies, it is the middle-sized companies that are best able to stay afloat in times of crises, owing to their unique resilience and stability. Small companies are not able to absorb a crisis, while large companies choose to turn their back on Canada, waiting for better times to come. However, it should not be possible to switch communities on and off, as we do with light bulbs and televisions.

We need to abandon the model of massive production of low-value products, pushed into a market without considering demand, leading to reduce prices, instead, we should aim to optimize the production chain in order for the industry to be more flexible and to be able to respond more quickly and more efficiently to market fluctuations.

The crisis can be considered in two complementary, but different ways. It can either be seen as workers losing their jobs and communities losing their mills, or it can be seen as companies losing money or not making enough. Possible solutions will be different for one or the other aspect of the problem and I think that we have to cease trying to grow money in trees and that we should instead make sure to create and maintain stable and high-quality jobs, in prosperous, healthy and happy communities. We have to go back to a forestry for the people and give more power to local communities and regions to choose what kind of forest use they think is the most suitable and that will take into account environmental, social and economic sustainability.

• (1125)

We have to adopt a holistic view of the forest ecosystem and stop seeing the forest as a wood-fibre warehouse. The numerous ecosystem services and non-timber forest products of the boreal

forest should be valued, and communities should get their fair share of the associated socio-economic benefits. It is thus more than time for a paradigm shift toward sustainable forest management and integrated resources management. It is very disappointing that many Model Forests from the Canadian network have had their funding interrupted, since model forests are responsible for developing regional frameworks of criteria and indicators of sustainable forest management. These frameworks are essential to the verification of forest practices and to eventually reach our sustainable development objectives.

Conservation of healthy forest ecosystems should be at the very heart of the Canadian forest strategy. Researchers from the University of Alberta developed an interesting and original way of seeing things: the inverse matrix. Hence, instead of considering protected areas as isolated islands in a matrix otherwise dominated by human activities, we should instead consider human activities as islands in a matrix dominated by natural ecosystems. Ecosystem conservation, through, for example, an increase in protected areas—Canada, I should recall, has only a little more than half of the global average of protected areas—will allow us to keep a safety net to face climate change, market fluctuations, and the uncertainty inherent to the management of complex systems such as Canadian forests. And that does not even include the strong ethical reasons for preserving one of the last frontier forests on earth.

Climate change will constitute a major challenge to sustainable management of Canada's forests. The frequency and severity of insect pest outbreaks and other illnesses will probably increase. The mountain pine beetle has already crossed the geographical barrier represented by the Rockies in some places and threatens to destroy the country *a mari usque ad mare*. In addition, climate change will trigger the development of unknown forest types, as each species—trees, plants, or animals—responds uniquely to climate change. Thus, forest types will not simply migrate northwards as monolithic blocks. Furthermore, the migration capacity of certain species will be strongly hindered by landscape fragmentation due to human activity, mostly land-use change.

With respect to first nations, although aboriginal forestry is one of my main research interests, I think that chief Williams will explain this perspective much better than I could. Nevertheless, it is important to stress that aboriginal communities face enormous needs in terms of training and capacity development. Without meeting those essential conditions, first nations' participation in planning and management activities will remain marginal. Full participation requires strict measures being adopted to ensure the protection of intellectual property and fair share of economic benefits. Finally, supplementary efforts will have to be made in order to accelerate the settlement of negotiations on land ownership and treaty rights that have been dragging on for too long.

As a professor, you will allow me to stress the utmost importance of massive funding inputs in training and R&D. All the challenges I have mentioned will require enormous efforts in that regard. We have to bring back youth to forestry programs, for example by giving scholarships. Funding must also be considerably increased for R&D, not only from government—which already does a lot but could do more—but also from the industry. Suffice it to mention that American and Fennoscandinavian industries reinvest three to four times more of their gross profits in R&D than Canadian companies.

I will conclude by saying that the challenges and opportunities are numerous and gigantic. There is no magic solution, but rather a set of different solutions—some that we are already aware of, and others that still need to be discovered. One blindly- applied solution to everything will at best put off these problems for a few years. What we need to do is courageously face the problem on all fronts at the same time.

I wish us all good luck.

● (1130)

[English]

The Chair: Thank you, Professor, for keeping your presentation under the 10 minutes and for being here today.

Now we have, as a group from Kenora, Leonard Compton, the mayor, and William Candline, plant manager, Kenora Laminated Strand Lumber Facility, Weyerhaeuser Company.

I understand, Mayor Compton, you are going to make the presentation. Is that correct?

Mr. Leonard Compton (Mayor, City of Kenora):

I'll speak for the first few minutes, and then I'll pass it to Mr. Candline, if that's acceptable.

The Chair: Go ahead.

Mr. Leonard Compton: Good morning, Mr. Chairman and honourable members. My name is Len Compton. I am mayor of Kenora, Ontario.

Kenora is Ontario's most westerly municipality, located on the Lake of the Woods and on the Trans-Canada Highway, just 50 kilometres from the Manitoba border. Kenora has a population of 15,177 people, with a service area of over 20,000 people. In the summer, Kenora and Lake of the Woods are home to cottagers from Manitoba and mid-west U.S., which doubles our population.

I see Mr. Comuzzi here today, and Mr. Boshcoff. They know our area intimately, and it's good to see them here this morning.

Let me start by providing you with a brief overview of the current state of the forest products industry in Kenora.

Since 2005, we have suffered from the closure of Abitibi Consolidated's pulp and paper mill, losing 361 workers; Devlin Timber's sawmill, 50 workers; and layoffs at iLevel Weyerhaeuser, 40 workers. Most recently we have the curtailment of operations at Kenora Forest Products, cutting 105 workers. That's a total of over 550 workers.

If we look across northwestern Ontario, the pattern is similar. Shutdowns, layoffs, and curtailments in the forest products industry

have affected Sioux Lookout, Dryden, Atikokan, Thunder Bay, Red Rock, Nipigon, Greenstone, Wawa, and many northeastern Ontario communities. The current downturn in the U.S. housing market, the high Canadian dollar, and high energy and road-building costs in northwestern Ontario have combined to create the perfect storm for this industry.

Kenora has adopted an economic development plan, a recovery strategy for the area, which is being aggressively pursued. Our plan builds on the resource-based assets of our community in the forest products industry and on our natural attractions to turn Kenora into a destination community for new full-time and seasonal residents and visitors alike.

We are moving to diversify, but we must protect the foundation of our economic well-being too. Losing the forest sector altogether is just not manageable. In other times and in other jurisdictions, the federal government would have intervened early with various forms of assistance, but this has not occurred.

The January announcement by the Harper government of \$1 billion in community development trust money is much appreciated, but needs to be made available at the community level as quickly as possible. In many ways, we feel it's almost too late.

In order to prepare for this briefing, we met with our local forest products companies and liaised with several regional and national organizations. We feel that this is a story that must be told by industry. Therefore, I am pleased to introduce Bill Candline, manager of Kenora Timberstrand, iLevel Weyerhaeuser.

● (1135)

The Chair: Go ahead, Mr. Candline.

Mr. William Candline (Plant Manager, Kenora Laminated Strand Lumber Facility, Weyerhaeuser Company): Thank you, Mayor Compton.

My name is Bill Candline. I am general manager of Kenora's Timberstrand mill, which is a division of iLevel by Weyerhaeuser.

The focus of iLevel has been on the residential housing market, and Weyerhaeuser has really gathered together all those businesses they have acquired over the years and built over the years under the iLevel banner to really focus on the residential housing market, mostly within North America. This includes oriented strand board; lumber; plywood; laminated strand lumber, as in the plant in Kenora; laminated veneer lumber; i-joists; etc.

The Kenora mill opened in 2002. October 2002 is when we pressed our first board in Kenora. It's a new mill and it's very modern, and we produce value-added engineered wood products. We are one of two plants in the world that now manufacture this specialized laminated strand lumber product.

It's a product made from previously underutilized species of mostly poplar and some birch, utilizing some German technology like a steam injection press to produce a billet that's 64 feet long, 8 feet wide, and up to 3.5 inches thick, weighing up to 7,500 pounds. And then we take that billet and we run it through what is almost like a traditional sawmill to produce beams and headers, and we even cut it all the way to two-by-four studs. So it's a very unique process.

Our company has invested \$300 million in our Kenora operation. We have 160 associates currently. We have a very diverse workforce—25% of our workforce are female, and 25% are also aboriginal.

We have worked continuously since 2002 to reduce our costs and increase efficiencies in our operation. Like most facilities in Canada, we have been significantly affected by the downturn in the U.S. housing market. Three years ago there were well over two million housing starts across North America and we're likely to see around one million this year. We are now operating at about one-half of our capacity. But to our credit, we remained open last year when Weyerhaeuser was shutting down a sister operation just across the line in Minnesota. The majority of our costs are fibre, so our plant economics are very closely tied to provincial policy around natural resources.

My presentation here is going to focus on five main areas of opportunity: taxation, markets, greenhouse gases, the quota system, and aboriginal partnerships.

On item number one, taxation, our industry is seeking full refundability of the scientific research and education tax credits to support innovation and research by Canadian companies, and an extension of the two-year capital cost allowance for a minimum of five years. The recent budget did not act on either of these recommendations.

In my view, the Kenora Timberstrand plant is the perfect example of the type of innovative development that should be supported by this program. We earn credits in Kenora on innovations in technical advances that were incorporated into the new Timberstrand plant. We also received support on developmental activities undertaken on the process side as we struggled to expand the products made at the Kenora plant. While the Kenora facility has benefited from this program in the past, it is currently undertaking no development activities.

I think our message on Kenora is very clear. This is the type of development that comes from supporting the SR and ED program. This program does not provide support during an industry downturn, and a program like this that does not provide support during an industry downturn is of much less value to the industry and results in much less innovation and development. And it's really innovation and development that will help this industry recover.

We need access to new technology to see our forest sector companies perform like their Scandinavian counterparts. Support is

necessary to encourage research and development to identify new products and value-added additions to existing companies, explore lower-cost energy options, and open markets beyond the U.S.

• (1140)

On item two, outreach to markets, Canada has a good story to tell regarding the forest products industry. We also have some of the best fibre and resulting products in the world. We'd like to recommend the establishment and funding of a multi-year, national-level initiative to deliver facts and information on Canada's forests and forest products industry in significant markets. It is our understanding that the recent federal government identified \$10 million to be used as part of such an information campaign. We believe this is a positive step and we congratulate the government.

We would further like to recommend an extension of funding for existing initiatives targeted at developing new markets and uses for Canada's wood products.

Item number three concerns greenhouse gases. The forest products industry has invested billions of dollars over the past 15 to 20 years to reduce emissions from their facilities. We would like the federal government to provide credit and recognition for the industry's progress to date with respect to lowering greenhouse gases. We also urge you to continue to work with industry to ensure that the government's air quality regulations are implemented in a manner sensitive to the industry's current economic circumstances.

Other environmental considerations include greenhouse gas offsets. The federal government has started to address whether and how to develop a greenhouse gas offset system. The system would outline the potential for greenhouse gas emission reduction opportunities for non-regulated facilities and from biological sequestration.

The Forest Products Association of Canada is finalizing its position on this issue. Having a properly designed offset system could be a huge benefit for the forest industry. Specifically concerning Kenora facilities, if such a system were in place we could generate offsets by reducing the amount of fossil fuel we use through fuel switching. On the forestry side, offsets could be generated by activities such as forestation, reforestation, avoided deforestation, and forest management.

Also, recognition/credit for what we have done to date is key. We also support the Forest Products Association of Canada forestry coalition position regarding exclusion from applying VOC emission targets to the wood products sector. In addition, we support their position regarding applying particular emission targets only to wood product combustion units.

Item number four deals with the softwood lumber quota.

Before I go much further, I want to confess that I'm not an expert on the softwood lumber wars. Thankfully, my operation in Kenora is not affected by the current softwood lumber agreement; however, Kenora and the region have a vital interest in how the current agreement is being managed.

The original softwood quota system was developed prior to the latest set of unprecedented and unforeseen market circumstances. Prices and demand are at record low levels for wood products entering the United States. The Ontario industry has worked very hard to get consensus to provide a two-year change to the provincial lumber quota system, which would allow mills to make rational economic decisions regarding market supply without prejudicing their ability to restart after a curtailment.

The Chair: Mr. Candline, I'm going to have to ask you to wrap it up. We have two more groups to present still. We will have very little time for questioning if we don't get through the presentations.

Mr. William Candline: I'll move on to aboriginal partnerships, which was my fifth point.

Kenora is partnering with first nations on economic development, because our futures are intertwined. We are treaty partners and recognize that first nations have constitutional and treaty rights to their traditional land use areas. This very much affects the forest sector. We are now seeing first nation and private sector projects emerging in the private sector. These are very important, but they are imperiled by the fragile state of the forest sector. There are limited markets, export barriers are present, and the forest economy is impacted by the U.S. slowdown.

In summary, each region of Canada is different with respect to the opportunities and challenges facing the forest sector. Northwestern Ontario needs federal and provincial policy support that is sensitive to the unique challenges facing our forest products companies. We need to see the federal and provincial governments working together. This is more important than ever at this time. The private sector and first nations must also be engaged. We must come together in ways unlike any in our history.

• (1145)

The Chair: Thank you.

We go now to hearing, from the First Nations Forestry Council, Bill Williams, director and chief.

Go ahead, please.

Chief Bill Williams (Director and Chief, First Nations Forestry Council):

Ha7lh kwakwayel.

[Witness speaks in his native language]...B.C. First Nations Forestry Council.

I would like to thank you for bringing us this unique opportunity to discuss the challenges that face the forest products industry as a whole.

I would like to particularly talk about the mountain pine beetle crisis that affects British Columbia at this time. This poses an immediate threat to 103 aboriginal communities and directly affects their lives. There is the need for pre-emptive actions.

This crisis of our forests has been given attention on an international level by Mr. David Porter in Bali last December, so it is starting to get to that level of information. Mr. Porter was in Ottawa last December, and unfortunately the Ottawa meetings produced fine words with the minister of forests, but little else. The budget completely ignored the crisis that exists in British Columbia and that is now being deemed the biggest natural disaster in British Columbia's history.

It is hoped that this committee can raise the alarm bells and generate some action in the face of what is happening in British Columbia. Please make no mistake about this: lives as well as livelihoods are on the line in the coming months, and the long-term survival of entire communities is at stake. I'm talking about schools and homes.

The area we're talking about is 103 aboriginal communities with about 100,000 people. They're scattered across an immense area of the interior of British Columbia, and it has turned out to be a huge tinderbox of dead and dying pine forests. The aboriginal communities are starting to live in fear, as the fast-approaching fire season starts in June and ends in September.

The area we're talking about covers 13 million hectares of land, which is bigger than the land mass of Nova Scotia and New Brunswick combined. If you want to take a look at one country in the world, take a look at Greece; it's about the size of Greece.

The last geographic comparison is particularly apt, because the conditions of our dead forests have potential to create fires that would completely eclipse those that ravaged Greece last year.

I don't know whether you had a chance to take a look at the pictures of what happened in the Okanagan about five or six years ago. There were flames 100 to 200 feet tall when they were burning those thousand or so homes in the Okanagan. This will be twice to three times that problem; it is going to be huge.

The damage cannot be reversed. Even containment will be extremely difficult. For now, our priority is survival. How can we survive a forest fire with this new reality? Ironically, the lack of forest fires through the years, together with the high temperatures as a result of global warming, has created a pine beetle crisis. Indeed, a fire will be one of the ways in which the forest will be able to begin to heal itself, but it will also be able to destroy communities and lives.

The problem is that 103 of our first nation communities are in the midst of the fire zones. There are 300 reserves that require a minimum of two-kilometre wide firebreaks cleared around them to prevent the fires from simply obliterating them. Fires move quickly. The majority of our communities have schools, houses, and community buildings, and they are all in remote areas. An evacuation will be difficult, if not impossible.

We need firebreaks and proper evacuation plans. Achieving both firebreaks and a plan will cost some money. We estimate right now that it's going to cost about \$1,000 per hectare, but we're also looking at 135,041 hectares surrounding 300 aboriginal communities. So we're looking at \$135 million.

• (1150)

The risks have been identified for the last few years now. When the last federal election was held, we thought we would get some funding. The Liberal government at that time had already given \$100 million to help B.C. address the beetle crisis, and it made a campaign promise to provide \$1 billion dollars more. The Conservatives matched the election pledge of \$1 billion. We took them at their word. B.C. Premier Campbell's new relationship program has identified 20% of the \$1 billion, or \$200 million, that will be transferred to first nations to deal with the crisis that exists today. We continue to work with the B.C. government, but we are falling short of what is required for our crisis.

The Conservative government, unlike the previous Liberal government, is refusing to transfer money directly to the aboriginal communities. They are selectively choosing different projects they want to fund. An example would be an airport expansion; even though it's probably needed for the community, it does not help our aboriginal community in the crisis we're facing with the pine beetle.

First nations have seen little money. The latest figures provided by the Department of Natural Resources indicate that less than \$5 million has been spent or committed since 2006 on affected first nation communities.

We know what the threats are, and we know what the challenges are. What we need are the resources to help our communities, and our homes and schools, and our elders and children.

Huychexwa. I thank you for your time.

The Chair: Thank you, Chief.

We go now to the Corporation agro-forestière Trans-Continental inc., and Francis Albert, president and chief executive officer. Go ahead please, for up to 10 minutes.

[Translation]

Mr. Francis Albert (President and Chief Executive Officer, Corporation agro-forestière Trans-Continental Inc.): Good morning, Mr. Chairman.

Good morning, members of the committee. On behalf of the Corporation agro-forestière Trans-Continental I would like to thank the Standing Committee on Natural Resources for having invited us to speak about the challenges facing the forest industry. The main issues in this context of globalization are economic, social and environmental issues.

I would like to start by saying that I did not speak to the economic impact in Quebec of plant closures and thousands of job losses. Mr. Asselin spoke to this earlier. Because I have a limited amount of time, I did not address this in my brief. I focused rather on the kind of action that must be taken in order to resolve this situation.

The Corporation agro-forestière Trans-Continental is a collective, a forestry association that includes more than 450 voluntary members including owners and shareholders. Therefore, this is a collective enterprise.

Our mission includes intensive forest management, both private and public forests, and the creation and an increase in socio-economic activities stemming from natural resources in rural areas, more specifically the maintenance and increase of quality employment. Furthermore, we are also partners with the NBG sawmills group and the Bégin & Bégin hardwood group. Both plants are 50% owned by woodlot owners. That is rare in Quebec and in Canada. The communities and the woodlot owners own more than 50% of that plant.

I'd like to explain the terms that I will be using. Our goals involve intensive forest management, labour, industrial development and forest certification.

Allow me to begin with intensive forest management. The forestry industry depends on one main resource: wood. For an industry to be competitive, it has to have a sufficient supply of quality wood in order to meet market needs. Intensive forest management on lands with high wood production potential will increase the productivity of our forests and protect other resources. Furthermore, a healthy forest will also capture carbon. That is not trivial. It has been scientifically proven that more wood production results in less greenhouse gas emissions.

Private forest in Quebec provide more than 20% of the wood to plants. These are forests that are close to communities and to mills. This therefore results in savings in transportation and reduction in greenhouse gas production. I mentioned greenhouse gases earlier. If wood is transported over long distances, greenhouse gases are produced. This type of forest has the highest production potential and forestry workers can earn a decent living from it.

Nonetheless, it is essential that funding to private forest be increased in order to meet intensive forest management goals. A study on the impact of public investment in private forest was undertaken by the Université Laval together with the Canadian Model Forests Network. It showed that public spending on private forest management is a structuring investment for the government. You can find this study on the Canadian Model Forests Networks website. I also have a copy of the study with me.

For those reasons and many others, we recommend that the Canadian Department of Natural Resources invest in intensive forest management program for private forests in Canada. In Quebec, we have a program for private forests. However, additional amounts are necessary in order to meet expected outcomes, that is, an increase in the quantity and quality of stable supply at competitive prices for our forestry industries. Cost of fibre constitutes a significant part of the industry's production costs. If fibre costs go down, then those costs also go down. In order to achieve this, we need to increase the forestry potential of our lands.

With respect to labour in the forestry industry, I only dealt with one aspect, and that is aging workers. We have good training programs. However, we need a new generation of workers and we need to assist young people in going back to school in order to get the forest training they need. In Quebec, and elsewhere, the forestry crisis has led to an abandonment of this area. There are no young people going back to school.

Forestry workers, whether they be in mills or in the forest, are the cornerstone of our industry. They're all aware that the current crisis is disseminating the industrial sector: temporary or permanent shut-downs, consolidation, technological change, etc. Forestry labour is generally very experienced and its average age is often over 55 years. However, the majority of workers, especially those in the forest, have no retirement funds. They therefore have to work for a longer time period. A silviculture worker, whether they be a logging seller or a brush cutter make a considerable physical effort. These people are going to require special assistance in order to be able to continue developing this collective wealth which is the forest.

• (1155)

We recommend creating a fund for forestry workers and plant workers who do not have a pension fund, under the national community development trust, that would take them to their retirement years in dignity, given the efforts they have made. This program should be set up with each of the provinces in order to meet the needs of their clients. The objective of the program is not to put them completely out of the loop, but to help them through the current crisis, because at this point in time, they are having trouble working a sufficient number of weeks to be eligible for employment insurance benefits.

I will now talk about industrial development. The value-added forestry resources industry is a very important sector for the economic development of many communities. Thousands of jobs are directly tied to it, both in plants as well as in the forest. There are many others that are indirectly related, such as the transportation and building of processing equipment for wood products.

Within the context of globalization and competition from emerging countries, we must face the challenge of increasing industry productivity by developing a strategy that is based on high value-added products. In order to do this, we will have to work very closely with all of the provinces.

We must understand that industry consolidation will not settle all of these problems, quite the contrary. As Mr. Asselin was saying, in our region, it is the smaller mills that are still open. The big mills are virtually all closed, for all kinds of reasons: their production costs are too high and very often, they are bringing their wood in from too far

away. Ideally, we should invest in small communities so that they can make a living from this industry locally.

We recommend the following measures: adapt the investment programs for small- and medium-sized businesses; give refundable tax credits to businesses in the resource processing sector, particularly for those who turn to value-added; develop the wood, forestry biomass-based energy and bio-refinery sectors; and increase the use of wood as green material, particularly in public and commercial buildings, as a replacement for more energy-consuming, non-renewable and more heavily polluting materials.

One issue that will allow the forestry industry to set itself apart on the world stage will be to have a forestry sector that respects the criteria of sustainable development. Several countries require that the wood used in the construction of public buildings comply with these criteria. Forestry certification will allow us to meet these requirements. We believe that each province is responsible for having its public forests certified. However, the costs that the industry must bear to comply with certification standards are very high. Private woodlot owners must band together in order to lessen certification costs. It is very difficult to have a private forest certified because cost is so high. The owners must therefore set up a forestry cooperative.

We therefore recommend the following measures: the creation of a refundable tax credit program so that the industry can move forward with forestry certification; the setting up of technical assistance adapted to each region so that they can better meet certification criteria; the creation of a funding program for small private woodlot owners, in order to decrease certification costs.

In conclusion, the forestry management and forestry resources processing industry is and will remain an important pillar of the Canadian economy and that of its provinces. Currently, we are experiencing a crisis. We know that this is temporary; the wood will be resold in the form of other value-added products. However, manufacturers and small communities must take on responsibility for themselves and they will need assistance to do so. The forestry crisis will require major changes in our industry. The Government of Canada must support this industry so that it can make this critical change from tradition to innovation.

Thank you very much.

• (1200)

[English]

The Chair: *Merci, monsieur Albert.*

Mr. St. Amand.

Mr. Lloyd St. Amand (Brant, Lib.): Thank you, Mr. Chair.

I will be deferring the bulk of my time to Mr. Boshcoff. I thank all of the presenters for their thorough, comprehensive presentations.

Mr. Compton and Mr. Candline, our colleague Roger Valley has continually stressed in caucus and other settings the importance of the forestry sector to the people of his riding. He's not a member of this committee, but I know how much he values your input and how pleased he is that you were able to come this morning to present to us.

My only question is to Mr. Candline. You appropriately, yet still somewhat modestly, took proper credit for a new product devised by your company. You mentioned some technology from Germany or some such place. Can you tell us how that came about? Was it by way of a grant or an initiative within the plant itself?

Mr. William Candline: The original engineered lumber that's being marketed right now as Timberstrand is a laminated strand lumber. It was developed by Trus Joist, an American company that was on the leading edge of engineered wood and was one of the leaders in the world. They were actually the developer of the I-joist that you see in most flooring systems in houses today.

They and the original MacMillan Bloedel developed the technology for laminated strand lumber, which uses a process similar to oriented strand board. We take poplar logs, strand them into strands that are six inches long and three-quarters of an inch wide and very thin, then glue them back together in a panel. This uses that same process for structural beams and structural products. It actually aligns all the strands in the same direction.

The German technology I was referring to was really developed in conjunction with Trus Joist and with a German company called Siempelkamp, which developed the steam injection press, which is the real key to making structural beams like this—the very thick products—that you need to cure.

Mr. Lloyd St. Amand: Thank you very much.

We'll go to Mr. Boshcoff.

Mr. Ken Boshcoff (Thunder Bay—Rainy River, Lib.): Thank you.

Your Worship Jim Scarrow, you mentioned earning the right to national support, and Your Worship Leonard Compton, you talked about a recovery strategy. I don't know if either of you are aware that the \$1 billion community trust fund is a three-year program. We had asked for \$1.5 billion per year, but this comes to about \$330 million per year. It's not just for forestry; it's divided across all industries.

I'm asking you, Mr. Scarrow, if you think that amount of funding would be adequate for a national program, seeing as it will be distributed by the provinces and territories.

Mayor Compton, do you think a recovery strategy or having a plan should be a requirement for accessing any of this money from the fund?

•(1205)

Mr. Jim Scarrow: If I may, I again thank you for the opportunity. I apologize for running overtime in my enthusiasm.

Saskatchewan will receive about \$30 million under the plan, I understand. Saskatchewan is going through an economic boom of unprecedented growth in a very short period of time.

The thing that is interesting to me is that there's some flexibility. Originally it was cast for those communities that were devastated by job loss, and permanent job loss. I understand that there's more flexibility in that. Those flexibilities are being considered by the government in Saskatchewan. My view is that it should go to training, particularly for first nations—aboriginal job training and

education—because the skills that are required in forestry are transferrable to any number of industries.

The Chair: Go ahead, Mayor Compton.

Mr. Leonard Compton: Our recovery plan in Kenora is an economic development plan. We're attempting to increase our assessment tax base to bring some new people into the area. It's not totally forestry related, but the amount of money that is being talked about over three years is likely minimal, as far as we're concerned in Kenora. I know of little or no movement in Kenora to get any money out of this fund. I don't think people really know what it's all about, even the people in the industry.

If you took our loss in Kenora of 550 jobs, which is about \$16 million annually, and transferred that to Toronto, their loss in the GTA would likely be in the area of \$1.2 billion. There would be a lot of activity if a similar disaster happened in the GTA.

The fact that we're in a self-adjustment area in northwestern Ontario—and by that I mean that the federal government forgets about us and lets us adjust to whatever the water level is in the area—means that virtually nothing is happening from the federal government that's going to assist us. You likely would agree that we're considered a self-adjustment area in northwestern Ontario.

We are optimistic people in Kenora. We're not waiting for all these things to happen, but we're worried about the forest industry, because we can't turn our back on it. We are looking to other economic development activities in our area.

I don't know if that answers you, Ken, but that's our take on it.

Mr. Ken Boshcoff: Thank you.

Bill, can you tell us how an accelerated two- to five-year capital cost allowance would help your company specifically? That could be helpful to us here in committee.

Thank you, Mr. Chair.

Mr. William Candline: Projects like Kenora compete for available capital. The Kenora plant was built in 2001 and started up in 2002. If the capital situation were qualified to go over five years, there'd be other projects like Kenora that might look as attractive and proceed.

The Chair: Thank you.

Now we'll go the Bloc Québécois and Madame DeBellefeuille for up to seven minutes.

[Translation]

Mrs. Claude DeBellefeuille (Beauharnois—Salaberry, BQ): Thank you, Mr. Chairman.

I thank all the witnesses for being here. We are very privileged to have heard very high-quality presentations. Unfortunately, we have little time to ask questions.

It is worth repeating that Quebec represents 32% of the Canadian forestry industry, that 45% of the municipalities that are dependent on the forestry industry alone are in Quebec and that more than half of the forestry-dependent jobs that have been lost in Canada since April 2005 have been lost in Quebec. These figures represent a heavy burden for Quebec. The forestry crisis is hitting Quebec, Ontario and other provinces hard. Everyone agrees that all of the towns that are dependent on the forestry industry have been hard hit in Quebec.

Almost all of you spoke of the importance of research and innovation. You talked about it as a lever and as a means of getting out of this crisis, to be able to compete and to be forward-thinking.

Mr. Asselin, could you tell me about the importance of investing in research for the forestry sectors of Quebec and of the other provinces? What practical effects could push the members on the government side to recommend much greater investment in training and research?

• (1210)

Mr. Hugo Asselin: One of the main reasons the government would have to invest in research can be illustrated by this story. When I started my master's, about 12 years ago, I was very discouraged because I could not see when the results of my work would translate into reality. I told myself that in the end, I was doing this for nothing. This was 12 years ago, which is not such a long time. Now, I have become a professor. My master's degree students are doing their work, and the following year, governments or companies—regardless of where this applies—are testing their work on the front-lines. It is very encouraging, because this means that we are moving very quickly from research to applications on the ground. It is worth doing.

In my presentation, I talked about the countries we consider as our competitors. This means that they believe things are going better for us and they invest three, four, five or six times more in research and development than Canada does. That is perhaps in part what explains their success. It is a good thing to invest money in older workers. That allows communities and aboriginals to recover. We must continue along that path, but we must not neglect the research that often is behind all of that and that provides short-, medium and long-term solutions.

Mrs. Claude DeBellefeuille: The Technology Partnerships Canada Program provided funding to help industries develop leading-edge products. The Conservatives abolished this program when they came to power. It was a bad time to do so as, according to what all of our witnesses have said, research and development are major issues, particularly product diversification research and research on specialized niches.

Mr. Scarrow and Mr. Albert, would you go so far as to recommend that the Canadian government reinstate a program with a significant budgetary envelope—the Bloc Québécois would proposed \$500 million—to help the forestry industry innovate and create new products? Would you be prepared to recommend the reinstatement of the Technology Partnerships Canada Program?

Mr. Francis Albert: I would agree entirely. One of the forestry industry's priorities is to invest in value-added products. If the industry does not do so, unfortunately, I don't think that in future

years we will be talking much about the forestry industry in Canada and Quebec.

Currently, the existing programs at the provincial and federal level are no longer adapted to business, and particularly not to small businesses. Today, there is every indication that value-added products will not be developed by major businesses. They will be primarily developed by small businesses. That is why I was suggesting there should be refundable tax credits. Currently, there is no industry in Quebec, whether it is a major company or not, that is investing money in this because unfortunately it does not turn a profit.

Moreover, we must be able to benefit from tailored programs. The crisis is real, but it is temporary. Often, the plants are temporarily closed. Manufacturers could take advantage of this time to invest in modernizing their plants in order to develop value-added products. As the plants are hardly producing anything, it would be the time to do so. At home, NBG invested \$3 million in their mill two years ago. Seventy per cent of the profits generated had been invested in the plant. Currently, in order to develop value-added products, we would need \$2 to \$3 million more in order to reach out to particular markets, to particular niches. Unfortunately, because of the current situation, we are not in a position to do so. It is not for lack of good will. The fact that the mill belongs to small owners allowed for 70% of the profits generated at the plant in 2004 to be reinvested, that is to say only three years after its opening.

As far as research is concerned, there obviously remains a great deal to be done on biofuels and biomass. Scandinavian countries have done a great deal. We must find solutions for uses of the unused fibre, which at the same time would decrease greenhouse gas emissions.

• (1215)

Mrs. Claude DeBellefeuille: Thank you.

And you, Mr. Scarrow?

[English]

Mr. Jim Scarrow: Yes, I would agree with that and more. Much is at stake. Our industry is \$33 billion, the largest by far in the world. It needs that assistance at this time for all the reasons stated here today.

[Translation]

Mrs. Claude DeBellefeuille: Do I have any time left, Mr. Chairman?

[English]

The Chair: Your time is up now.

Go ahead, Ms. Bell, for up to seven minutes.

Ms. Catherine Bell (Vancouver Island North, NDP): Thank you, Mr. Chair, and thank you to all the presenters this morning.

I have to apologize; I have a bit of a cold and I can only hear out of one ear.

I found it very interesting to hear the presentation of Your Worship Scarrow, because I come from an area where we're about to lose a sawmill and potentially a pulp mill right next door, after the sawmill closes, after they've run out of their commitment to supply the fibre. The impact on the community and the loss of jobs over a period of time and then the spinoff impacts in social services and education are things we have to take into account in all of our communities. It's something that's happening across this country. Indeed, you paint a very stark picture of the crisis that's hitting a lot of our resource communities, and others have said similar things.

We've been hearing from other witnesses throughout these meetings about those impacts and also about what can be done, that there is hope and we can turn this around. It's going to take a huge commitment by our federal government. Yet we didn't see that in this budget, as is my understanding from hearing all of your comments. I want to thank you for painting that picture and laying it out for everyone.

I have some specific questions for Chief Bill Williams with regard to opportunities for first nations. We've heard from other witnesses as well about land use planning and the treaty process and where things are going. When you said most of your communities—the 103 communities in the impacted pine beetle areas—are remote areas, and then remembering that approximately 80% of first nations live in forested areas, it seems to me there's an awful lot of economic opportunities to be had for first nations. I just wonder how any treaty negotiations are going that are increasing participation of first nations in training opportunities, research and development, innovation—that kind of thing. Is there anything within the treaty process to address economic opportunities for first nations in forested areas?

Chief Bill Williams: Thank you for that question.

The problem with the treaty process is that it does not guarantee long-term jobs. The treaty process guarantees the ability of the governments, provincial and federal, to talk to the business world if the land question is settled.

The economic problem in regard to the forests in British Columbia is exactly the same right across Canada. There are problems worldwide with the ability to ship product to different countries. B. C. faces the same problem of shutting down the forest industry, moving and consolidating their mills in southern British Columbia and Washington State.

I am president of our forest company. We no longer have a mill to process our product, so we have to export 90% of the trees. Only 10% of the trees remain in our area, going to three different mills that specialize in one product—red cedar.

The industry has shifted completely, and the mills have shut down. Because of the mills shutting down, in 109 communities in remote areas of British Columbia, 70% to 90% of employment has been lost. There's no economy there at all. Right now, because they're remote, because there are no jobs there, the treaty process won't help.

We need a shift in the economy. Then we could retrain and get new opportunities that would benefit our communities. One small example would be the Canada House in Torino, Italy. That Canada House was visited by 200,000 to 300,000 people. I had the good

fortune to visit it. It is built of pine beetle logs. We want to try to get other products, to get the logs before they're completely decayed and unusable. The land we're looking at is absolutely huge—135 million hectares.

Thank you.

● (1220)

Ms. Catherine Bell: I've travelled up in that area, driving along the highway. You stop and look, and as far as the eye can see there are reddened trees from the pine beetle. It's quite stark, quite devastating.

The federal government gave \$200 million in pine beetle money. When you said that the provincial government gave \$200 million, was that another \$200 million or a transfer of the \$200 million from the federal government to the province?

Chief Bill Williams: That's what we're trying to find out. All we know is that \$5 million has actually been released to municipalities, and the municipalities are using the money for projects like airports. Maybe they want to shift their economy to tourism. It's certainly not helping the aboriginal community.

As for the \$200 million, from what I understand, the federal government has promised \$1 billion, and the provincial government has identified \$200 million to complement it.

The Chair: Thank you, Ms. Bell.

Mr. Harris.

Mr. Richard Harris (Cariboo—Prince George, CPC): Thank you, Mr. Chair.

Thank you, presenters. I appreciate your presence here this morning.

I have a quick question for Chief Williams. Thank you for coming, by the way, all of you.

Chief Williams, in your particular Squamish Nation, what percentage of the forest that you control is lodgepole pine?

Chief Bill Williams: I'm fortunate in that the Squamish Nation is in the coast range, so we do not have pine.

Mr. Richard Harris: I was just a little confused, because Ms. Bell said she'd driven up the road in your area and saw the reddened trees.

● (1225)

Chief Bill Williams: In *the* area—British Columbia.

Mr. Richard Harris: Oh, okay, I just missed that one.

Mr. Asselin, you have a really good phrase in your presentation, which best addresses the situation we have now, when you say it seems as though the comfort zone that our forest industry enjoyed has now become a discomfort zone. That's of course acknowledging, like many, that the heady days of the forest industry, which we all enjoyed, are not with us right now, and we have some new and significant challenges.

That begs the question. There's been a lot of blame thrown around, not by you folks this morning, but in the media. Most often, the blame seems to get thrown at either the provincial or the federal government for getting us into this position. The thought I have is shared by many. When the good times were rolling, the mills—both the pulp and paper mills and the mills making dimension lumber, softwood, etc.—weren't much interested in looking at new products because things were going pretty darn well.

Mayor Scarrow, you sent out a letter, which I received, thank you, and you talked about the shortage of tissue paper in China and how it would be great if the mill in Prince Albert could change its technology—and I agree with you—to satisfy this market. But here's an example. That shortage of tissue paper in China has been around for about 15 years that I know of. At one time when the mill was operating in Prince Albert, the opportunity was there to take advantage of that big shortage, but it didn't happen because things were good. So we have to live with that and now see where we go from there.

I'll just let that lie with you for a second and I'll try to get back to you, because I have a couple of other questions.

Mayor Compton, most folks are saying the community development trust is a pretty good project. You expressed some concern about how to access it. It's my understanding that there are about five good community projects, including first nation projects, going on in northwestern Ontario at the present time. I don't know if you're aware of those or not, but if you're not, you might want to talk to some of those community mayors and find out how they've managed to secure those funds.

Mr. Leonard Compton: Mr. Harris, maybe what I can just say is that no matter what money the federal government puts out there now, it's not much help to the Kenoras of the world when they're bulldozing the last building down in the next few days. There's very little infrastructure left in Kenora, and you can give us all the money you want, but that mill will never start up.

Mr. Richard Harris: Right. That's a reality that many communities across the country are facing, Kenora included.

Mr. Leonard Compton: It's too late for us.

Mr. Richard Harris: That's why so much focus is on economic diversification in the communities. That's what the community development trust is for, and in areas that can continue in the forest industry, I think there's a \$127 billion or \$128 billion forest product innovation fund that's made available now, and I think there's more funding coming from the government.

I'll get back to Chief Williams. I just had a couple of questions on your brief.

Incidentally, the former Liberal government did give \$100 million, no strings attached, to the Province of B.C. I think it came in December 2005; that's when the cheque was cut. In fact, there was no further promise of funding, because I was the forestry critic for our party at that time, and I questioned the government many times. So the \$100 million, although good...the present government made a commitment of \$1 billion over 10 years, and we've advanced \$200 million, as you know. You're quite correct. All of the funding is in

cooperation, and the decisions are made with the Province of B.C. And likely we'll continue that way because we're all partners in this.

I just want to ask, because there was a large contingent of money in that \$200 million for wildfire protection, to protect our communities both inside and outside, if you knew how many applications from first nations were put in to secure some of that wildfire funding. If you don't, perhaps you could find that information. I'd be very happy to try to assist you in that respect.

● (1230)

Chief Bill Williams: Thank you for that information. I have no idea how many have applied to that, because I personally do not know about that contingency fund.

Mr. Richard Harris: There is one.

Chief Bill Williams: Could you tell me the amount of money that they've set aside for wildfire protection?

Mr. Richard Harris: I don't have the number but it was several tens of millions of dollars, as I recall, for the component on wildfire protection and public safety because of the pine beetle damage.

Chief Bill Williams: Yes, the number that we're looking at is \$1,000 per hectare. We have 135,000 hectares around our 109 communities that require protection. So that's why we have the number of \$135 million. A rejigging of that number would probably be a better opportunity for our communities.

Mr. Richard Harris: You had said, probably rightly, that no money has come to the first nations for wildfire protection. So what I need to know is how much has been applied for under the criteria of the \$200 million that's out there. Were those applications successful? Quite frankly, I would like to try to assist you in securing some of that funding, but I need to know how much was applied for and if it was approved or whether it's in the process or not.

The Chair: Thank you, Mr. Harris. Your time is up.

We go now to the second round. Mr. Tonks, you may proceed for up to five minutes.

Mr. Alan Tonks (York South—Weston, Lib.): Mr. Harris is going to be pleased, as is Ms. Bell, because I'm going to follow up on the same line of thinking, Mr. Chairman.

I'm encouraged, and I'm sure Chief Williams is encouraged.... The line of questioning is consequential, as Mr. Harris would know better than I, to the very, very serious issue that exists with the mountain pine beetle and the area of devastation that has been described. I have not been up there but I've certainly heard about it and I've seen some fly-over photographs. And the issue with respect to the province of Alberta now and its particular... I think the committee should be encouraged that through Chief Williams, the initiative has been taken to coordinate first nations' responses to the mountain pine beetle. The line of questioning is an attempt to establish just what is available and how first nations access that, as part of a strategy.

I hope I'm not out of line on this, but I think, when we're putting our report together, the committee would like to take Chief William's testimony and build recommendations as we receive more information along the lines that Ms. Bell and Mr. Harris have questioned. I appreciate, on behalf of the committee, all of the presentations that have been made, from the mayors, Professor Asselin, and from the industry. It really reinforces what we've been told, and we're attempting to develop a strategic approach, not a one-off silo tactical approach. We're going to work on that. But I do think the committee is seized with the seriousness and the immediacy of a wildfire that could occur, with no firebreaks and on the scale that Chief Williams has noted.

Chief, if you could write a list or a program, or if you could tell us that through your organization there is a program of requests being made, that would be very helpful to the committee. Perhaps you would like to respond just for a moment, because I do feel that, further to the questions you've been asked, the researchers are going to be working closely with you and your organization. There's a very, very serious issue that needs immediate treatment.

Chief.

Chief Bill Williams: I thank you for your question. I will provide a complete list of all applications and/or requests from our communities to the committee here.

Mr. Alan Tonks: I think it would be important for the federal and provincial authorities to have some coordination to our recommendations.

I just have one short question for Mayor Scarow. Mr. Mayor, you indicated that a reference group or task force had been created. You did go into a number of recommendations, but I don't think you were citing the recommendations that came out of your task force. Could you make that available to us?

• (1235)

Mr. Jim Scarow: Certainly. I have a copy with me, and I will leave it for members of the committee.

Mr. Alan Tonks: Good.

Thank you very much, Mr. Chairman.

The Chair: Okay. You still have a minute and a half left, if you need it.

Mr. Alan Tonks: I'm sure that Mr. Boshcoff is up to the challenge.

The Chair: Okay, Mr. Boshcoff, go ahead. You have a minute and a half.

Mr. Ken Boshcoff: Thank you very much.

Professor Asselin, you talked about the worst crisis since the Depression for forest and single-industry communities, but you also talked about certified products. Of course, there are at least three sets of certification in the country. Do you have a particular position on the Forest Stewardship Council, which seems to be trumping the industry, the ISOs, and all these others that have been working towards a certification? Now, the rules have changed for them. In Ontario the government has endorsed FSC, and yet the province can't even deliver on it.

So may I have your comments on certification in general?

Mr. Hugo Asselin: If we seriously want to go into certification, we have to make sure it is an internationally recognized certification. FSC is the most widely recognized certification. It is also deemed the most critical,

[Translation]

the most difficult to obtain. I do not want to suggest that one certification is better than another or anything of that nature, but what I am trying to say is that we have to be serious in our approach. We all know, at this point, that it is possible to get conditional certification, which means without having fulfilled all of the conditions but by promising to fulfill them soon. One must therefore begin working to ensure that the other conditions are fulfilled. There is no point in having the strictest certification if, five years later, it is withdrawn because the objectives could not be achieved.

I would like to come back once again to what we were saying earlier about research and development, questions that we have not managed to find an answer to for the moment. We must hurry up and find the answers so that, during the next audit, certification will be maintained. I repeat that Canada is a world leader in terms of certified areas. This is a good thing and we must continue on this path. We must not see this as a limitation, but rather as an asset.

[English]

Mr. Ken Boshcoff: That's very helpful. Thank you very much.

The Chair: Thank you, Mr. Boshcoff.

Now we have Mr. Ouellet, for up to five minutes.

[Translation]

Mr. Christian Ouellet (Brome—Missisquoi, BQ): Thank you, Mr. Chairman.

I would like to congratulate you for having tackled really important problems in this time of crisis. It is in such times that we have to make significant changes, and almost all of you have said the same thing, that we have to use more wood and fibre in Canada, before trying to export it. This therefore mainly concerns the building industry.

Mr. Asselin, I would like you to give us suggestions so that we could tell the government what it can do to develop eco-energy. We talk a lot about renewable energy, of the importance it will have, and wood is part of that. Could you give us some advice as to the direction the government should take?

Mr. Hugo Asselin: Let me start by emphasizing that we have to adopt a holistic view of the forest looking at it as a whole which is made up of a number of resources, lumber being only one of them. Many of these resources could be used to support a community. There are millions of dollars worth of untapped resources in the forest, with a potential for future sustainable use. We must not ever forget that.

You have said that we should make a greater use of lumber here in Canada. I built my own house two years ago, and the local lumber that I used was expensive. Certified lumber is not cheap. Tax rebates to encourage the use of local Canadian or certified products would be a popular option. Consumers are ready. People have told me that they would be willing to buy these products, but sometimes the cost can be prohibitive, and a little financial help can go a long way.

Bioenergy is another interesting idea. However, as I said, there is no magic formula that will solve all of our problems. We need to find a number of solutions, and bioenergy is only one of them. It is only one option. We must be careful when we think that we might be able to use waste from the forest industry to generate energy. That is all well and good, but we can't start pillaging the forest and strip it of every last branch to make ethanol or granules, because we must not forget that the waste that is left behind after the trees are harvested does have an environmental role to play. In some areas, removing this waste might not cause any problems; elsewhere, there could be detrimental effects. We need to study this further in order to determine exactly how all of this might work. When it comes to bioenergy, the aim is to make the best use of our resources without going overboard.

• (1240)

Mr. Christian Ouellet: On that point, do you or do you not agree with Mr. Baribeault, who is a researcher with Hydro-Québec? He says that Quebec currently has 10 million tons of unused biomass, and that forestry would not be affected if we were to use it.

Mr. Hugo Asselin: Perhaps forestry would not be affected, but it could be harmful to the forest itself. Those are two different things. Even if millions of cubic metres were available, we should take care to make wise and prudent use of them, rather than plunge headlong and risk hitting another wall. Yes, that is one option, which brings me back to your approach which is based on meeting our needs first, and then taking care of everyone else if we have enough resources left over.

Personally, I would rather have 100 stable, long-term jobs that provide employees with a decent standard of living than 1,000 jobs that will disappear in two years when the town closes down.

Mr. Christian Ouellet: You certainly make a very good case. I like your suggestion to provide tax relief on both highly-processed as well as basic materials such as wood beams. We could forgo the processing or sales taxes on any wood products that are made in Canada.

What do you think of that idea?

Mr. Hugo Asselin: I can't really say, since I am not an economist. And I don't know what the implications would be for NAFTA or other treaties that Canada has signed. We don't want to give the Americans anymore ammunitions than they already have—even though I'm not sure how much more they could do to us. We have to keep an eye on that. I have the feeling that there would be nothing to stop us from encouraging people to buy locally or to buy Canadian. Of course, priority should be given to high-value-added products, like the ones that are made in Kenora, rather than basic commodities, but when you come right down to it, why would we not do it for those products as well? When I was buying 2 X 4s to build my house, I tried to ensure that they had originated as closely as possible

to my home and I looked for the certification seal. Those were my criteria.

Mr. Christian Ouellet: Mr. Albert, you said that a refundable tax credit would help small companies to obtain their FSC certification. Would that be enough, or should we have some type of program to help people work the forests?

Mr. Francis Albert: That is a two-pronged question. Currently, neither the industry nor small woodlot owners have access to any type of funding for forestry certification. People must take that upon themselves, and they are responsible for all of the costs. There should at least be some type of tax credit for the industry and woodlot owners who would like the certification, not necessarily in order to add to the value of the product that they sell, but rather in order to be recognized at provincial, national and international levels. Many countries are looking for certified lumber or healthy practices.

The only reason that I mentioned private woodlot is because the province needs to take care of its public forest. The federal government was involved in a program to help develop private woodlots and improve the quality of their products.

The private woodlots in Quebec and New Brunswick are very productive, but the owners do not have the financial means to develop them. For example, someone who invests \$1,000 in his property today will reap the benefits in 15, 20 or 30 years. It would be unthinkable to invest 100% of those amounts to increase the production of ligneous materials and improve the quality of the wood. Private woodlots used to have access to a Forest Development Program for eastern Quebec, in which the federal government participated. Unfortunately...

• (1245)

Mr. Christian Ouellet: How long ago was the program cancelled?

Mr. Francis Albert: In 1996. I believe it represented some \$30 million for eastern Quebec. I seem to remember something similar being available for the Maritime provinces as well.

Mr. Christian Ouellet: Was that enough?

Mr. Francis Albert: It may not have been enough, but it did help to improve both the quality and the quantity of wood.

[English]

The Chair: *Merci.*

Mr. Allen is next for up to five minutes.

Mr. Mike Allen (Tobique—Mactaquac, CPC): Thank you, Mr. Chair.

I'd like to ask three quick questions. The first is to Mr. Asselin, the second is to Mr. Candline, and the third is to Mr. Scarrow.

Mr. Asselin, you say in your brief that the middle-sized companies are best able to stay afloat in times of crisis. I have an example in my riding of a company that invested and kept going. It's kind of a medium-sized company in New Brunswick.

How do you react to Mr. Lazar, the president of the Forest Products Association, when he says, do no harm, let restructuring happen, let mergers happen, and let the industry sort itself out? I think there's a balance between those two.... From a recommendation standpoint, what are your thoughts on that?

Mr. Hugo Asselin: You're right that there's a balance, but now it's unbalanced toward fusions and *consolidations*.

I always start in English.

[Translation]

We have to find that balance which, in my opinion, continues to elude us. I am referring to medium-sized companies. Of course, the situation isn't necessarily any better for the very small companies, since they do not have the means to cope with a long-term crisis. However, medium-sized companies can manage to stay afloat despite market fluctuations. It is easier for a medium-sized company than it would be for a large plant to turn itself around and produce another type of commodity when there is a drop in demand for a given product.

Moreover, medium-sized companies are usually closer to the community and that makes it more difficult to lay people off, since there is a chance that one will run into them at the grocery store; that does not happen with large companies whose head office is somewhere else. It can happen within the same province. I am not pointing the finger at other countries or other provinces or at anyone in particular, but with this management style, one is more removed from the employees. There are plants throughout the world, and they are opened or shut down according to market forces, without necessarily giving too much thought to the needs of the people who are affected by these fluctuations.

[English]

Mr. Mike Allen: Mr. Candline, we've talked a lot about the Canadian dollar rising very quickly, especially in the last six or eight months. What is your comment on the period between 1998 and 2004 when the dollar was between 68¢ and 75¢? Was that an opportunity missed, or would there have been an opportunity for industry to make an investment at that time when some of them were making profits?

Mr. William Candline: Thanks for the question.

Certainly there was a lot of money to be made in the industry during those years when the Canadian dollar was fairly low, but I would argue that there was a fair amount of investment made during that period of time. Certainly the impact of the higher Canadian dollar today has an extreme impact on our facility. We pay for most of the raw materials that go into making our product in Canadian dollars, other than the resin that comes out of the States. But 90% of our products are sold into the States, so it certainly hurts us that way.

But I would argue that there was a fair amount of investment in the industry during that period of time.

Mr. Mike Allen: But basically there wasn't enough, because the Scandinavian countries clearly outpaced us during that time.

Mr. William Candline: Right.

Mr. Mike Allen: My third question is to Mr. Scarrow.

You talked about optimizing. This topic is of much interest to me because our select committee on wood supply in New Brunswick made some recommendations a few years ago on optimizing the value of every log out of the forest. Right now we're doing things like chipping some pretty high-quality things for fuel and other types of things.

Can you comment briefly on some of the best practices we could be looking at to optimize the value of each log? Is that where some of the R and D should be spent?

• (1250)

Mr. Jim Scarrow: Certainly I would agree. Our particular industry in Saskatchewan is smaller. It's conveniently located geographically near Prince Albert. We're looking at a sorting operation that would sort all of the logs coming in, take those of highest value, and assign them to that production area.

I want to quickly add that the world has clearly changed dramatically. While it was convenient for us to do north-south trade with the United States, we need to look at China and India. My story about China and tissue is that 5% of the population of China has access to tissue, and the access to tissue grows proportionately with the standard of living. Ninety-five percent of the people in China don't have access to tissue, but as their standard of living goes up they will acquire tissue for functions that we take very much for granted. They also don't have Eaton's catalogues in China.

I would add that with a population of 1.3 billion in China and 1.1 billion in India, we need to understand what they need in terms of fibre or wood products, and then redefine—from 2x4s to whatever fits in those countries.

But clearly nothing happens until somebody goes out and sells something. It's about marketing and finding new partners. It's pretty clear to me that we could start with those two nations at least.

The Chair: Thank you, Mr. Allen.

We'll go to the third round now and Mr. Alghabra for five minutes.

Mr. Omar Alghabra (Mississauga—Erindale, Lib.): Thank you, Mr. Chair.

Good afternoon, everybody. Thank you very much for coming here to help us navigate through this study.

My question is for Professor Asselin. I very much enjoyed everybody's presentations, including yours. The paths to consider, or options, are very comprehensive and cover a wide range, true to your recommendation about a holistic approach.

Some of these things are more industry specific, so can you elaborate on where you think the federal government can play a significant role and help implement some of these recommendations? In general I really agree with your recommendations, but the challenge for us is how the federal government can help sustain middle-sized companies, for example, etc.

Please help us in that regard.

[Translation]

Mr. Hugo Asselin: Under some of these recommendations, the government could be the main actor, particularly in the areas of research and development funding and protected zones. This must be done in collaboration with the provinces and Parks Canada. Given the climate change knows no borders, clearly the government has to do something in that area. There has perhaps been a slowing down over the past few years, but it is not necessarily impossible to catch up. Nevertheless, there is a realization after the mountain pine beetle epidemic that climate change can affect us in unexpected ways.

The other recommendations appear to involve the industry. I think that the government's role is to assess how it can support industry through credits that will not be challenged under international agreements. I think that the area of research and development is very promising because no country can prevent us from investing in research and development. We have a right to do that.

There are many solutions, but sometimes researchers are lacking in small subsidies. I would intercede on behalf of the university. However the federal government, through the Canadian Forest Service, does excellent work. So is the industry. Furthermore, as we stated earlier, if the industry does not make a profit then it cannot invest in research. I therefore think that research subsidies would not be discouraged within international agreement frameworks.

I think that this would be the role of government. I cannot say more than that, because you are the government. Therefore you'll be the ones to see.

• (1255)

[English]

Mr. Omar Alhabra: You're right, but one of the reasons we are holding these hearings is that we need fresh pairs of eyes to perhaps think outside the box. That's why I find a lot of the presentations here today and on previous days shed some light on some original ideas that perhaps have not been considered, like biomass and certain marketing strategies abroad, and diversifying markets. That's a challenge for us.

You also say it is not necessarily one solution that is the right solution. I like the idea of sustaining middle-sized companies; it's just that I am struggling personally with what the federal government can do to help with that. I agree with investing in research and development, training programs for workers, and perhaps capital investment and partnership.

Go ahead, please.

[Translation]

Mr. Hugo Asselin: We could perhaps help the medium-sized companies and, to a lesser extent, the smaller companies as well. We should encourage networking and the creation of industry clusters in certain regions, so that several complementary plants would locate next to one another.

However, if an unforeseen market fluctuation were to affect one of the plants, it would not necessarily threaten all of the community's industries. The other factories could hire some of the workers who have been laid off temporarily, which would be a great help.

For any given number of workers, a network would be much stronger than a single entity. That would be one possible solution.

[English]

Mr. Omar Alhabra: Thank you. *Merci.*

The Chair: Thank you, Mr. Alhabra.

Now to the government side, to Mr. Comuzzi, for up to five minutes.

Hon. Joe Comuzzi (Thunder Bay—Superior North, CPC): Thank you. I'll keep within the five minutes.

The Chair: Don't make any promises you can't keep.

Hon. Joe Comuzzi: That's a politician's life.

Some hon. members: Oh, oh!

Hon. Joe Comuzzi: Mayor Scarrow, not to think of what this committee is going to make a recommendation on, but the pine beetle is one of the major concerns. The recommendation will obviously be what we as a government do to help the industry and the people in that area who are affected. It seems to me that the northern part of Saskatchewan has to play a huge role in the war against this pine beetle on the eastern side of Alberta and the western side of Saskatchewan. That's maybe where the war is going to be fought. I would very much like to see a plan based on science from the researchers.

We're going to stop it. I don't know how we're going to do it yet, but we're going to have to do it before it spreads through Saskatchewan, Manitoba, Ontario, and Quebec. I think that's where the battle lines have to be drawn.

I'm absolutely positive that this committee would very much like to hear what your plans are. You're the leader in that area, so could I ask you for that? Not today, but—

Mr. Jim Scarrow: I could respond quickly, and I can get notes to the committee from the pine beetle symposium, which was held in my city about eight months ago.

At least for this year, again we've had extremely cold temperatures. The only thing that seems to work is minus 35 degrees for four or five days, and the outlook is for more of the same in Saskatchewan for many years to come. We like cold.

I'll get a copy of that for you.

Hon. Joe Comuzzi: Thank you, I think that's important. I'm glad we agree on that.

Mayor Compton and Mr. Candline, I know a bit about the area of which we speak, and I'm going to be very frank. I think you're being a little unfair with us, Mayor Compton, in stating that we're not trying to do things in northwestern Ontario. We really are. You realize of course that all communities exist on each other in northwestern Ontario.

Last week, we announced about \$4 million in airport improvements, which is going to enhance the forestry business and these small airports. It's absolutely necessary. It's going to enhance the exploration into the mining business that we need. All of these airports needed some assistance, and we were very happy to do that. This week I'm supposed to go to Kenora and announce a winter roads program for first nations, and I'm trying to find a day when I can do that.

I don't think you're being isolated, and I don't want you to feel isolated. I talked about a recovery program for Kenora yesterday afternoon. We talked about a recovery program for Dryden. We understand that the paper industry, the newsprint industry, is gone in Canada. We have heard evidence about that in the last two or three weeks. When Kenora lost the Minneapolis papers as their main customers, the writing was on the wall. I don't know why we lost them, but we lost them. They were your main customers for so many years, and you treated those customers very well.

We want a recovery plan, and we have some thoughts that we would like to talk to you about. It's very important that the mayors of the small communities—the mayor we were talking to in Dryden, and you—all come together on a plan where we work together rather than being opposed to each other.

That's all I want to offer today.

• (1300)

Mr. Leonard Compton: May I comment?

Hon. Joe Comuzzi: By all means.

Mr. Leonard Compton: I feel that for Kenora it was too late. Once the mill is closed and bulldozed down, it doesn't help us very much.

But there is one thing I'm amazed at in our area, as I mentioned to Ken Boshcoff on the way out. I was a lawyer, so I don't know much about forestry—maybe I don't know much about other things as well—but I've lived in Kenora for 45 years, so I've seen the good times and the bad times. But one thing amazes me. I think in a basic way supply and demand is really all we're talking about here today. We have an oversupply, but in Kenora we have a supply and a demand, and the federal government—not just your administration, but going way back—turns their back. Indian Affairs should be using our wood supply to put housing on the reserves. If you stand in downtown Kenora, within 40 miles we have 10 reserves.

On the way down on the airplane, Chief Fisher from the Whitedog reserve was coming down to see your Minister of Indian Affairs, because they've been waiting for a school for years and years, and it keeps being delayed. Why don't we build that now? We have the product and we have all those things going for us, and every reserve in our area needs housing. Why wouldn't Indian Affairs...? Unless there's some constipation someplace in the federal bureaucracy, why wouldn't we be making use of our supply and demand?

Hon. Joe Comuzzi: My five minutes is up, Mr. Chair—

The Chair: It is. Thank you, Mr. Comuzzi.

Hon. Joe Comuzzi: —but you stay there, and you and I are going to have a little talk after the meeting.

The Chair: Thank you, Mr. Comuzzi.

Thank you to all of you for coming today, for your presentations, and for answering questions.

Thanks to all members of the committee for your questions.

The meeting is adjourned.

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