

**Presentation**  
**by the**  
**Canadian Labour Congress**

**to the**  
**Standing Committee on International**  
**Trade**  
**Regarding**  
**Canada-U.S. Trade Relations**

March 16, 2010



Canadian Labour Congress  

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Congrès du travail du Canada

# **Presentation by the Canadian Labour Congress to the Standing Committee on International Trade Regarding Canada-U.S. Trade Relations**

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Thank you, members of the Committee, for the opportunity to appear before you to present our views on the Canada-U.S. Agreement on Government Procurement.

On behalf of the 3.2 million members of the Canadian Labour Congress (CLC), we want to thank you for affording us the opportunity to present our views. The CLC brings together Canada's national and international unions along with the provincial and territorial federations of labour and 130 district labour councils whose members work in virtually all sectors of the Canadian economy, in all occupations, in all parts of Canada.

For the Canadian Labour Congress, there are two important points to make about the context within which Canada has concluded a procurement agreement with the United States.

First of all, Canadian workers continue to feel the full impact of the economic crisis. The latest release from Statistics Canada indicates that Canada has lost over 250,000 full-time jobs since October 2008.

The unemployment rate stands at 8.2% and is not expected to decline for the foreseeable future. The "real" unemployment rate, the rate including discouraged workers and involuntary part-time workers, stands at over 12%.

Over one and a half million men and women are without work, and 20% of them have been unemployed for more than six months.

Secondly, the so-called "recovery" has been extremely fragile and partial. Throughout the world economy, countries continue to depend upon

public monies directed toward stimulus, economic development, and job creation.

These two elements (high unemployment and fragile recovery) frame our analysis of the Agreement on Government Procurement before us.

I should say at the outset that the labour movement continues to believe that public money should be used to support a range of social goals. Since the economic crisis hit with its full force, we have been calling for significant public investments in physical and social infrastructure to ensure public funds are used to support economic recovery across the country.

We are aware that there have been concerns that the use of public money in the United States under the *American Reinvestment and Recovery Act* has disrupted integrated North American supply chains and has limited the access of Canadian suppliers to U.S. stimulus funds.

However real that concern, over the past year, the public outcry grew beyond all proportions as stories and images of Canadian pipes being ripped out of the ground flooded the media. In response, Canadian officials committed themselves to lead the global fight against American protectionism.

The government chose not recognize integrated industries by negotiating sectoral arrangements.

Unfortunately, and as a result, we are presented now with an Agreement for which we will pay dearly long into the future. There are many problems, in our view:

- The first is that Canada, for the first time, has bound provinces and two territories to permanent commitments under the WTO agreement on government procurement (GPA).

In the midst of an economic crisis, provinces and territories have given up important policy space that could be better used to support the production of Canadian goods and services in both the public and private sectors.

- Secondly, in committing themselves to this Agreement, governments have signalled their willingness to cede even more control over Canada's economic development in future negotiations with the United States, and in ongoing negotiations with the European Union.
- Thirdly, by locating this new Agreement in the fight against "rising protectionism," the legitimacy of "Buy-Canadian" policies has been undermined. The Agreement will have a chilling effect on governments' commitment to use public purchasing power to support economic development in the future.
- Fourth, we are astonished that the government has given us no indication of the extent of the harm suffered by Canadian suppliers that has given rise to this unprecedented agreement.

Information on the damages caused to Canadian suppliers because of the Buy-American preferences (which has been around since the 1930s) is purely anecdotal.

Because of business confidentiality concerns, information is only available to us through the press. As we have no public knowledge of the extent of damages, we cannot simply accept the view that it

was U.S. preferences rather than economic recession itself which is to blame for declining exports.

- Fifthly, it is indeed true that there are lots of exceptions and reservations to the Agreement on both sides. However, the government is unable to provide us with an accounting of costs and benefits. There have been no studies of the potential damages to the Canadian economy as a result of the presence of larger U.S. suppliers of goods and services to the public sector.
- Sixth, in the Agreement, procurement is considered as “contractual transactions to acquire property or services for the direct benefit or use of the government.”

In this definition, procurement may include the selection of a Public-Private Partnership (P3). It entrenches contracting out and privatization in covered entities despite the high costs and low wage strategy that this entails.

The problem with this Agreement goes beyond the question of reciprocal market access and approaches the question of what kind of state are we fashioning for the future? How are we to ensure democratic control over our economy and our society when governments willingly give up policy instruments that can strengthen social inclusion and social justice?

In “Labour’s Plan to Deal with the Economic Crisis,” we noted a study by Informetrica Ltd. for the Federation of Canadian Municipalities (CFM) which shows that \$1 billion in additional spending in basic infrastructure creates 11,500 jobs, half in construction and half in other areas.

As many as 18,000 jobs are created for every \$1 billion of investment in energy conservation and renewable energy systems.

Statistics Canada has shown that public infrastructure investment generates a rate of return of 17% to the private sector by boosting productivity through lower operating and production costs.

Investments can also support new manufacturing jobs if they contain Buy-Canada procurement requirements, as called for by the CLC and the Canadian Manufacturers and Exporters in their February 2008 position paper (*Renewing Canada's Infrastructure: an opportunity to invest in our future*).

We could create 2,000 new jobs by replacing \$694 million of public transit vehicle imports with Canadian-made products. There is broad public support for the development of a wind and solar industry, and these new industries should include Canadian content.

As well, the terms of government contracts should promote a strong public sector by maintaining public sector delivery of public services. The public sector should not be undercut by government insistence on contracting out, privatization, or on costly P3s.

Our public sector is a means of delivering high quality services, as well as promoting unionization, good jobs, and the inclusion of women, immigrants and workers of colour in new hiring and associated training.

## **In conclusion**

Over the past year, the Canadian Labour Congress has been going out to communities across the country to ask people how they are experiencing

the economic crisis. I will close with a quote from Brian Clark, a miner in Campbell River, British Columbia:

“We’ve lost our fishing. We’ve lost our logging.  
We’ve lost our mill. We’ve lost our mine. What  
more can one town lose?”

I submit to the Committee that the answer to Mr. Clark’s question is before us in the current and future implications of this Agreement. Without debate and without evidence, a significant policy tool has been restricted, de-legitimized, and made subject to the prospect of further liberalization in new negotiations. In doing so, the public sector has been undermined. This is a development that causes us great concern indeed.

Thank you.

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