

Canada - United States
Inter-Parliamentary Group
Canadian Section



Groupe interparlementaire
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Section canadienne

**Report of the Canadian Parliamentary Delegation
respecting its participation at the Pacific NorthWest
Economic Region (PNWER) 24th Annual Summit**

Canada-United States Inter-Parliamentary Group

**Whistler, British Columbia, Canada
20–24 July 2014**

Report

DELEGATION MEMBERS AND STAFF

From 20–24 July 2014, Mr. Gord Brown, M.P., Co-Chair of the Canadian Section of the Canada–United States Inter-Parliamentary Group (IPG), led a delegation to the 24th annual summit of the Pacific NorthWest Economic Region (PNWER) in Whistler, British Columbia. The other members of the delegation were Senators Jim Munson and Richard Neufeld, the Honourable Ron Cannan, P.C., M.P., Vice-Chair and the Honourable Hedy Fry, P.C., M.P. The delegation was accompanied by the Canadian Section’s Executive Secretary, Ms. Angela Crandall, and its Senior Advisor, Ms. June Dewetering.

THE EVENT

PNWER, which was created in 1991, is a statutory, bi-national public-private partnership composed of five U.S. states – Alaska, Idaho, Montana, Oregon and Washington – and, in Canada, three provinces and two territories – Alberta, British Columbia, Saskatchewan, Yukon and the Northwest Territories. It has two meetings each year: its annual summit in the summer, and its economic leadership forum in the fall.

The aims of the organization are to:

- promote greater regional collaboration;
- enhance the competitiveness of the region in domestic and international markets;
- leverage regional influence in Ottawa, Ontario and Washington, D.C.; and
- achieve continued economic growth while maintaining the region’s natural environment.

DELEGATION OBJECTIVES AT THE EVENT

At the 2014 annual summit, a range of bilateral topics were discussed, including issues in relation to the shared border, the environment, trade, agriculture, energy, water, economic development, innovation, invasive species, workforce development, tourism, transportation and the Arctic.

Delegates considered attendance at the meeting to be an important opportunity to meet with state and provincial/territorial legislators, as well as with representatives of the private sector from a number of jurisdictions. In their view, their discussions enabled them to enhance Canada–U.S. relations and to provide a sound basis for working on issues that are common to both countries. The Canadian Section anticipates that its participation at the annual summit will continue.

At this annual summit, Mr. Cannan and Senator Neufeld delivered remarks to the delegates on the topics of trade and economic development, and safe transportation of energy, respectively.

ACTIVITIES AT THE EVENT

Policy tours were conducted, keynote addresses were presented, and sessions were held on a number of topic areas. In particular, the topic areas were:

- Energy
- Forestry
- Environment
- Water Policy
- Border Issues
- Innovation
- Arctic
- Columbia River Treaty
- Tourism
- Agriculture
- Market Access
- Ocean Policy
- Mining
- Cross-Border Livestock Health
- Invasive Species
- Transportation
- Workforce Development
- Trade and Economic Development.

This report summarizes the presentations that were made at the keynote and selected concurrent sessions.

OPENING CEREMONIES

Bill Cooper, *Center for Liquefied Natural Gas*

- Regarding the supply of natural gas, the United States is moving from scarcity to abundance.
- The United States has an extensive natural gas delivery system.
- U.S. domestic natural gas production and demand are expected to continue to rise in the foreseeable future.

Andrew Walker, *BG Group*

- History will demonstrate that 2005–2015 was a decade of pivotal change for the energy sector.
- Compared to other energy sources, liquefied natural gas (LNG) is a “young” sector.
- There is a consensus that LNG will continue to be a growing sector, and that its share of the global natural gas sector will rise.

- LNG is the “global piece” that is “driving” the globalization of natural gas; it is a global sector and, in order to understand it, there is a need to understand what is happening worldwide.
- “Global energy” is changing; considerations include the following:
 - the contribution of LNG to energy security in the United States;
 - the emergence of North America as an energy exporter;
 - the abundance of energy in the United States;
 - the shale gas “revolution” in the United States;
 - a changing geopolitical environment;
 - a changing energy mix;
 - the rise of “new Asia,” including Japan, Korea and Taiwan, as consumers;
 - the rise of China as a global power and energy consumer; and
 - the emergence of energy security concerns in Europe.
- Canada and the United States are well-placed, from a geographical perspective, to supply natural gas to other parts of the world; that said, geography does not always lead to a cost advantage.
- Most of the LNG exported from Canada’s West Coast is destined for the Asia-Pacific region.
- In Australia, the LNG sector is growing, but it is costly and the return on investment is low.
- In East Africa, large gas resources are being found.
- Canada, the United States, East Africa and Russia are “in the middle of the pack” in terms of the cost of supplying LNG to Asia, which lacks gas resources; Australia has “priced itself out of the market.”
- Canada is a cost-competitive supplier of LNG but pipelines need to be built in order to get the resource to the market.
- As there is not enough of a market for Canada to have 16 LNG projects, only the strongest will survive.

OVERVIEW OF MARKET ACCESS ISSUES

Scott Rudderham, *Canpotex Ltd.*

- Market access, which is critical to growth in the Pacific Northwest region, has political, physical and social dimensions.
- In thinking about capacity, key considerations include efficiency, reliability and volume.

- As anything is only as strong as the weakest link, it is important to understand how to maximize infrastructure on an individual and collective basis.

THE CHALLENGES OF MOVING CONTAINERS AND BULK AGRICULTURE, ENERGY, AND OTHER CARGO TO MARKET: A CANADIAN PERSPECTIVE

Janice Tranberg, *Saskatchewan Ministry of Agriculture*

- The province of Saskatchewan has an ambitious growth agenda, and it has the people, resources and capacity to innovate.
- Saskatchewan's goals include increasing crop production, agri-food exports and revenue from value-added activities; as well, the province wants to be a global leader in biosciences.
- Saskatchewan has food, fibre and fuel products that the world wants and needs, and it must be possible to transport these products to domestic and international customers.
- Parties should work together and find long-term, sustainable solutions to challenges.
- Saskatchewan has some transportation constraints; for example, at times, farmers are unable to deliver contracted grain to grain elevators because of inadequate rail car availability, leading to a record number of ships waiting at port for grain to be delivered to export position, to end users having unreliable supplies of grains and oilseeds, and to negative impacts on the province's reputation.
- It is important that grain reach global markets in an efficient and reliable manner.
- Every element of the "grain supply chain" must work in a coordinated and cohesive manner.

THE CHALLENGES OF MOVING CARGO OVER LAND AND THROUGH PORTS

Dean Wise, *BNSF Railway*

- Railroads are the "backbone" of North America's integrated freight transportation system, with more than 140,000 miles of track; the system is owned by the private sector, and is funding its own development and growth.
- There are seven Class 1 railroads in North America, and they rely on each other and on short feeder lines.
- Railroads play a major role in container imports and exports, as well as in domestic intermodal movements.
- Significant volumes of crude oil, automobiles and agricultural goods move by rail.
- Railroads transport about 40% of U.S. freight.

- Key benefits of rail transportation include the following:
 - fuel efficiency;
 - cost effectiveness;
 - environmental “friendliness”; and
 - reduced highway gridlock.
- Despite recent rail disasters, it should be recognized that rail safety is improving, including because of a multi-layered risk reduction program; important considerations regarding rail safety include the following:
 - making capital investments to ensure network reliability;
 - instilling a safety culture;
 - ensuring proactive identification of equipment and/or track issues;
 - ensuring the existence of operating protocols for “key” trains, including those that are transporting hazardous materials, crude oil, etc.;
 - providing communities with hazardous materials response training; and
 - supporting tank car safety measures.
- Railroad capacity is a complex issue; it involves consideration of such factors as the following:
 - infrastructure, including terminals and rail tracks;
 - “mobile” resources, including locomotives, staff and railcars; and
 - planning and execution activities, including in relation to service design and communication.
- Regarding rail, the short-term focus is velocity momentum, as the number of railcars is often adequate provided that velocity is sufficiently high; in the long term, the focus is expanding infrastructure.
- Some of the transportation-related public policy challenges in the United States include the following:
 - highway funding;
 - investments in intermodal connectors and collectors;
 - reform of, and speed of approval in relation to, facility permitting;
 - “social licence,” or public trust and communication with communities, as rail growth continues;
 - new approaches to collaboration, including with state freight and rail planning advisory boards, railroads, the U.S. Department of Transportation, etc.; and
 - multimodal corridor planning.

THE CHALLENGES OF MOVING CONTAINERS AND BULK AGRICULTURE, ENERGY, AND OTHER CARGO TO MARKET: A U.S. PERSPECTIVE

Sam Ruda, *Port of Portland*

- In the United States, the focus on port capacity and supporting road, rail, bridge and berth infrastructure has had a one-dimensional focus: containers.
- Demand forecasts in relation to cargo have been “substantially” wrong, especially regarding bulk commodity movements, including movements of energy, agricultural products and minerals.
- In the Pacific Northwest, the “politics” associated with certain commodities, including coal, crude oil and LNG, have “stalled” and have slowed the development of critical port infrastructure; as well, permitting time lines have been complicated significantly.
- In the Pacific Northwest region, cargo is expected to grow at a rate that exceeds what the “improved” Panama Canal will generate.
- Unlike airports, there is no coordinated federal role in the United States that is focused on port infrastructure planning, funding and development; now, planning horizons may be multiple decades.
- Each year, more than 1,500 ocean cargo vessels travel the Columbia River.
- The Portland and Lower Columbia River ports are well-situated as export gateways for North America’s growing production regions.
- Many ports in the Pacific Northwest could expand, as land is available.
- It is widely believed that the U.S. gas tax needs to be increased; it has not risen since its establishment in 1997.
- At present, U.S. state transportation funding programs are focused on roadway improvements, rather than on other modes.
- Increasingly, the border between the United States and Canada is becoming meaningless; the border should be ignored, and everything should be viewed as a network and region.
- North America is becoming a competitive producer of goods that move by rail and through ports.
- The Chinese are actively seeking more control over their supply chains.

THE CHALLENGES OF MOVING CONTAINERS AND BULK AGRICULTURE, ENERGY, AND OTHER CARGO TO MARKET: A CANADIAN PERSPECTIVE

Katherine Bamford, *Port Metro Vancouver*

- Sustainable transportation capacity requires the following:
 - adequate infrastructure;
 - performance and reliability; and
 - long-term planning.
- Every port is only as good as its railway connections.
- In Canada, port authorities are established to advance Canada's international trade agenda; they must consider the "health" of the environment and the communities in which they operate.
- The Port of Vancouver is North America's fourth-largest port by tonnage and its most diversified port; its "traffic" types include the following:
 - cruise;
 - bulk;
 - container; and
 - break bulk.
- The Port of Vancouver is strategically positioned as Canada's largest gateway, including to China, Japan and South Korea, which account for more than 50% of the port's volume.
- Collaborative funding models involving multiple levels of government and private-sector partners "work."
- Gateway capacity can be created in a number of ways, including the following:
 - building off-terminal and in-terminal infrastructure;
 - undertaking major capital projects at ports; and
 - accepting private-sector investments.
- To ensure performance and reliability, the four service partners – labour, rail, trucking and vessels – need to be aligned
- In terms of long-term planning, the focus should be getting cargo off the dock as quickly as possible, and making plans to be able to do so in the future.

THE NEW WEST PARTNERSHIP TRANSPORTATION TRADE NETWORK

Michael Crawford, *British Columbia Ministry of Transportation and Infrastructure*

- The New West Partnership is designed to strengthen the economies of Canada's western provinces.
- Collaboration is important for realizing goals.

KEYNOTE LUNCHEON

Premier Christy Clark, *Province of British Columbia*

- When luck is combined with hard work and purpose, the future is limitless.
- People are focused on energy security, economic growth and environmental protection so that our children can have the future that we want them to have.
- A previous generation invested in hydroelectricity, with the result that Canada is now a leader in clean energy; now is the time to make investments for the benefit of the next generation.
- We should choose to be the generation that makes a difference, rather than the generation that did not do enough.
- At this point in time, there are the greatest opportunities ever to reduce greenhouse gas (GHG) emissions worldwide.
- As the Chinese economy is so large, a small GHG emissions goal in that country will have a "huge" impact.
- Air quality is a global concern; for example, better air in China means better air in Los Angeles.
- Legislators need to look beyond politics and make a commitment to work together.
- The United States' and Canada's west coast form a region that is integrated in terms of trade, tourism, infrastructure and ecosystems.
- As national governments matter less and less, state and provincial/territorial governments matter more and more, as do their state and provincial/territorial governments' nimble, bold leaders.

COUNTRY-OF-ORIGIN LABELLING (COOL): UPDATE ON THE STATE OF PLAY

Martin Rice, *Canadian Pork Council*

- With the United States' country-of-origin labelling (COOL) requirements, which became mandatory in fall 2008 and resulted in the loss of markets for Canada and the United States "overnight," the label "United States" is appropriate only if the animal has been born, raised and processed in the United States; exemptions from the requirements exist for processed meat, food services and small supermarkets.
- The *North American Free Trade Agreement* (NAFTA) was intended to create open borders and opportunities to benefit from comparative advantages; the COOL requirements are inconsistent with the intentions underlying NAFTA.
- The United States' COOL requirements create impediments to free and open trade, and are inconsistent with international trade obligations, as demonstrated by Canada's World Trade Organization (WTO) challenge; moreover, they are harming many in the U.S. livestock and meat industries.
- Some groups believe that the COOL requirements violate the freedom of speech provisions in the U.S. constitution.
- The COOL requirements are motivated by U.S. protectionist interests within a certain segment of the United States' livestock sector; they are not the result of consumer advocacy.
- North America's position as the world's top source of high-quality beef and pork is threatened by the United States' COOL requirements.
- Canada is not opposed to the notion of COOL, and sees it as a marketing opportunity that should exist on a voluntary basis; that said, a mandatory COOL system imposes costs with no increase in consumer benefits in terms of quality or safety, and could lead to consumer expectations regarding knowledge about genetically modified ingredients.
- On 7 June 2013, Canada released a list of potential retaliatory items; that said, Canada would prefer to resolve the COOL issue with the United States without further litigation and recourse to retaliatory tariffs.
- A number of solutions to the United States' COOL requirements are possible, including voluntary labelling, repeal of the provision, a "Made in North America" labelling requirement, etc.
- At present, because of a U.S. Farm Bill requirement, the U.S. Department of Agriculture is studying the impact of the COOL requirements.

U.S. FOOD SAFETY MODERNIZATION ACT AND SAFE FOOD FOR CANADIANS ACT

Lyzette Johnston, *Canadian Food Inspection Agency*

- In countries around the world, food-related regulations are being modernized because of such factors as the following:
 - globalization and growing food exports;
 - consolidation in the agri-food sector;
 - consumer demands;
 - technological changes regarding food production and processing;
 - the need to manage and respond to pathogens and diseases;
 - new approaches in science and technology; and
 - the actions of trading partners regarding modernization.
- In Canada, the action plan designed to ensure safe food for Canadians has the following four elements, which will be addressed before the focus shifts to plants and animals:
 - stronger safety rules;
 - inspection;
 - service; and
 - information for consumers.

Bob Ehart, *National Association of State Departments of Agriculture*

- In the United States, food safety issues were “on the front page” on a number of occasions between 2006 and 2010, including in relation to spinach, cantaloupes, and melamine in pet food imported from China; as a result, food safety requirements were modernized in the United States.
- To the extent possible, and recognizing the amount of food that enters countries as imports, it is important to ensure that food safety is a global priority.
- At present, 20 U.S. states have primary authority for food safety; state departments of agriculture are concerned about public health, and have more local knowledge of produce and animal feed production.
- A sound approach is: educate before you regulate.
- Compliance, which is a state responsibility, reduces the need for enforcement, which is a federal responsibility; moreover, the U.S. Food and Drug Administration should focus on imports, while the states focus on food produced domestically.
- The future of farming as we know it is “hanging in the balance.”
- There is an inherent conflict between “get it right” and “get it done.”

AGRICULTURE'S ROLE AND IMPLICATIONS IN INTERNATIONAL TRADE AGREEMENTS

Honourable Rob Merrifield, P.C., M.P., *Canadian House of Commons*

- To date, NAFTA is the most significant trade agreement that has ever been signed; that said, the Trans-Pacific Partnership negotiations have tremendous potential.
- In terms of the United States concluding free trade agreements (FTAs), President Obama's lack of trade promotion authority is problematic.
- Because of sensitivities, agriculture is usually the last topic that is resolved during trade negotiations; in Canada, supply management is an area of sensitivity, while in the United States, cotton and sugar are sensitive products.
- About 8 million U.S. jobs depend on trade with Canada.
- Canada has the richest middle-class in the world, strong financial institutions, low corporate taxes, a number of free trade agreements, a strong debt-to-gross domestic product ratio, and a reputation as a good place in which to do business.
- The United States' mandatory COOL requirements are inconsistent with WTO requirements, and are a non-tariff trade barrier.
- The United States cannot spend or tax its way to prosperity.

Jason Hafemeister, *U.S. Department of Agriculture*

- Agricultural exports are important to the United States; consequently, access to international markets is important.
- China is the primary market for U.S. agricultural exports, and the United States is involved in trade negotiations with a number of countries and regions, including Japan, the European Union (EU) and the TPP countries.
- Agricultural exports are "driven" by factors that include the following:
 - population;
 - prosperity; and
 - FTAs.
- FTAs make countries wealthier and reduce and/or eliminate trade barriers.
- In concluding trade agreements, it is helpful if the U.S. president has trade promotion authority.
- Because of a lack of progress in relation to the WTO, some countries are pursuing bilateral and regional FTAs; that said, the WTO is important because of its dispute-settlement provisions and its "large reach" in terms of the number of countries.
- Non-tariff trade barriers can be more problematic than tariff barriers.

Frederic Seppey, *Agriculture and Agri-Food Canada*

- When looking outside North America, Canada and the United States share many interests; the countries have a deep and enduring relationship, they are stronger when they work together, and they share many common goals.
- Trade policy is about more than FTAs; the “trade policy toolbox” includes the following:
 - FTAs that have been signed, including their dispute-settlement provisions;
 - FTAs that are being negotiated, including those that are bilateral, regional or multilateral;
 - market access, including market development and import policies; and
 - international institutions, including the Food and Agriculture Organization of the United Nations and the CODEX Alimentarius.
- With “nothing happening” at the WTO, the TPP negotiations are – in some sense – a proxy for a multilateral trade agreement.
- When negotiating agricultural issues in the context of free trade negotiations, considerations include the following:
 - market access;
 - sanitary and phyto-sanitary measures;
 - state-owned enterprises; and
 - rules of origin.
- For Canada, the comprehensive economic and trade agreement (CETA) between Canada and the European Union is the most comprehensive trade agreement since NAFTA; an agreement in principle was announced on 18 October 2013.
- Negotiations for an FTA between Canada and South Korea were concluded on 11 March 2014, and the agreement is expected to enter into force on 1 January 2015.
- Negotiations for an FTA between Canada and Japan started in 2012; both countries are involved in the TPP negotiations.
- Regarding the WTO, the Doha Round is important in terms of market access, domestic support and export subsidies; since the Bali meeting, there has been some hope for these negotiations, but it is hard to “restart the engine.”

KEYNOTE BREAKFAST

Elyse Allan, *GE Canada*

- Innovation is critical to “delivering a winning plan,” and should be leveraged as a winning strategy; it needs to be big and bold.
- The most innovative countries are those where collaboration between educational institutions and companies is the highest.
- As competition can happen quickly, unexpectedly and with a new value proposition, efforts should be directed to identifying what it takes to be innovative.
- Since the global financial and economic crisis, the global marketplace has changed dramatically; for example, growth has been slower than expected, emerging markets are more localized, and there has been increased volatility, government intervention and protectionism.
- Despite existing challenges, the future contains opportunities, including in relation to the following:
 - gas;
 - advanced manufacturing; and
 - the “industrial Internet.”
- The shale gas “revolution” has resulted in fundamental changes to the dynamics in the energy market.
- Regarding advanced manufacturing, it is now possible to digitally link the entire supply chain in one cohesive, intelligent system.
- Regarding the “industrial Internet,” “big data” can be used to increase productivity.
- “Driving” innovation through disruptive technologies and new business models is critical to business prosperity.
- It is important to act on ideas and to execute them creatively.
- General Electric’s Global Innovation Barometer had four key findings:
 - We are in a “figure it out” world, and we need to encourage creative behaviours and be “disruption-ready.”
 - Collaboration – which enables speed – is a risk that is worth taking, despite concerns about the protection of intellectual property; with the rise of the “global brain” and the “democratization of technology,” open-source innovation is used by 59% of businesses globally.
 - Governments have a role to play regarding innovation, including through reducing the red tape required to access financial support, implementing robust protections of intellectual property rights, easing the hiring of foreign “talent,” aligning student curricula with business needs, fostering

the next generation of entrepreneurs, and supporting government-private sector and government-government collaborations.

- The power of analytics should be “harnessed,” people who can “make sense” of large amounts of data and convert the data into strategic information should be identified, and “the dots should be connected” to identify the relevance of data.
- There are four areas in which there is a need to “deliver” on innovation:
 - Embrace change and take big bets.
 - Meaningful collaboration is important, as it enables something to happen that might not otherwise have occurred.
 - Governments should be engaged to shape effective policies and programs.
 - New innovations should be leveraged to help with the “talent equation.”
- A good leader makes all the difference in a bad business; a good leader can “get people on side” with change, and engage their hearts and minds.

IMPORTANCE OF BINATIONAL TRADE TO THE PACIFIC NORTHWEST REGION

Honourable Rob Merrifield, P.C., M.P., *Canadian House of Commons*

- Canada and the United States have the world’s largest bilateral trade relationship, but efforts should be directed to “thinning” the shared border and increasing productivity.
- All world events affect trade.
- Canada’s Global Markets Action Plan is targeting growth areas for trade.
- Canada needs to compete in the global marketplace, and the Beyond the Border (BTB) and regulatory cooperation initiatives are tools to address protectionism and barriers at the border that Canada shares with the United States.
- The Canada–EU CETA is the most comprehensive trade agreement in the world, and makes NAFTA look like a relic.
- Canada is signing a number of FTAs, and is involved in a number of trade negotiations.

Honourable Ron Cannan, P.C., M.P., *Canadian House of Commons*

- Perhaps one of the most striking indications that trade leads to economic development occurred as countries around the world were trying to recover from the recent global financial and economic crisis; in response, the leaders of the Group of Twenty (G20) nations met in November 2008 to become the premier forum for international economic cooperation.

- As evidenced by a number of their statements, G20 leaders – including Canada’s prime minister and the United States’ president – see protectionism as a policy direction that must be avoided; for example, in 2008, the leaders noted the “critical importance of rejecting protectionism and not turning inwards in times of financial uncertainty,” and pledged that, until the end of 2010, they would refrain from three actions:
 - raising new barriers to investment or to trade in goods and services;
 - imposing new export restrictions; or
 - implementing measures inconsistent with the WTO in order to stimulate exports.
- The G20 leaders’ pledge to refrain from raising new investment or trade barriers, imposing new export restrictions or implementing WTO-inconsistent measures was reiterated at their April 2009 meeting, at which time they also indicated a commitment to report any such measures to the WTO, as well as to rectify them promptly.
- Protectionism, and continued support for free trade and investment as tools of economic recovery, were also discussed at the September 2009 meeting of the G20 leaders, when they said: “Continuing the revival in world trade and investment is essential to restoring global growth. It is imperative we stand together to fight against protectionism. ... We will keep markets open and free ...”
- Despite the G20 leaders’ commitments to support free trade and investment, and to avoid trade-restrictive measures, some commentators have argued that these commitments have not been respected by some nations.
- Research undertaken by the World Bank suggests that protectionist policies were adopted after the commitments by the G20 leaders were made, and such other organizations as the WTO and the International Monetary Fund have argued that protectionism was a danger to recovery from the global financial and economic crisis.
- U.S. “Buy American” provisions are an example of protectionist behaviour that must be avoided.
- While Canada and the United States were able to reach a mutually beneficial procurement-related agreement in 2010 in the context of the *American Recovery and Reinvestment Act*, which legislated the \$787 billion stimulus package approved by the U.S. Congress in 2009 and contained “Buy American” requirements in relation to iron, steel and manufactured goods, and while the United States has said that it takes its obligations under Article XXII.6 of the revised WTO *Government Procurement Agreement* seriously, Canada continues to have concerns about U.S. actions in relation to “Buy American” provisions.
- At a meeting of the WTO committee that oversees the *Government Procurement Agreement*, Canada highlighted its objection to “Buy American” requirements in enacted or pending legislation.

- Reportedly, the EU, Japan and Hong Kong share Canada’s concerns about “Buy American” provisions, and – about a year ago – a number of U.S. trade associations urged legislators in the U.S. Congress to oppose legislation that contains “Buy American” requirements, in part because such provisions could lead other countries to impose similar measures, to the detriment of U.S. exporters; in Congress, there are some legislators who are opposed to such requirements.
- “Buy American” provisions are viewed within Canada – and elsewhere – as protectionist measures that harm trade; Canada and the United States – which share integrated markets and supply chains, as well as the world’s largest trade and investment relationship – must work together more closely, and these types of restrictions should not exist between them.
- At the same time as Canada is seeking free and fair trade – including reduced trade barriers – with the United States and other countries, attempts are being made to lower trade barriers between and among Canada’s provinces /territories.
- While the 20-year-old Agreement on Internal Trade (AIT) is an important tool for reducing interprovincial/interterritorial trade barriers and – thereby – enhancing prosperity, there are some who believe that the AIT requires updating, as – according to some estimates – internal trade barriers could be costing \$50 billion each year.
- While actions are being taken with respect to movements of beverage alcohol across provincial/territorial borders, there are also other areas where internal trade barriers may be hindering prosperity for businesses and choice for consumers, and where efforts might usefully be directed; some of these areas include the following:
 - extra-provincial/territorial corporate registration and reporting;
 - pressure-vessel standards, such as those in relation to boilers;
 - dairy blends, such as dairy-soy blends;
 - preferences in steel procurement;
 - services in the context of the AIT’s chapter on government procurement; and
 - labour mobility.
- Eliminating unnecessary barriers – whether they are internal or international – sends the “right signal,” leads to greater choice and potentially lower costs, and supports prosperity.

CANADA–U.S. REGULATORY COOPERATION COUNCIL: AN UPDATE

Bob Carberry, *Canadian Privy Council Office* and Alex Hunt, *Executive Office of the President*

- Both Canada and the United States have strong, but independent, regulatory systems; the result is duplicative requirements and higher costs.
- Canada and the United States have been working together on regulatory harmonization, including in the context of the Regulatory Cooperation Council (RCC) that was announced in February 2011; as part of the RCC's efforts, the initial focus was enhanced regulatory cooperation on specific issues in a range of regulatory areas.
- With regulatory cooperation between Canada and the United States, there are likely to be efficiency and effectiveness gains; going forward, the two countries will focus on systemic regulatory cooperation, with deeper partnerships, information-sharing and funding collaboration, an embedded role for stakeholders in new processes, and a move to an "opportunity and benefit" mindset.
- The next phase of regulatory cooperation, to be known as the Joint Forward Plan, will be released soon.

STAKEHOLDER COMMENTS ON CANADA–U.S. REGULATORY COOPERATION

Chris Sands, *Hudson Institute*

- Regulatory cooperation between the United States and Canada is a significant and "revolutionary" process; it involves collaboration, a reduction in red tape and less bureaucracy.
- The regulatory cooperation model used by Australia and New Zealand involves full, mutual recognition, except in relation to areas where exemptions have been negotiated.
- It is unlikely that the U.S. president will receive trade promotion authority "any time soon."
- As President Obama lacks trade promotion authority, the United States and the EU may establish a regulatory cooperation "group."
- The RCC initiative has provided a model that could be used by states and provinces/territories regarding cross-border infrastructure projects, invasive species, educational credentials and the chemicals used in hydraulic fracking, among other areas.

Representative Jeff Morris, *Washington State Legislature*

- As manufacturing supply chains are highly integrated across the Canada–U.S. border, a change in one country affects the other country.
- There are numerous fora in which states can come together to discuss issues of common interest.
- Harmonization efforts by the United States and Canada result in benefits, including economies that are more integrated than is currently the case.

Dennis Prouse, *CropLife Canada*

- There are many countries around the world where businesses operate on both sides of a shared border.
- Regarding regulatory cooperation between Canada and the United States, there is no need for a “super agency” to coordinate efforts; instead, existing entities should be empowered to work directly with their counterparts in the other country.
- There is a need to do the following:
 - reduce the data burden related to regulations;
 - consider joint reviews of regulations; and
 - support electronic submissions of regulatory information.
- Regulations must “keep up” with rapidly evolving technologies.
- Both Canada and the United States have science-based regulatory systems and rules-based trade laws.

Bill Tam, *British Columbia Technology Industry Association*

- Small businesses have limited resources and must focus on their top priorities.
- The areas where improvements are required in relation to regulations, including the following:
 - labour mobility;
 - reform of intellectual property rights; and
 - alignment by standards bodies.

Patrick Kole, *Idaho Potato Commission*

- Sanitary and phyto-sanitary measures are used to restrict trade.
- Those who regulate should be trusted, and they should focus on science.
- As laboratories, states and provinces/territories should “lead the charge” in determining “what works.”

Larry Delver, *Alberta Beef Producers*

- Canada and the United States, which are each other's largest customer, depend on exports for prosperity; that said, each must not be the other's sole market.
- Disputes between Canada and the United States cause a lack of confidence in our products and negatively affect our export markets.
- Canada and the United States should work out their differences and "satisfy the common demands" of their trading partners.

KEYNOTE LUNCHEON

American Ambassador Bruce Heyman, *U.S. Department of State*

- The world in which we live is increasingly complex.
- The U.S.–Canada relationship, which is strong and thriving, is characterized by both challenges and opportunities; border issues are critical to that relationship.
- The BTB initiative is part of a "conversation" that essentially started after the terrorist attacks of 11 September 2001; improvements are being made, and the countries are working on things together.
- The rate at which goods and people are crossing international borders is growing exponentially.
- As paper submissions are costly, technology should be used to better effect, including electronic submissions and radio-frequency identification.
- Rather than focusing on what we already know, we should focus on what we do not know; as well, the focus should not be on what is needed now, but on what will be needed in the future.
- "Processing" of goods should occur away from the ports of entry.

Canadian Ambassador Gary Doer, *Canadian Department of Foreign Affairs, Trade and Development*

- On the "big" issues, Canada and the United States are reliable allies.
- Perimeter security was established 55 years ago with NORAD, which manages risk long before it gets to the border; the same principle applies in relation to the BTB initiative.
- Through the Shiprider initiative, Canada and the United States are jointly managing risks on the water; joint management is especially important in a resource-constrained world.
- Risk, privacy, trade and tourism are managed better when the countries undertake management in a collaborative manner.
- Bilateral trade is valued at \$2 billion each day, and Canada buys more goods and services from the United States than does all of the EU countries together.

- Canada and the United States are likely to continue to collaborate during TPP negotiations.
- It is possible to have North American energy independence within the next five years, and with reduced GHG emissions, through the following:
 - efficiency;
 - renewable energy sources;
 - the development of gas; and
 - the development of oil.
- North America needs a north-south, east-west energy grid that is reliable, and that has both renewable and non-renewable energy sources.
- Four years ago, the United States received 19% of its foreign oil from Canada; now, this proportion is 33%.
- When transporting large volumes of oil, pipelines make more sense than railcars from cost, safety and emissions perspectives.

THE NEXT GENERATION OF BEYOND THE BORDER

David Francis, *UPS*

- Efforts should be directed to increasing the value and volume of Canada–U.S. trade.
- Those who are shipping cross-border for the first time sometimes have “paperwork issues.”

Honourable Rob Merrifield, P.C., M.P., *Canadian House of Commons*

- Regarding the Keystone XL pipeline proposal, the environmental “message” is positive.
- When compared to rail, pipelines are safer and have fewer GHG emissions.
- From the perspective of the United States, Canadian oil should displace Venezuelan oil.
- The United States should stop appealing WTO decisions about COOL, and should instead work with Canada on a solution.

Chris Sands, *Hudson Institute*

- A great deal of hard work “happens” at the border that Canada and the United States share.
- The concept of pilot projects should be expanded to pilot zones, and states and provinces/territories should be included as partners.

- There should be an increased focus on electronic submissions and an ability to “mine” the resulting data.
- Attention should be paid to compliance costs at the shared Canada–U.S. border, which can be a deterrent for small and medium-sized businesses.

Jim Phillips, *Canadian/American Border Trade Alliance*

- The Canada–U.S. border crossing process should be optimized.
- The BTB initiative has had some benefits, but efforts should continue to be directed to ensuring that trusted traders have the same benefits that NEXUS gives to trusted travellers.

Dave Cowen, *The Butchart Gardens*

- Canadians and Americans are each other’s largest tourism market.
- Canada and the United States need parallel visa processes that respect sovereignty.
- From a tourism perspective, Canada and the United States are competing against countries and regions that are minimizing barriers to tourism; as well, it should be remembered that the EU comprises 28 countries.

Steve Cryne, *Canadian Employee Relocation Council*

- There is a link between labour mobility and competitiveness; for this reason, among others, labour mobility across the Canada–U.S. border must be improved.
- Employers need to be able to deploy employees across the shared border with certainty and predictability.
- The Canada–EU CETA has mobility provisions that are better than those in NAFTA.

Bob Steele, *British Columbia Ministry of Transportation*

- NEXUS is very successful and should be expanded.
- There should be more locations at which NEXUS interviews can occur.
- Aspects of the NEXUS approval process should be moved to where people are; in that regard, “mobile” interviews should occur in communities at ports of entry and through videoconferencing.

American Ambassador Bruce Heyman, *U.S. Department of State*

- While the BTB initiative is leading to benefits in certain areas, there are budgetary constraints and new revenue sources – such as user fees – are needed; as well, the use of technology must be maximized.
- Technology, rather than people, should be used at ports of entry that are used infrequently.

- Some North American trade corridors naturally occur vertically.
- Enrolment in NEXUS should increase, and the “universe” of “who” and “what” are trusted should be expanded.
- The BTB pilot projects have been characterized by innovation and creativity.

Canadian Ambassador Gary Doer, *Canadian Department of Foreign Affairs, Trade and Development*

- NEXUS is an excellent program, and it should be expanded and made more flexible, including in relation to the location of interviews.
- While “data mining” is a “great idea,” Canada and the United States are sovereign nations and it is hard to reach an agreement regarding privacy, among other issues.
- The United States has northern and southern borders, and they differ in certain respects.

U.S. CUSTOMS AND BORDER PROTECTION

Gil Kerlikowske, *U.S. Department of Homeland Security*

- The closer the United States and Canada work together and harmonize, the better are the outcomes for everyone.
- Everything that the U.S. Customs and Border Protection does involves an assessment of risk.
- In the United States, there is a critical need for comprehensive immigration reform.
- Technology is a “game-changer” and should be leveraged to reduce costs, increase efficiency, etc
- With more data becoming available electronically, “data mining” will occur.
- “Single window” initiatives are cost-effective.
- The United States and Canada are sovereign nations with different privacy principles.
- Pilot projects enable an identification of what works well, and what does not.
- The security of supply chains is critical, as are timely supply chain activities.
- People want to do business where there is safety and security.

BEYOND “BEYOND THE BORDER”

Kevin O’Shea, *Canadian Privy Council Office*

- The BTB and RCC initiatives are elements in the transformation of management of the border shared by Canada and the United States.
- The BTB initiative is broad, and it will take time for all of its deliverables to be realized; accountability for results occurs through implementation reports.
- The two countries are moving to a perimeter approach regarding security.

Bradd Skinner, *U.S. Department of Homeland Security*

- NEXUS should be promoted for tourists and business travellers.
- Participation in trusted trader programs should be promoted
- Radio-frequency identification is a useful technology.
- It is beneficial to learn as much as possible about the flows of people and goods across the Canada–U.S. border.

KEYNOTE BREAKFAST

Mike Hamilton, *Washington State Office of the Chief Information Officer*

- Everything that we do now requires information technology (IT) infrastructure.
- Cybersecurity is an economic and a regional issue.
- The disruption of government services affects the private sector.
- Cyberattacks can affect the following areas, among others:
 - waste treatment;
 - water purification;
 - the delivery of energy; and
 - communication networks, including for 911 centres, call centres, law enforcement agencies, firefighting personnel, emergency responders, etc.
- The National Guard assesses local critical infrastructure, and develops statewide response plans for significant cyber disruptions.

WATER MANAGEMENT ISSUES, CHALLENGES AND OPPORTUNITIES IN THE 21ST CENTURY

Senator Jim Honeyford, *Washington State Legislature*

- Water issues require attention, including storm water, flood control and the water supply.
- From one perspective, snow is like a state’s reservoir.

Senator Arne Roblan, *Oregon State Legislature*

- The Pacific Northwest is an integrated region, with the various states and provinces/territories depending on each other.
- Some water flows north before it flows south.
- Water storage is an important issue, including where to store it and where to get it in order to store it.

Representative Kathleen Williams, *Montana State Legislature*

- Important water-related issues include the following:
 - cooperative dialogue regarding climate change, competing water uses, etc.
 - meaningful state water planning; and
 - sharing available water resources.
- Water conservation and new water technologies should be encouraged.
- There is a need to increase the breadth of the relationship between policy makers and research institutes.

Jim Ogsbury, *Western Governors' Association*

- Water is one of the most unifying forces for the United States' western states and their governors.
- As water needs differ across the United States, states are best-placed to address water issues; they have water-related knowledge, expertise, etc.

Lynn Kriwoken, *British Columbia Ministry of Environment*

- Water is critical to health, safety, communities, economies, the environment, etc.
- Important water-related issues include the following:
 - climate change;
 - economic development;
 - resource development;
 - food security;
 - population growth;
 - urban development; and
 - the state of "water knowledge."
- In thinking about water, the following key principles may be relevant:
 - Protect stream health and the aquatic environment.
 - Consider water when making land use decisions.

- Regulate and protect groundwater use.
- Regulate water use during periods of scarcity.
- Improve water security, use, efficiency and conservation.
- Measure and report water use.
- Enable a range of governance approaches in relation to water.
- Water is “personal,” and people are a key “driver of change” regarding water and its usage.

Andy Ridge, *Alberta Environment and Sustainable Resource Development*

- Water is a climate change issue; it is also a cybersecurity issue.
- Important water-related areas of focus include the following:
 - flood mitigation;
 - invasive species;
 - wetlands;
 - lakes;
 - use;
 - storage; and
 - drinking water and waste water systems.
- The demand for water rises with population growth and economic development.

Larry Doke, MLA, *Legislative Assembly of Saskatchewan*

- While the overall water supply may be adequate, the water may not be located where it is needed.
- Many regions need to upgrade their water infrastructure.
- In some seasons, water drainage is an issue for agriculture.

Heather Jirousek, *Government of Yukon*

- Important water-related issues include the following:
 - groundwater;
 - access to drinking water;
 - sustainable water use;
 - sharing information regarding water; and
 - climate change.

KEYNOTE LUNCHEON

Governor Steve Bullock, *State of Montana*

- Coming together, working together and staying together can lead to success.
- Unlike the United States' federal government, the United States' states and Canada's provinces and territories are focused on solutions, rather than partisanship.
- It is possible to be fiscally responsible and to take care of citizens.
- Parties should collaborate in order to make a meaningful difference; it is unreasonable to expect either government or the private sector to "do it all."
- Companies' chief executive officers are very focused on educational systems, as they need the right quantity of workers with the right skills.
- Challenges can lead to opportunities.

RAIL SAFETY AND CAPACITY: OIL SPILL PREPAREDNESS AND RESPONSE

Senator Richard Neufeld, *Senate of Canada*

- Rail safety – or the lack thereof – is receiving a great deal of media attention, including because derailments, explosions and/or fires in Lac-Mégantic, Quebec just over one year ago, in Gainford, Alberta in October 2013, near Aliceville, Alabama in November 2013, near Casselton, North Dakota in December 2013, in Plaster Rock, New Brunswick in January 2014 and in Lynchburg, Virginia in April 2014.
- Almost a year ago, Canada's Standing Senate Committee on Energy, the Environment and Natural Resources (Senate Energy Committee) released a report entitled *Moving Energy Safely: A Study of the Safe Transport of Hydrocarbons by Pipelines, Tankers and Railcars in Canada*; the Committee initiated the study on 28 November 2012, about seven months before the Lac-Mégantic disaster.
- With growing hydrocarbon production in North America, and the need to secure and diversify export markets, the Senate Energy Committee's study aimed to examine "the current state of emergency and spill prevention, preparedness and response frameworks under federal authority and to make recommendations to improve public safety and the protection of the environment."
- While the vast majority of Canadian hydrocarbons is moved safely and incident-free through pipelines, and by tanker and railcar, no activity is free of risk and accidents do occur; issues relating to rail transportation of oil took on particular significance with the Lac-Mégantic disaster, which occurred as the Senate Energy Committee's report was being finalized.
- Within several months of the Senate Energy Committee's report being released, Canada's federal Minister of Transport asked the Canadian House of Commons

Standing Committee on Transport, Infrastructure and Communities (House Transport Committee) to study the Canadian regime for the safe transportation of dangerous goods, and the role of safety management systems in all modes of transportation; in June 2014, the House Transport Committee tabled its *Interim Report on Rail Safety Review*, and it will continue its work with a focus on the air, marine and surface modes of transportation.

- Pipelines are responsible for moving up to 97% of daily natural gas and onshore oil production to markets in Canada and the United States; there are about 71,000 kilometres of federally regulated pipelines in Canada, and most of them are transmission pipelines for bulk transportation, as opposed to gathering or distribution lines.
- Over the 2000 to 2011 period, 99.9996% of the crude and petroleum product moved through Canada's federally regulated pipelines without a spill; this high "success rate" is perhaps not surprising, as Canada's transportation systems are highly regulated, with regulatory frameworks, management systems, and standards and practices that are designed to ensure safety.
- While the prevention of accidents is a key element of virtually all aspects of the pipeline system, accidents do occur, and can result in the release of fuel; two of the Senate Energy Committee's 13 recommendations were focused on pipelines:
 - that the National Energy Board work with regulated companies and experts in safety culture to develop a program for the mandatory auditing of safety culture; and
 - that the federal government facilitate efforts to establish a national access point for information on buried utility infrastructure, as well as the promotion of one-call centres and call-before-you-dig initiatives.
- During its study, the Senate Energy Committee was told that, because of tankers, crude oil is the most traded commodity in the world, with vessels shipping crude and other petroleum products daily to virtually all ports around the world.
- Tankers are generally viewed as a safe and effective way in which to move crude oil in large quantities, but spills can occur and can have lasting effects on marine life, as well as on the communities and livelihoods of those who live along affected coastal regions; that said, major tanker spills are rare, and the last significant spill in Canada occurred more than 30 years ago.
- From a global perspective, the number of major tanker oil spills has been falling at the same time as global seaborne oil trade has been rising.
- The Senate Energy Committee made five recommendations in relation to marine spills:
 - expand and modernize the Transportation Safety Board's database to provide detailed information on ship-sourced spills;

- adjust the current spill preparedness and response capacity to fit the assessed needs of each region;
 - provide umbrella responder immunity protection to Canadian marine response organizations for all non-ship source spills;
 - provide for periodic certification of the Canadian Coast Guard's mandated spill preparedness and response capabilities; and
 - provide for pre-approval of certified marine response organizations to use dispersant, initiate controlled burning and undertake other prescribed counter-measures in certain areas and under specified circumstances.
- Canada has a long history of transporting crude by rail, and long distance rail shipments of crude have been rising rapidly, despite a cost that is relatively greater than that for pipelines; on average, railcars move dangerous goods without spills 99.9% of the time, a proportion that is only slightly lower than that for pipelines.
 - Between 2000 and 2012, there were 23 hydrocarbon spills in Canada, many of which were minor.
 - Regarding rail transport of hydrocarbons, the Senate Energy Committee recommended:
 - cooperative efforts between Transport Canada and railway companies to make existing safety culture assessments mandatory within its audit program;
 - an arm's-length review of Canada's railway regulatory framework, standards and industry practices;
 - cooperative efforts by Transport Canada and the U.S. Department of Transportation to review the use of certain tank cars and consideration of accelerating the transition to a new standard;
 - implementation of all recommendations relating to the transport of dangerous goods by rail that are contained in the December 2011 Report of the Commissioner of the Environment and Sustainable Development; and
 - the application of appropriate minimum liability coverage thresholds to ensure that rail companies are able to cover the damages resulting from a major incident.
 - In addition to the 12 recommendations noted above, the Senate Energy Committee made a general recommendation that the National Energy Board and Transport Canada create a web portal with interactive maps providing detailed information on transportation-related oil and gas spills.
 - In the aftermath of the Lac-Mégantic disaster, the federal government has taken a number of actions; for example, Canada's federal Minister of Transport has issued a number of protective directions and/or proposed regulatory amendments in relation to requirements imposed on those who import crude oil

or offer it for transport and on certain freight railway companies, as well as on the building, retrofitting and use of specific tank cars, and has announced a stakeholder task force with the mandate to determine the manner in which emergency response capacity across Canada might be strengthened.

- As well, federal announcements have been made in relation to pipelines and tankers; for example, the government has said that it will introduce legislative and regulatory amendments to remove the per-incident cap on the Ship-Source Oil Pollution Fund and to impose absolute liability on pipeline companies in the event of an onshore oil spill, among other actions.

Tim Meisner, *Transport Canada*

- Transport Canada has a three-pillar commitment in relation to the marine and rail environments:
 - prevention;
 - response preparedness; and
 - liability and compensation.
- Freight railways play an important role in Canada's economy, and rail is the most economical means by which to move goods.
- The disaster in Lac- Mégantic, Quebec highlighted safety concerns regarding the movement of oil by rail.
- A comprehensive inspection process ensures safety by identifying potential problems before they can lead to unsafe conditions.
- Technology can be used to determine if a train is "behaving as expected."
- The rail sector is implementing voluntary actions designed to enhance safety.

Respectfully submitted,

Hon. Janis Johnson,
Senator, Co-Chair,
Canada-United States
Inter-Parliamentary Group

Gord Brown, M.P.,
Co-Chair,
Canada-United States
Inter-Parliamentary Group

Travel Costs

ASSOCIATION	Canada-United States Inter-Parliamentary Group
ACTIVITY	Pacific NorthWest Economic Region (PNWER) 24th Annual Summit
DESTINATION	Whistler, British Columbia, Canada
DATES	20–24 July 2014
DELEGATION	
SENATE	The Hon. Jim Munson, Senator The Hon. Richard Neufeld, Senator
HOUSE OF COMMONS	Mr. Gord Brown, M.P. The Hon. Ron Cannan, P.C., M.P. The Hon. Hedy Fry, P.C., M.P.
STAFF	Ms. Angela Crandall, Executive Secretary Ms. June Dewetering, Senior Advisor
TRANSPORTATION	\$ 6,214.31
ACCOMMODATION	\$ 6,112.05
HOSPITALITY	\$ 0.00
PER DIEMS	\$ 1,200.75
OFFICIAL GIFTS	\$ 0.00
MISCELLANEOUS / REGISTRATION FEES	\$ 4,882.16
TOTAL	\$18,409.27