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## **Standing Committee on International Trade**

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**EVIDENCE**

**Thursday, February 12, 2009**

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**Chair**

**Mr. Lee Richardson**

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## Standing Committee on International Trade

Thursday, February 12, 2009

• (0905)

[English]

**The Chair (Mr. Lee Richardson (Calgary Centre, CPC)):** Good morning. This is our third meeting of this session of the Standing Committee on International Trade.

We have had some difficulty on short notice getting all the witnesses that committee members have requested. We are pleased that Karl Risser is again here to appear today as a witness. We will continue to pursue the other witnesses you have all listed. We have called more than 20 in the past few days, but with the short notice it is very difficult. I think we will have better luck with almost two weeks' notice. We will bring in witnesses and have several at the meeting on February 24, at which point I hope we can wrap this up.

Today we have Mr. Risser from the Canadian Auto Workers, Shipbuilding, Waterways and Marine Workers Council, who has an opening statement. We also have with us representatives from the Department of Finance as well as from the Department of Industry, who will be pleased to answer any questions you have with regard to EFTA and I'm sure international trade in general. Perhaps I'll introduce our representatives from Finance. Dean Beyea, Patrick Halley, and Kei Moray are here. From the Department of Industry we have Gary McGee and Emile Rochon.

I'm going to ask Karl Risser Jr., the president of the Canadian Auto Workers, Local 1, Shipbuilding, Waterways and Marine Workers Council, to begin.

**Mr. Karl Risser Jr. (President, Local 1, Canadian Auto Workers Shipbuilding, Waterways and Marine Workers Council):** I would like to thank the chair and the committee for the opportunity and the invitation to testify here on behalf of the men and women of the CAW marine workers, Local 1. It was short notice, so forgive me for any shortcomings; I just scratched some things down, to stay on point.

I myself am a third-generation shipyard worker. Over that time a lot has changed. I enjoy our job. It's a great job for me; it's like a continuation of childhood. You get to build something that Canada needs and you get to watch it sail out of the harbour. We take a lot of pride in that.

I grew up listening to the stories around the dinner table of my grandfather and father, talking about the shipyards and the good old days. They were colourful stories. There were well over 1,000 workers in the yard, working around the clock. You can imagine what some of those colourful stories were like.

Since then, the Canadian shipbuilding industry has rather moved away from subsidy and towards following the open market and deregulation and all of that. What it has done is leave the industry standing on far from level ground to compete with all these other countries.

The OECD and the WTO's efforts to ensure the level playing field have failed to eliminate or reduce the subsidies and all that face us. Canadian shipbuilders systematically encounter competition from production subsidies, generous financing, market protection, state ownership, and in Canada's biggest potential market—the United States—we are cut out completely, with the Jones Act.

Canada's policies do not support this industry to the level it needs in this world market. It leaves Canadian shipbuilders to compete largely for domestic work. In the work that we do, we support transportation, fisheries, oil and gas, and most importantly we support government procurement.

Unfortunately, in all those areas we haven't seen a whole lot of action in the last while. This leaves the shipbuilding industry to service and maintain the vessels that are already here. This makes it very difficult for the industry to improve its production methods, retain its skilled workers, and get investment in the industry.

Right now we have some pent-up domestic demand. I think we have a perfect opportunity to take some time, in this period of economic depression, to create some good skilled jobs—actually, to create thousands of skilled jobs building vessels that Canada needs today very much. Canada needs these vessels, and we'd love to build them for it. They include everything from joint support supply ships to coast guard vessels, arctic patrol vessels, ferries, and replacements for the Laker fleet.

Sadly, if we don't take action as a government to get involved, this could all slip away and our industry could continue to fall. What we need to do is put in policies that recognize shipbuilding as a strategically important industry to Canada's sovereignty.

It's pretty serious stuff, when you think about it. Before we go ahead with this deal, we have to take a step back and recognize that shipbuilding is very important to Canada. Our country features the longest coastline in the world, borders on three oceans, and includes a major inland seaway and the Great Lakes. The defence, transportation, and trade implications around that should be obvious to everybody.

The governments of leading marine shipbuilding countries, including the United States, Norway, Iceland, Japan, Korea, and more recently China, have long since acted to build and support their industry and create domestic shipbuilding powerhouses. They built these industries over many years, using all manner of procurement policies: subsidies, tax relief, loan guarantees, infrastructure development, and tariff protection. These actions have allowed them to secure large parts of the international market, unfairly. With these volumes of work, they have made continuous improvements to their production methods and have improved the overall health of their industries.

Understanding all of these factors, it is very disturbing to me to hear some Canadian politicians talk about our industry's not being able to compete, its not being competitive with Asian and European yards. These yards have benefited from government policies that are clearly outside the OECD rules and the WTO guidelines that Canada faithfully follows. I think it is one of the only countries that faithfully follows these rules, but I could be wrong.

● (0910)

Our shipbuilding industry and marine services industry have been sacrificed, I think, through not having the proper policies in place to support them, and also by not addressing key issues in deals we've signed in the past, i.e., the U.S.A. with the Jones Act and Chile under NAFTA. We've seen major losses to our industry because of those deals.

I know I'm a little brief, but just in closing, I'd like to urge this committee not to move ahead with this deal or to carve out shipbuilding in this deal or to take actions before they move ahead.

I would have liked to have gone into a little more formal presentation, I would have liked to have had Andrew here, maybe the economist from our union, and I would have liked to have had some more numbers for you and maybe thrown in some more details, but there is a lack of time. I thought it was important to be here and say a few words on behalf of everybody.

I would like to throw out some rough numbers I've put together. This is a mid-sized shipyard. It's been operating at about 40%, 50%, so these numbers are based on about 500 employees; an annual average payroll of about \$24 million; \$400,000 in property taxes; payroll taxes, CPP, and EI around \$9 million; purchase of local goods and services in Nova Scotia with this mid-sized yard of about \$35 million; and the capital investment since 1995 of around \$30 million.

This is in a yard that is only operating at 40% capacity. There's lots of room for that yard to grow, and then you can multiply that quite a bit when you look at a yard like Davie's, which is much larger.

Just some recommendations around policies—we need some key things and I am going to touch on a few. There are already some programs out there, ACCA and SFF. I think if we could combine those two, that would go a long way for shipbuilding. I think supportive tax policies and maybe some extended financing....

We've got guys who can go out and finance a car over 10 years, 20 years. We're talking about a ship that has a life of 30, 40 years, and it can only be financed over 12. We need to extend that financing

period and we need to continue the government...continue our "made in Canada" policies.

If we take some action on that and continue the EDC that we did for Davie's...I thought that was a great step. We encouraged our shipyards to sell our products overseas. In this time, when we're talking about the first time we've seen a real trade deficit—we are not exporting more than we're taking in—I think it's because we rely a lot on resources, and that is going down. So we have to find things we can produce in Canada and send overseas, and ships are one of them.

Again, I think it is key that we realize what you can manufacture in Canada that's bigger than a ship and can employ more people, skilled jobs.

The last thing I'd like to say is that it's not a sunset industry. I've heard that said before. It's a very high-tech industry. It supports everything from the skilled trades workers right up to the top engineering, top design people. To maintain all that, we need consistent work.

I think it takes a lot of work by government, industry, and the people involved to get together and make this work. I think if we take these actions we can improve the overall health of the industry. We can increase investment. We can sustain industry growth and eventually we can eliminate the tariffs, but we need to take these actions first. We can't continue to sign trade deals and think we'll talk later about the policies. The policies have to be in place first. We need a chance to get up and running. We need to get on our feet and then we'll compete.

What you're asking us to do is to jump into the ring and fight a professional fighter, and we haven't had any fights. These guys have been up there. They've been competing against each other. They've had their bows, and we haven't been in the game.

Let's get in the game. We can compete in the international niche markets. We're not going to be world leaders in shipbuilding, but we can pick niche markets in international markets. We can control our domestic work and I think we can be successful.

On that note I'll close. I want to reiterate that time was short to get here and I'd like to have had more time to prepare something more formal for you and have some of my counterparts here.

● (0915)

Thank you, Mr. Chair.

**The Chair:** Thank you, Mr. Risser.

Before we continue, I want to run through the process again. In addition to the witness we have just heard, we have today representatives from the government, from the Departments of Industry and Finance.

I want to remind committee members, particularly new committee members, that the officials present today or at any time aren't here to discuss government policy. They are the implementers of government policy and they can talk about how these processes are working through their department or give you background information on various things, but we'll save the political questions for the ministers, when they appear before the committee.

Let me say that the particular topic today appears to be shipbuilding virtually exclusively, so we have, from the Department of Industry, Gary McGee, who is the director of the defence and marine directorate in the Aerospace, Defence and Marine Branch of Industry Canada, with Emile Rochon, who is the senior program coordinator for the Aerospace, Defence and Marine Branch of Industry Canada.

From the Department of Finance, I think you are aware, we have Dean Beyea, senior chief, International trade policy division, International Trade and Finance; Patrick Halley, chief of tariffs and market access; and Kei Moray, who is the assistant director of the business income tax division with the Tax Policy Branch.

So we have lots of firepower here. They should have many of the answers you require. We'll begin.

We're going to remind members that on the first round the first four questioners will have seven minutes for questions and answers. The next round will be of five minutes. I think we should have lots of time to get through a couple of rounds today. We will stick closely, with our clerk and his stopwatch, to the set time as agreed by the committee.

We'll begin today with Mr. Brison, for seven minutes.

**Hon. Scott Brison (Kings—Hants, Lib.):** Thank you, Mr. Chair.

Thank you to the witnesses for being with us today.

First I'll address Mr. Risser and his point. He mentioned Andrew McArthur, who represents the shipbuilding companies. I was speaking with Mr. McArthur, in fact, yesterday, and we had a discussion last week on some of these issues.

I want to confirm for the benefit of the entire committee that in fact other countries.... Norway, for instance, has had a 30-year period of direct investment in their shipbuilding infrastructure, and at the same time protectionist policies that have garnered significant support for their shipbuilding industry and have given them a significant competitive advantage at this point. But there are measures, as you mentioned, that exist currently—such as the structured finance facility and the accelerated capital cost allowance and government procurement—that can help provide a level playing field for our producers.

Specifically, if the structured finance facility is refinanced, and if Canadian ship buyers have access to both the accelerated capital cost allowance and the structured finance facility—which foreign buyers of Canadian vessels, it's my understanding, could qualify for in their own countries—and if government procurement is more focused on supporting the Canadian shipbuilding industry, which is a unique industry in which other countries really do take a more active role.... We always talk about the U.S. situation, the Jones Act, but other countries take a more direct role than we have at various times in our

country's history. If those measures are done—again, refinancing the structured finance facility, making the structured finance facility and accelerated capital cost allowance simultaneously available to our buyers, and a refurbished government procurement program—the industry can compete even if faced with increased competition through, for instance, EFTA.

• (0920)

**Mr. Karl Risser Jr.:** I think your point is a good one. With Norway, we're talking about a country that has supported its industry for 30 years through its oil and gas, through all its policies. They've recognized—and I think Canada is one of the only countries for over the last 50 years that hasn't recognized—the importance of shipbuilding and put in place a real policy to make sure it's there when we need it.

So, yes, I think we could compete, but I think we need time. We need time to catch up. These guys have been building their workforce. On the North Sea, they've been using their oil and gas industry to allow them to reinvest into their shipbuilding. Their government has strongly backed up their shipbuilding for 30 years, creating more productivity, and they keep getting better and better, while the shipyards in Canada have been left alone to kind of maintain and repair the vessels we have and do sporadic builds that aren't back to back.

I think, given the proper time and the proper circumstances, we could compete.

**Hon. Scott Brison:** I have a further question for our officials: what is the state of the structured finance facility? It's my understanding from talking to Mr. McArthur that it needs a reinvestment at this time. I'd appreciate knowing that.

Second, what is the implication of making the structured finance facility and the accelerated capital cost allowance available simultaneously to Canadian buyers?

**Mr. Karl Risser Jr.:** I believe the Conservative government, through Minister Peter MacKay, announced a renewed approach to shipbuilding. He talked about \$50 million in SFF in the short term and about re-funding it, and I think that money has been used up. I think the Canadian shipbuilders have used up most of it.

**Hon. Scott Brison:** Thank you, Mr. Risser.

Do your officials know?

**Mr. Gary McGee (Director of Defence and Marine, Department of Industry):** Just as an introduction, most parties, if they understand what the SFF is—it's the structured financing facility, and the program is to provide financing support to domestic and foreign shipowners, reducing their interest costs when they choose a Canadian shipyard for vessel construction or modernization.

In 2007, as part of the government's renewed approach to shipbuilding, the SFF program was renewed. It was given a budget of \$50 million. Currently, there's \$28.2 million available for usage in the program.

**Hon. Scott Brison:** Thank you.

So there's about half of that still there. It was introduced in 2007?

**Mr. Gary McGee:** That's correct.

**Hon. Scott Brison:** Which budget year was that for?

**Mr. Gary McGee:** The program will run until 2011.

**Hon. Scott Brison:** Okay. So within the first year it has exhausted about half?

**Mr. Gary McGee:** That's correct. We have disbursements of approximately \$3.5 million of commitments and signed commitment contracts for approximately \$14.3 million, which brings our total down to approximately \$28.2 million.

• (0925)

**Hon. Scott Brison:** So there are about three years left in the program, but half the money has been invested in about the first year?

**Mr. Gary McGee:** Yes. The program does terminate in 2011.

**Hon. Scott Brison:** Okay. So I think that does indicate the take-up from the program and perhaps the need for further investment.

I'd appreciate the opinion of the officials on the measure of making it available simultaneously with the accelerated capital cost allowance for domestic buyers.

**Ms. Kei Moray (Assistant Director, Business Income Tax Division, Tax Policy Branch, Department of Finance):** The accelerated capital cost allowance is only of benefit to firms that are profitable, or only of immediate benefit to firms that have a loss they can carry back—if they pay tax on the previous three years, they can use it—so it's not of benefit to all firms. Those who lease do not benefit. The ACCA is available only to owner-operators. Because some groups were not able to benefit from the ACCA, the structured financing facility was introduced in order to provide a comparable benefit to them. It was never intended that the structured financing would be on top of the ACCA. It was instead of the ACCA.

If you were to provide both, you would end up with some groups of owner-operators who are profitable benefiting from both, but the unprofitable still would be able to benefit from only the structured financing. So you would sort of have a different level of assistance to the different groups.

**The Chair:** Go ahead, Scott.

**Hon. Scott Brison:** Foreign buyers, however, can qualify for an accelerated capital cost allowance in the tax systems of their own countries and benefit from the structured finance facility offered by Canada. As such, that is the area we're concerned about, in that

domestic buyers, effectively, don't have the same incentive to buy Canadian. In fact, foreign buyers may have, through their own domestic tax systems, the accelerated capital cost allowance that other countries are providing in addition to what the Canadian government is providing.

What would be the cost of making the two simultaneously available?

**Ms. Kei Moray:** I'm sorry, I don't have the cost.

**Hon. Scott Brison:** Could you provide that to the committee, the cost of having the two programs, the accelerated capital cost allowance and the structured finance facility, available simultaneously? That would be helpful to the committee.

**Ms. Kei Moray:** I'm not sure if it's available, but if it is, we'll provide it.

**Hon. Scott Brison:** Thank you.

**The Chair:** Thank you.

We'll proceed to Monsieur Cardin. You have seven minutes.

[Translation]

**Mr. Serge Cardin (Sherbrooke, BQ):** I promise I won't go over my allotted time, Mr. Chair.

Thank you for joining us today. I'll give Mr. Risser time to put in his earphone.

All set?

[English]

**The Chair:** We'll take this off your time, Monsieur Cardin.

[Translation]

**Mr. Serge Cardin:** I have a question for Mr. Risser about the position of Canada's shipbuilding industry with respect to other world countries, in particular Norway. What is your take on the industry's position in terms of technology and production capacity?

[English]

**Mr. Karl Risser Jr.:** I think, definitely, we have the capacity, and we have the technology as well. We don't have the technology the other countries have, no, but we do have the capability. We can build the vessels, but not as efficiently as they can through their production methods and continuous-build processes and through building the same repetitive.... You know, we build one-offs in Canada. They build four or five vessels the same, and they continue to get better as they go.

• (0930)

[Translation]

**Mr. Serge Cardin:** You say that subsidies have been awarded to the industry for nearly 30 years now. Norway, for example, has benefited from such subsidies to further develop and test its technologies, given the scope of production in that country.

According to your knowledge of the subsidies awarded to Norway, has the industry or has government been able, under international rules, to file any complaints with the WTO during this period of time? Have any complaints been filed?

[English]

**Mr. Karl Risser Jr.:** That's something I couldn't say about complaints, but I do know that Norway faces incredible pressure from Asia. It has maintained its ability to be among the top shipbuilding nations in the world, even though Asia brings a lot to the table that Norway can't. They kind of have a worker subsidy down there and environmental subsidies and all that stuff.

So yes, I believe Norway continues. I don't have a whole lot of fact behind this, because of the time to prepare, but it's my belief that faced with the pressure from Asia, to maintain itself as a top shipbuilding nation it's done things outside the rules we follow in Canada, for sure.

[Translation]

**Mr. Serge Cardin:** Perhaps some of the other witnesses may be able to answer the question. A large number of subsidies have been awarded. Here in Canada, we're often more Catholic than the Pope. We don't dare do anything for fear of violating an agreement of some kind, and that reluctance may stop us from trying or testing certain options.

Can anyone here tell me if the subsidies awarded to Norway met WTO rules and if any action was taken as a consequence of these subsidies?

[English]

**Mr. Dean Beyea (Senior Chief, International Trade Policy Division, International Trade and Finance, Department of Finance):** The expertise on international trade disputes lies in the Department of Foreign Affairs, but I can't recall any case involving Norway and subsidies to their shipbuilding industry, off the top of my head, at the WTO.

**Mr. Karl Risser Jr.:** I just have one point on that.

There were issues around it when they entered into the agreements. I know that Norway had told Canada that by 2000 they would get rid of their subsidies and put things on a level playing ground. Whether they ever got there I don't know, but I know there was an issue prior to 2000, because there's a definite note saying that Norway has made reassurances to Canada through the WTO that they would get in line by 2000. I don't think they did.

[Translation]

**Mr. Serge Cardin:** Your industry is recommending to us today that we not go forward with this agreement or that the shipbuilding industry be simply excluded for a certain period of time. I see nothing unusual really in trying to bring in policies, in not waiting

until the industry is abandoned, but rather in acting before it is left to face an uncertain future.

There are a number of options that we can consider. The witnesses can confirm this or not. I'm thinking here about loan guarantees for financing arrangements. Have you and the departmental officials given any thought to refundable tax credits for technological innovation or for upgrading production capacity? Obviously, not every company makes money. Have you considered providing refundable tax credits for R & D as well as for technological upgrades?

[English]

**Ms. Kei Moray:** I'm sorry. Could you repeat the question, please?

[Translation]

**Mr. Serge Cardin:** I was speaking about ways of helping the shipbuilding industry, among other things, by authorizing refundable tax credits for R & D as well as for production, technology and equipment upgrades. This initiative would certainly help the industry and would surely be acceptable under WTO rules.

• (0935)

[English]

**Ms. Kei Moray:** There is a program, the scientific research and experimental development program, which exists now, that provides a tax credit for research and development. To the extent that shipbuilders are conducting research and development that's eligible under this program, they can receive that credit.

[Translation]

**Mr. Serge Cardin:** I would imagine that all industries qualify for credits under that particular program. However, what we need are incentives that specifically target the shipbuilding industry, so that it can move forward. Over the next 15 years, formal commitments from the government are needed to ensure that advances in technology and production can be made to allow our shipbuilding industry to compete on a level world playing field.

[English]

**Mr. Karl Risser Jr.:** In 2001 there was a policy framework done, and there was a technology partnership with Canada. The program was available to the marine industry sector under that 2001 framework. To date, there has been limited access to it, because it's a very complex and lengthy kind of process, and it's very hard to get through. It does exist; I think it has to be modified to be easier for companies to access.

I agree with you that there's definitely a major issue around technology and that it's a very good way to improve our production capabilities. I think the program is Technology Partnerships Canada. It's in the 2001 framework. It needs to be looked at and enhanced to make it easier to access and to cut through some of the red tape involved, so that companies can get in to access it, because they're obviously not using it a whole lot.

**Mr. Dean Beyea:** I would also add that Budget 2009 announced a number of tariff cuts on machinery and equipment to allow industry writ large to import state-of-the-art machinery and equipment free of customs duties. That is another initiative that I think would help modernize plants across Canada.

[Translation]

**Mr. Serge Cardin:** What exactly do you mean by “tariff cuts”? What equipment qualified for a tariff cut? Was it equipment imported for the purpose of investing in one’s own business? What exactly were these tariffs?

**Mr. Patrick Halley (Chief, Tariffs and Market Access, Department of Finance):** In Budget 2009, tariff cuts were applied to over 200 tariff products, including various types of machinery and equipment used by Canadian manufacturers in their operations. Tariff cuts are one way to help manufacturers lower their costs and remain competitive.

**Mr. Serge Cardin:** The tariff cuts apply then to equipment or products used by the industry. The aim is not necessarily to help them increase their competitive position.

**Mr. Patrick Halley:** They apply to different industries that use machinery and equipment. The budget mentions the food processing industry, the energy industry, forestry products, and so on.

**Mr. Serge Cardin:** Mr. Risser...

[English]

**The Chair:** Excuse me, Mr. Cardin. We’re at nine minutes.

[Translation]

**Mr. Serge Cardin:** You are most generous, Mr. Chair.

[English]

**The Chair:** Mr. Julian.

**Mr. Peter Julian (Burnaby—New Westminster, NDP):** Thank you, Mr. Chairman.

In my nine-minute question period, I will be starting off with Mr. Risser. Then I have a couple of questions for the departmental representatives.

Mr. Risser, thank you for being here today. You add a real dose of reality, a sobering dose of reality, I think, to our deliberations around the EFTA agreement.

I’d like to ask you three questions to start, and I’ll ask them one after the other. The first is that you’re a third-generation shipyard worker, and you talk amongst your family. Can you give us a brief description of how things have evolved over those three generations? Canada used to be renowned for its shipbuilding industry, its shipyards. We have, by far, the longest coastline in the world. The disturbing testimony you’re providing today is sobering to all of us.

Secondly, you mentioned 40% capacity on your shipyard. We’ve heard from the shipping industry that it’s about 50% capacity across the country. When you testified before us on April 2, 2008, you said that EFTA was a bad deal for Canada and that we would destroy our shipbuilding industry. Do you have specific recommendations around EFTA? Do you believe we should be amending any legislation to carve out the shipbuilding industry so that the shipbuilding industry isn’t destroyed by this agreement?

Third, you mentioned the Jones Act. Most industrialized countries around the world protect their own strategic industries. Canada doesn’t. Are you pressing for “buy Canada” measures, a “buy Canada” act that would effectively make sure that Canada is investing in its shipbuilding industry?

● (0940)

**Mr. Karl Risser Jr.:** On your question about the three generations, it’s kind of amazing how fast things can turn. If you go back to my grandfather’s days, they were coming out of the war, they were in a boom time, and there was so much work they didn’t know what to do with it. Then when you step into my father’s era, during the eighties and nineties, they were doing procurement for the government. There was quite a bit of work there. Then when you come into our era, the policies don’t fit for government or industry. Everybody’s kind of holding back on the work they need to do. Everybody knows the work’s out there, but they’re not actually moving forward.

That’s kind of the overall view, that the work is there now but the environment isn’t right to do it.

**Mr. Peter Julian:** The next question was on EFTA.

**Mr. Karl Risser Jr.:** With regard to the 40% or 50% capacity, yes, I still believe EFTA is a bad deal for Canada. I think it will destroy our industry. I do believe it should be amended to carve out shipbuilding.

As I said, it should be obvious to everyone that Canada is a marine nation. I think it’s the only marine nation that in the last 50 years hasn’t put a policy in place like this. I really don’t understand why we don’t see that. I think it’s because it’s on the water. I think the people of Canada don’t see it. If we regulated our highways the way we regulated the inland seaway, the St. Lawrence, people would go crazy, because there’d be no one regulating anything. You just run on with your 80-year-old car, the tires falling off, and you just keep driving.

I think it’s something that’s hidden. People don’t actually see and don’t actually know what’s going on in our industry in Canada.

On the Jones Act, when we went into negotiations on the U.S. deal, when they brought the Jones Act forward for the U.S. and Chile, we should have said, “You know what? That makes a lot of sense, so let’s do the same thing here in Canada.”

**Mr. Peter Julian:** Thank you, Mr. Risser.

I hope the Conservative members of the committee are listening to that, because they seem to take an ideological opposition to any “buy Canada” mechanisms.

I’d like to go on to the department representatives. We had absolutely and phenomenally disastrous trade figures yesterday.

Through you, Mr. Chair, I’ll ask the departmental representatives about it.

There is a half-billion-dollar trade deficit, a structural trade deficit that's going to continue on for as long as we continue the current course of action. The biggest disaster, of course, is the decline in all manufactured value-added products. What we're exporting now, basically, is crude petroleum, raw iron ore, and raw logs. The forestry exports have collapsed. Automotive exports have collapsed.

The trade strategy of this government is an absolute disaster. Pertaining to the departments, is there any sort of interdepartmental crisis team in place to deal with these absolutely disastrous figures?

My final question to the finance department is around the import tariffs that should be levied on the ferries purchased by BC Ferries. They could have been built in British Columbia, but because the Gordon Campbell government doesn't seem to be too inclined towards job creation, they were built overseas and brought into Canada. Could you clarify that this tariff is a bill that has to be paid?

**Mr. Dean Beyea:** With respect to the ships brought in by BC Ferries, the duty was paid on them, so I'm not sure exactly what your question is.

In summer 2007, there was a case where a particular ferry sank. It was a ferry that provided service to the north coast of B.C. There was work done on looking to see if a ship could be built in Canada in the very near term to replace this important service to northern B.C. It was determined that it couldn't, so a ship was brought in by BC Ferries. On that particular ship, the duty was remitted.

• (0945)

**Mr. Peter Julian:** On the status of that, of course, as you know, shipyards in British Columbia have been asking that this money be allocated to support shipbuilding in British Columbia. From what I hear, none of that allocation has taken place. The tariff was paid, but it just went into general coffers.

**Mr. Dean Beyea:** Tariff revenue goes into the general revenue fund.

**Mr. Peter Julian:** Okay. Thank you.

So is there a crisis team managing these disastrous trade figures? Is there any sort of interdepartmental coordination taking place?

**Mr. Gary McGee:** With all due respect, Industry Canada's presence here today was to speak to issues related to EFTA and the shipbuilding. I'm not at liberty, nor do I have the knowledge base, to answer that type of question.

**Mr. Peter Julian:** Thank you.

Do I have any extra time or have I used up my nine minutes?

**The Chair:** No, you can have an extra minute.

**Mr. Peter Julian:** Thank you very much.

My final question, then, goes back to you, Mr. Risser. We've talked a bit about the structured financing facility and the ACCA. Do you believe that improving and increasing the amounts allocated to both of those facilities, and at the same time carving out the shipbuilding from EFTA, would be an adequate combination to start putting our shipbuilding industry back in good health?

**Mr. Karl Risser Jr.:** Yes. I think those are measures that should be taken, but there's a list of a whole bunch of different measures that need to be taken. I don't think those alone can do it. On SFF, I think

15% is low. On ACCA, as she said, there's not a whole lot of owner-operator companies out there, so that's another one that's tough to access. But I think a combination of ACCA, supportive tax policies, a 25-year financing plan, and continued government procurement could allow us to keep going.

As for tariff remission, this deal talks about a 15-year layover. It sounds very long and they talk about it being the longest one ever negotiated, but you have to realize that the point we got back to is that these countries have been getting a 50-year lead on us. They're 50 years out the door. We've been struggling to keep our heads above water for that 50 years while they've been supported and taken to levels that we can't get to yet.

There's one other issue, too. Another ferry from Marine Atlantic just came in from Germany, under the same sorts of terms, to replace a vessel as well.

**Mr. Peter Julian:** Was the import tariff paid on that?

**Mr. Dean Beyea:** I can check on that one. I'm not sure of the particulars.

**Mr. Peter Julian:** Thank you.

**The Chair:** Thank you, Mr. Julian and Mr. Risser.

Perhaps I could take a moment to ask a quick question. It follows up on what Mr. Julian was just saying, and the answer. This is for our industry people and perhaps the tax people.

Would this treaty as negotiated be affected by an extension of SFF? Are these considered non-tariff barriers, or have we included an additional support to industry, such as accelerated capital cost allowance? Do these affect the treaty?

**Mr. Dean Beyea:** I can speak in general terms....

**The Chair:** Well, that's all we can do at this point, I think.

**Mr. Dean Beyea:** Sure.

Generally the subsidies issue is dealt with multilaterally under the agreement on subsidies and countervail at the WTO, and not specifically in free trade agreements. Tax policy always remains the purview of Canada, and there are virtually no provisions relating to tax policy in a free trade agreement.

**The Chair:** Okay.

Go ahead, Mr. Brisson.

**Hon. Scott Brison:** In answer to the question, just to be constructive here—since the other parties had more time than mine, but I'm not bitter—yesterday we did ask the trade officials the same question. They said that these measures would not violate any of the agreements, including NAFTA.

**The Chair:** Thank you. I just wanted to get that verification so that we're all on the same wavelength here.

Who's going to start on this side?

Mr. Cannan.

**Mr. Ron Cannan (Kelowna—Lake Country, CPC):** Thank you, Mr. Chair. I'll split my time with my honourable colleague Mr. Harris.

Thank you to our witnesses.

I think it is important to be constructive and to work together. Just to clarify the record, my honourable colleague from British Columbia talked about B.C.'s fast ferries. Coming from British Columbia, I can tell you that it was one of the biggest disasters of the NDP government. Talking about disasters, then, we need to make sure that governments are working together and moving forward.

This committee discussed this agreement at great length in the 39th Parliament. I know there are some new committee members here. For the sake of those new members and just to refresh the minds of those members who are returning, there was a mention of carving out the shipbuilding industry. The U.S. does not carve out shipbuilding from its trade agreements, but what Canada has been able to do is carve out a “buy Canada” privilege.

In the 2009 budget, which is just being moved through Parliament right now, there's \$175 million in there for coast guard procurements. Even more exciting is the fact that over the next 30 years, there's extensive fleet renewal for both the coast guard and the Canadian navy fleet, estimated to be—I believe the officials could verify this—about \$43 billion over the next 30 years.

So it looks like there's a renaissance happening in the shipbuilding industry. There might be opportunities for your children and grandchildren, so we have to make sure that we have properly trained shipyard tradespeople and officials who can have the human resources to carry through that work as we transition through that period.

I know we just heard the trading numbers yesterday, released from Stats Canada, and concerns of where we're at as a trading nation. Canada is known as a trading country, a fair and free trading nation. We've had a good relationship with the United States, but we've fallen behind with our trade agreements with other countries, and we need to level the playing field for our industries.

My question is for the officials. Can they explain to us how they feel the European free trade agreement would maybe provide more opportunities for Canadian businesses, industries, the provinces, and Canadians in general to deepen our economic relationship with the European Union?

That's for whoever would like to answer that.

• (0950)

**Mr. Dean Beyea:** Again, I don't want to speak for the Department of Foreign Affairs and International Trade, who actually negotiated the agreement and are putting forward the bill. But I can speak in general terms about the benefits of free trade writ large.

The EFTA countries as a group are a large, wealthy nation, and this agreement will eliminate barriers to trade on processed food products and all the—

**The Chair:** Excuse me.

Go ahead, Peter.

**Mr. Peter Julian:** On a point of order, Mr. Chair, you did say very clearly at the beginning that they were here for technical questions and not for political questions. I'm not sure Mr. Cannan's question is in order.

**The Chair:** I found it in order. He's asking for general information, and we're getting a general response. I think it's entirely in order, but thanks for your comment.

Go ahead, Mr. Beyea.

**Mr. Dean Beyea:** So on most processed food products and all industrial goods, I think including fish products as well, this agreement will eliminate all tariff barriers into the EFTA countries. There is a significant amount of trade between Canada and the EFTA countries already, and certainly eliminating tariff barriers will allow for that trade to develop further and will enhance trade between nations.

I think it's an important agreement as it is the first transatlantic agreement for Canada.

**Mr. Ron Cannan:** Thank you. I will pass the floor to my honourable colleague Mr. Harris.

**Mr. Richard Harris (Cariboo—Prince George, CPC):** Thank you very much. I'm kind of a newcomer to this panel, and certainly I'm not by any means an expert on shipbuilding in Canada. I have a couple of questions about trade in general.

First of all, I have one question about the shipbuilding industry. Subsidies and all of the good things that governments around the world tend to do for specific industries aside, how does the cost of building a ship in Canada compare with the cost of building a ship in, say, Norway—let's forget Asia—or other countries within the EFTA agreement? Forget the subsidies. Forget any type of tax incentives and things like that. I'm talking about just actually building the vessel. Is the cost of a ship we build in Canada competitive compared to that built by other countries?

I throw that question out to whoever wants to answer it.

• (0955)

**Mr. Gary McGee:** The simple answer to that is that given the volume of vessels that have been built in, let's say, a country like Norway over a period of time, one finds that the actual cost of constructing a vessel will decrease as the number of vessels produced increases. It's what we call the learning curve. So in terms of decreased costs, there are certainly instances in which a country like Norway will have lower costs of production than will Canada. That being said, as far as levels of productivity go, the current owner of Davie Yards—and the current owner is a Norwegian company—has gone on record and identified that Davie Yards itself is as productive a shipyard as any Norwegian yard. But again, in terms of volumes of vessels and the learning curve, there would be a delta in terms of cost.

**Mr. Richard Harris:** So talking about productivity, we're pretty much on par in those specific—

**Mr. Gary McGee:** From all indications, we are.

**Mr. Richard Harris:** All right. Talking about subsidies, I noticed some concern about possible subsidies that may or may not continue. Under a free trade agreement such as EFTA, there are, I imagine, dispute resolution mechanisms that can be triggered in the event that one country that is part of a free trade agreement wants to challenge or make a complaint. There's a mechanism within EFTA to do that, just as there is in the softwood lumber agreement, with which I'm very familiar. There's a dispute mechanism in there that can be triggered at any time by either country.

So that's the disincentive to trying to fudge on the agreement through subsidies or any direct monetary assistance to the industry.

I guess what Mr. Risser was talking about was that in the same way Canada, from a technology point of view and an efficiency point of view, in, say, softwood lumber, leads the world, in your opinion in technology and efficiency we're somewhat lagging behind. So if we were able to update that technology to become more competitive in that particular respect, probably some of the other issues, like the taxation issues, might not loom as important. Is that what you're saying?

**Mr. Karl Risser Jr.:** I don't think it works with any one thing. I don't think we can write off any piece of that. It's a broad-based thing that you have to do, and you have to do it through all the different points. I don't think you can focus just on the one issue.

But, yes, it definitely can't hurt. I agree with you there.

**Mr. Richard Harris:** Thank you.

**The Chair:** Thank you.

We will now move to round two. These are five-minute rounds. We're going to try to keep to five minutes in these rounds.

We'll begin with Mr. Cannis.

**Mr. John Cannis (Scarborough Centre, Lib.):** Thank you, Mr. Chair.

Let me also welcome the witnesses.

I believe in 2001 or 2002...mind you, the NDP beat us to the punch and there was a motion passed, supported by the then Liberal government, to do a review on shipbuilding, because we had

concerns. I don't know, Mr. Risser, if you remember that. Anyway, it was under John Manley, and I served as his parliamentary secretary.

I start off with that because you mentioned in your presentation that we must recognize that the shipbuilding industry is important to Canada. I agree with you.

I think you agree with me that all other industries, whether it be aerospace or auto, for example, are just as important; it's just a matter of how we place them. I don't have shipbuilding in Scarborough, where I come from, but I do have an automotive industry. I think it's important to my constituents, as shipbuilding is important to the people who live in your neighbourhood. That's why we supported that review.

Now, you mentioned a couple of things. First of all, what impressed me is third generation, and I tip my hat to you for this. But you will agree with me that the way your grandfather and father approached work or the way they performed post-Second World War and the way your generation works are two different things completely. The way ships are financed, the way they're built—the whole gamut. Do you agree with that?

• (1000)

**Mr. Karl Risser Jr.:** Yes, we've come a long way. We've come a long way from beating rivets. We do modular construction and—

**Mr. John Cannis:** And we know that. As a PS some years ago, I got to understand a little bit about shipbuilding, as best as I could.

You discussed two programs, for example, the SFF, and I'm really quite impressed. It's a program that goes to 2011, if I am correct, and half of it is already taken up. So what's going to happen between now and 2011? Obviously, we need more support.

You talked about the two programs and you said, Mr. Risser, if they could be combined, the accelerated capital cost allowance, I assume, and the SFF together... Is that what you're referring to?

**Mr. Karl Risser Jr.:** Yes.

**Mr. John Cannis:** I ask you, then, leading up to these agreements, leading up to EFTA being signed, and the review that was initiated by government, have you made that recommendation? Was that recommendation made, or are you just making that recommendation—

**Mr. Karl Risser Jr.:** No, you're 100% right.

I go back to your point. Yes, the review was done and it did come back that we do have the capacity. I think the review was positive.

Yes, SFF...and this concept is not new. I am reading from a 2001 framework that was submitted to Industry Canada. It's nothing new, what I'm saying here today. This is old—

**Mr. John Cannis:** But it was recommended.

**Mr. Karl Risser Jr.:** It was recommended—

**Mr. John Cannis:** Because of time constraints.... It was recommended when the report was initially done, and leading up to the EFTA agreement it was recommended by your association.

**Mr. Karl Risser Jr.:** The Shipbuilding Association has recommended this since 2001, to my knowledge.

Just to touch on your point about the importance of shipbuilding and the importance of all industries, while I recognize that all industries are important, especially the auto industry, to the economy, there is a special issue around shipbuilding to our sovereignty, to our ability to be a country that stands alone. That's the one thing that takes us away from aerospace, auto, whatever it is; we have to be able to stand alone as a country. And with the waterlines we have, I think it's—

**Mr. John Cannis:** This makes us stand alone, as an example. The Canadarm makes us stand alone

I respect what you're saying, and I agree with you. But I don't believe it's one industry that makes us stand alone.

I understand there are foreign buyers that bought in the shipyards. Is that correct?

**Mr. Karl Risser Jr.:** Is there a foreign buyer in Davie Shipyard? Is that your question?

**Mr. John Cannis:** The Greek industry has bought into the shipyard, has it not?

**Mr. Karl Risser Jr.:** Which is Davie. Is that what you're talking about?

**Mr. John Cannis:** I'm not sure—

**Mr. Karl Risser Jr.:** Yes, there is a foreign owner in Davie.

**Mr. John Cannis:** Where's our sovereignty?

**Mr. Karl Risser Jr.:** The issue of sovereignty is the miles of coastline, our waterways, all that Canada is responsible for, our arctic pass that the Americans have now decided they're not going to recognize as—

**Mr. John Cannis:** I'm not here to argue with you. I'm just here to make some sort of headway, because you also talked about the European countries that have secured the markets unfairly.

My concern here is this. I'm not here to blame the officials, but as our negotiators are moving towards putting this deal together and are looking at these potential bugs there so we can go to the table.... A negotiated free deal is never one-sided; it's give and take. I'm sure we all agree. We in Canada had to give up a little bit, and I'm sure they did as well, but I'm always so upset with the Europeans because they always manage to subsidize, somehow, in some way.

What upsets me more than anything else—and I think Mr. Harris brought it up in terms of the softwood lumber arrangements—is that if these issues are not addressed, down the road we find ourselves being taken to the international courts, challenges are brought forth, and so on. Then we're spending hundreds of millions of dollars to address this and argue back and forth. I'm sure my colleagues here agree that we don't want to see hundreds of millions of dollars

wasted or held in trust, etc., or whatever, only to find ourselves really no further ahead seven or eight years down the road.

I'm just putting a point to the officials. Did they do their work, do you think, Mr. Risser, in putting this deal together? Are you saying this was not done properly? Is that why you're suggesting that we should not sign this deal?

**Mr. Karl Risser Jr.:** I don't know the full details of the deal. What I do know is that it's not good for shipbuilding, and what I'm suggesting is that it can be a carve-out of our industry.

**Mr. John Cannis:** Sir, I'll close with this. I'll tell you that I also don't know the deal, but you are a stakeholder. You have a vested interest. It is your responsibility—not yours, but your association's, your group's, and your industry's—to dig into the area where it affects you—

**Mr. Karl Risser Jr.:** That's right.

**Mr. John Cannis:** —to know this deal so that you can, as the deal unfolds—

● (1005)

**Mr. Karl Risser Jr.:** And we have. On our issue around shipbuilding, we've gone through the issue and we understand that it's not good for shipbuilding in Canada. I said it's going to devastate us. I don't know how else I can be clear. The tariff is there. It's not working now. The phase-out is not good for our industry. I think we've been through the agreement and we clearly know it's not good for shipbuilding.

**Mr. John Cannis:** Thank you.

**Mr. Karl Risser Jr.:** As far as agriculture is concerned, I'm no agricultural specialist.

**The Chair:** Thank you, Mr. Cannis.

Thank you, Mr. Risser.

We'll go now to Mr. Keddy.

**Mr. Gerald Keddy (South Shore—St. Margaret's, CPC):** Thank you, Mr. Chairman.

**The Chair:** You knew we'd get there eventually.

**Mr. Gerald Keddy:** It took a while.

**An hon. member:** Now take as long as you want.

**Mr. Gerald Keddy:** As long as it's not over five minutes, right?

Welcome to all of our witnesses today, and certainly to Mr. Risser.

Karl, I appreciate the fact that you're a third-generation shipbuilder. In the real world, I was a fifth-generation farmer. It's quite important to have both feet on the ground. You and a number of your union workers are constituents of mine, so I appreciate your point of view. At the same time, I also appreciate Mr. Cannis' point of view and other comments that have been made.

We have a situation here...and I'm going to make a comment. We ran our yards for years—I know a little bit about our shipyards in Canada, as I spent a decade of my life in the offshore, on oil rigs and supply vessels—at 50%, with protection. During that period of time, you're absolutely right, we didn't have a shipbuilding policy. So we've embarked upon free trade agreements with other nations around the world to get our dependency away from 80% trade with the United States.

We have tried to assess the impact on shipbuilding. A number of the things you asked for are in it. We put another \$50 million into structured finance. We allowed the accelerated capital cost allowance to be applicable. We brought out, for the first time in decades, a shipbuilding policy for procurement in Canada—the total, \$43 billion. Two contracts have been let so far—one for \$351 million, to Washington Marine Group in British Columbia, and one for \$549 million, to the Irving shipyard. And there are more contracts to come.

I don't disagree with your comments on sovereignty. I think there's a real case to be made for sovereignty in the shipbuilding industry for our own procurement. But what I'm trying to point out, on a number of the issues you've talked about, is that we've done them. Now, maybe we haven't gone far enough to suit you, but I think we've gone more than three-quarters of the way, and 100% of the way on some of them.

So you have this issue where we have protection on tariff for 15 years, the longest protection we've ever negotiated for any trade agreement in the history of Canada. We have ten years of protection on less sensitive products and three years of total protection, within that 15-year block of time.

You know, if you look at sovereignty, well, that's procurement. We've protected government procurement. You look at an industry that has to have time to compete. Up until a few years ago, the Norwegians, for instance, did have an advantage. Well, three or four years ago they ended their subsidies. Now we have three years of subsidies going in. They had a lot longer time than that, I understand that, and I'm not disagreeing with you. But we can't do anything about that. That's something that should have happened 20 or 30 years ago that didn't happen.

All we can do is protect what we have today, move forward in a progressive manner, and offer jobs and opportunities. Right now we have our shipyards—I have to say this—working at 40% or 50%. We still have protection for them, and we have all these government contracts. So I would think that they would be able to adapt with this 15 years of protection that's in there.

I agree with you 100% that our shipyard workers are some of the best in the world, without question, and I've said this in the House. When all the other parties have been saying that we should be bringing in protectionist measures, I've been saying that we can

compete anywhere, anytime, but we have to get to that point. We're there now. This free trade agreement has been negotiated. We've heard witnesses on it. We've had lengthy discussions. Sooner or later, we have to move forward.

If I have any time left, I now have a question.

**An hon. member:** That was a speech.

•(1010)

**Mr. Gerald Keddy:** Mr. Brison asked a question on foreign buyers being able to access both the structured financing and the accelerated capital cost allowance. That is not my understanding. Can someone put a little illumination on that?

**Mr. Karl Risser Jr.:** I think he's asking Industry, but I have some insight on that. There was a job we did in the Halifax shipyards. It was called the Stevans Tug. It was a Norwegian firm, right?

**Mr. Gerald Keddy:** Yes.

**Mr. Karl Risser Jr.:** That owner got SFF and also ACCA through his own country.

**Mr. Gerald Keddy:** It's the way capital cost allowances run.

**Mr. Karl Risser Jr.:** Now you would want to check that with our company and Mr. McArthur, but that's my understanding.

**Mr. Gerald Keddy:** Yes.

Mr. McGee.

**Mr. Gary McGee:** It's my understanding, as previously mentioned, that a foreign company may be able to utilize a capital cost allowance regime within their country, but I don't see how that can apply in Canada.

**Mr. Gerald Keddy:** Okay. Could you just enlarge upon that a little bit? So a Canadian company can't access both, but a foreign company can? I don't see how a foreign company can access both.

**Mr. Gary McGee:** I think that was my point. A domestic applicant to the SFF would have the option of utilizing the SFF or the ACCA.

**Mr. Gerald Keddy:** You mean one or the other. Absolutely.

**Mr. Gary McGee:** Right. A foreign company can make use of the benefits of the SFF but not within the Canadian tax regime.

**Mr. Gerald Keddy:** Because the accelerated capital cost allowance is only for Canadian companies buying Canadian product—

**Mr. Gary McGee:** That's correct.

**Mr. Gerald Keddy:** —or Canadian goods—

**Mr. Gary McGee:** Correct. Sorry, you have my apologies if I misled you.

**Mr. Gerald Keddy:** —or if they're upgrading to better metal-cutting facilities or better technology.

**Mr. Gary McGee:** That's correct.

**Mr. Gerald Keddy:** Thank you.

**The Chair:** Thank you, Mr. Keddy.

We'll go on to Monsieur Guimond.

[*Translation*]

**Mr. Claude Guimond (Rimouski-Neigette—Témiscouata—Les Basques, BQ):** Thank you, Mr. Chair.

Good day, gentlemen, Madam.

You are absolutely right, Mr. Risser. This agreement does pose a threat to the shipbuilding industry. Rest assured that the Bloc Québécois is well aware of this fact. We will do everything in our power to urge the government to bring in a policy to develop the shipbuilding industry in Quebec. I myself am from eastern Quebec. I am the President of the eastern Quebec caucus and the marine industry in this region is vitally important and deserves to be developed. I want you to know that Bloc Québécois supports these initiatives.

Moreover, the Bloc Québécois is disturbed to see the government proposing projects on this scale without even bothering to do an impact assessment first. The agreement under discussion today, one that involves the European Free Trade Association, contains some interesting provisions concerning nickel, aluminum and the pharmaceutical sector. However, it represents a threat to the shipbuilding industry. There are no solid studies in place to assist us in the decision-making process. I find that truly deplorable.

My question is for the officials. I would imagine that you have some figures on investments made in recent years in the marine industry. Have government investments in this sector in recent years decreased, remained the same or increased?

[*English*]

**Mr. Gary McGee:** Clearly part of the intent of the SFF is to ensure that the capability and capacity exist in Canada to help realize the procurements that have been identified, the \$43 billion worth over the next 30 years, and also as identified in Budget 2009, the \$175 million for coast guard vessels.

In terms of shipyard investments, as I said, this particular program is to help ensure that the necessary infrastructure is in place, whether that be capital or labour.

• (1015)

[*Translation*]

**Mr. Claude Guimond:** Regarding the announcement made in recent weeks, can you tell me more about how the \$175 million announced in this budget will be invested this year and over the next few years?

[*English*]

**Mr. Gary McGee:** While these dollars have been allocated to the Department of Fisheries and Oceans for the Canadian Coast Guard, I don't have intimate details.

I do know there is a series of smaller vessels. There are some inshore scientific vessels, etc., but in terms of the allocation of funding for the specific vessels, I'm not privy to that. That would fall under the purview of the Department of Fisheries and Oceans.

**Mr. Dean Beyea:** Perhaps I could add to that, Gary. Budget 2009 does allocate \$175 million, over the next two years, for the procurement of 98 new coast guard vessels, refits to 35 fleet vessels, and vessel life extensions for five vessels.

As the industry relies primarily on the domestic market, these funds will provide an economic stimulus to the industry and create jobs during the economic downturn. Construction and repair work will be undertaken by shipyards in Canada and, where possible, by shipyards located within the regions of the vessel's home port.

On the vessel refits, we have an allocation of seven in the Pacific, five in central and Atlantic, seven in Quebec, seven in the Maritimes, and nine in Newfoundland and Labrador.

[*Translation*]

**Mr. Claude Guimond:** Do I have any time remaining?

**The Chair:** You have only one minute left.

**Mr. Claude Guimond:** If I understand correctly, there is nothing budgeted in this \$175 million envelope to help the shipbuilding industry make upgrades in order to be more competitive. Is that correct?

**Mr. Patrick Halley:** As we were explaining earlier, broader measures such as taxation initiatives that apply to a wide range of industries were announced. Tax breaks are being provided to help certain manufacturers modernize their operations. These relief measures target all types of machinery and equipment. The fact remains that as far as the shipbuilding industry is concerned, as Dean was saying, these are the figures announced in Budget 2009.

[*English*]

**The Chair:** Thank you.

Now we're going to Mr. Holder.

**Mr. Ed Holder (London West, CPC):** Thank you very much.

I don't have a shipbuilding background, although the Holders from the New Brunswick part of my family were shipbuilders several generations ago, Mr. Risser, so I can't claim anything of your history. But I appreciate all the witnesses coming today.

As I've gone through all the materials, in terms of EFTA, and particularly in the issue of shipbuilding, I've heard the comparison between Canada's shipbuilding industry and that of Norway, and there's been a lot of that dialogue today. Both country's industries are similar, it seems, in that they specialize in smaller and medium-sized vessels, in terms of production.

The Government of Norway, again, from the information I have, indicated that it's eliminating its shipbuilding subsidy programs, or at least it has done that in 2005. Norway reiterated it a couple of times since then, and now we're at the point where.... I was struck by a comment that one of the officials made, and I think their reference was to Davie Shipyard, that Canada is as productive as any Norwegian shipbuilder. I think that's compelling, but here's my question.

With the comments Mr. Keddy made, and we reference the fact that there's going to be a number of maritime projects that are going to total some \$43 billion over the next three decades, my question is, if we've got a capacity of about 50%, or our utilization is roughly 50% in our shipbuilding yards, to what extent has it been determined that this procurement policy will increase that capacity? Or will it remain at 50%? Do you have any sense of that, from a projection standpoint?

**Mr. Gary McGee:** The shorter answer to that question is that the \$43 billion is stretched over a 30-year period to basically take into account the kinds of ebbs and flows in the cycle of shipbuilding. There's been a boom and bust for a prolonged period of time. The intent of having the fleet renewals, both for the coast guard and the navy, and having it identified over a period of time, is to help ensure that the level of capacity in specific yards is raised. Twinning this with this federal procurement will open up opportunities and kind of a trickle down from one yard, which may have commercial work, into another yard.

Certainly, the increased level of investment in this fleet renewal, the government's procurement approach, will have an increase in the capacity of Canadian shipyards.

• (1020)

**Mr. Ed Holder:** Any indication or projection of what that would be if we're at, let's say, 50% now?

**Mr. Gary McGee:** I do not have a number for that, no.

**Mr. Ed Holder:** Would there be an argument, though, that in addition to that, the whole spirit of being free traders, which is our history as a country...if those are procurements that we're talking about that are, I'll say, government sponsored, doesn't that lend to an argument that we need to go out there and market Canada's shipbuilders, not just in terms of government projects but in terms of what we can do outside of Canada? Is that not the reason it makes a whole lot more sense to have this as part of the whole EFTA arrangement?

**Mr. Gary McGee:** Under the structured financing facility, I think we certainly market Canadian capacity and capability internationally. As we know, both foreign firms and domestic firms can apply for this particular program. So in that sense, we do undertake efforts to promote the capability of Canada in specific areas, and certainly, over time, we are developing niche areas. We're developing acknowledged expertise. I look at the area of tugs. I look at East Isle on P.E.I., where they've utilized the SFF to ascertain work with the building of tugboats.

Certainly there are efforts under way. As I say, SFF is an example of the Canadian government's or Canada's efforts, writ large, to promote the capabilities of Canadian shipbuilding.

**Mr. Ed Holder:** I have time for another question, Mr. Chairman.

This is all about competitiveness and ensuring that we have an opportunity to be competitive and effective. I would appreciate an opinion from the officials. Do you think the 15-year tariff phase-out on Canada's shipbuilding products is sufficient for shipbuilders to adjust to a duty-free environment?

**Mr. Karl Risser Jr.:** I'll grab that one. I just think the tariff isn't working today. I think it's obvious. You could make it 15 years or 20 years, but that's not the issue. I think that—

**Mr. Ed Holder:** Are you saying you can never compete, Mr. Risser?

**Mr. Karl Risser Jr.:** No, that's not what I'm saying at all. If you go back to what I said when I came in, I said that we need the policies in place, not tariff protection. Do you know what I mean? We have to build our industry and make it healthy. We have to build it up so that it competes, and then compete on a level playing field, but we can't do that today because they've been playing the game without us for a long time. Okay?

We have to get in there and put the policies in place and build our industries through the procurement that's happening. I think it's great, the amount of procurement that's out there, but it's been a 10-year lull. We haven't had any procurement for 10 years, so these yards have been left with no work for 10 years. We've had minor repairs, but....

So yes, with the proper policies in place to back up our yards, I think we can compete. The tariff, for me, is a secondary issue.

**Mr. Ed Holder:** So you'd be positively excited, though, about the \$43 billion over the next 30 years in terms of—

**Mr. Karl Risser Jr.:** If it hits the ground, I'll be dancing in the streets, but it's a long process. It's very hard to get that money to the ground. You have major companies competing for it.

We need a different procurement policy, and I think the government is moving towards that, towards centres of excellence and procurement strategies that recognize what yards do what best, and then allocate work over long periods of time, not ask for seven ships tomorrow; let's lay them out over the next 35 years.

With all that stuff, included with some financing changes and some policies that support our industry, we can make it work.

**Mr. Ed Holder:** Well, Mr. Risser, from the standpoint of the government, perhaps you've found a new dancing partner.

**Voices:** Oh, oh!

**Mr. Ed Holder:** Thank you.

**The Chair:** Mr. Silva.

•(1025)

**Mr. Mario Silva (Davenport, Lib.):** Thank you, Mr. Chair.

I'll have to be very brief with my statements because my colleague, the Honourable Scott Brison, wants a question as well. I also want to pose the question in such a way that maybe you could also be brief as well.

Thank you very much for being here. I really appreciate your remarks as we go through this particular situation.

First of all, if you take shipbuilding out of the EFTA equation, are you supportive of EFTA or not?

**Mr. Karl Risser Jr.:** If you were to remove shipbuilding? I can't speak for all industries or the agriculture industries. I don't know enough about their industries to know if this is going to be positive for them or not. I think they have to come here and tell you themselves what it affects.

But as far as shipbuilding goes, I think we—

**Mr. Mario Silva:** So you're not saying yes or no to it?

**Mr. Karl Risser Jr.:** No, I can't say that—

**Mr. Mario Silva:** Okay.

If you were to combine both programs we discussed earlier, the SFF and the ACCA, and sort of entice more people to build in Canada and also to buy Canadian, would that then resolve your issue so you'd be supportive of EFTA?

**Mr. Karl Risser Jr.:** No. Again, I go back to my point that it's a comprehensive, broad-based thing. It can't be focused on just ACCA and SFF. It has to be broader than that. It has to be based in tax policies, in government procurement, and in financing that is over the life of the ship.

I think it's a whole bunch of things. It can't be put on just one thing, be it a tariff or be it ACCA and SFF. It has to be a broad-based approach.

**Mr. Mario Silva:** If you look at the new economy, there will be a great emphasis in the future, I think, on green procurement, on how we will be measuring these things and so forth. There are those who are now arguing for, and some industries are going toward, green procurement—for example, where you buy, how far it goes, what types of products are used. It all makes a big difference, how certain businesses in fact purchase things.

Just speaking hypothetically, if that policy were introduced, would Canada be at a disadvantage, or would we still be in a position of advantage vis-à-vis the shipping industry, as compared with the Norwegians, for example?

**Mr. Karl Risser Jr.:** I'm not exactly sure what you're saying. Are you asking about a green policy?

**Mr. Mario Silva:** Yes.

**Mr. Karl Risser Jr.:** I'm not sure about the purchase of goods, but I do know that shipping is the most environmentally friendly way of shipping goods. I also know that we underutilize both the St. Lawrence Seaway and our possible ways of shipping goods by sea.

So yes, shipbuilding can have some benefits, if you're looking environmentally—

**Mr. Mario Silva:** I guess I was trying to say that at one time there was a policy to look at niche markets. I realize that shipping could be perceived as environmentally friendly and so forth. But what differentiates us from, say, the Norwegians? What is the niche market? Why not look at green procurement on how we do things? Maybe that would be the niche market for that industry.

**Mr. Karl Risser Jr.:** We're open to looking at things like that, but I can't really speak to it today.

**Mr. Mario Silva:** Thank you.

**The Chair:** Thank you, Mr. Silva.

Mr. Brison.

**Hon. Scott Brison:** I'd like to make a quick point of clarification for my colleague Mr. Keddy and for the entire committee and just explain the SFF and ACCA. Some would say that if you combine them, you'd have the SFA program, but that's not what I'm suggesting.

If you're a Canadian shipowner buying a vessel, and you buy a Norwegian vessel, you qualify for the Canadian accelerated capital cost allowance and for Norway's structured finance facility. But if you buy a Canadian vessel, you'd have to choose between the structured finance facility or the accelerated capital cost allowance. That is the issue. Effectively, for a Canadian buyer, it represents a competitive disadvantage to buy a Canadian vessel.

Alternatively, if you're a foreign buyer and you have a choice, and you buy a Canadian vessel, you can qualify for the structured finance facility offered by the Canadian government and at the same time qualify for your own country's accelerated capital cost allowance.

So that's the point: for Canadian buyers, the current system represents a disincentive to buy from Canadian shipyards. That would be rectified if we were to allow the two programs to be simultaneously available.

Thank you.

•(1030)

**The Chair:** Thank you for that point.

**Hon. Scott Brison:** Mr. Chairman, we could hear from our experts on that.

**The Chair:** Mr. Brison, I think we did get the clarification earlier. I appreciate that this is your view of SFA, in your words, but I'd like to hear again from Ms. Moray.

Do you find that there is some...?

**Ms. Kei Moray:** I just want to clarify that the ACCA for ships is only available to Canadian-built and -registered vessels.

**Hon. Scott Brison:** But my point, and I'll explain it again, is that if you're a foreign buyer and you buy a Canadian vessel, you can qualify for the structured finance facility offered by the Canadian government, but in your country of origin, or the country where you're incorporated, you can still benefit from the accelerated capital cost allowance.

Most countries do benefit. Most countries do. Our trading partners have very aggressive accelerated capital cost allowance on vessels. That's the point. If you're a Canadian buyer and you have the choice, you are more inclined to buy from a foreign builder, because you can still qualify for Canada's accelerated capital cost allowance and their structured finance facility. That's the point.

**Mr. Gerald Keddy:** I have a point of order, Mr. Chair, or perhaps a point of clarification.

**The Chair:** Fine, Mr. Keddy.

**Mr. Gerald Keddy:** If that's correct, then all you're saying, Mr. Brison, is that the playing field is level. We can do the same thing as a foreign purchaser can do in Canada.

**Hon. Scott Brison:** Other countries allow the simultaneous availability.

**Mr. Gerald Keddy:** Do other countries have a—

**The Chair:** Ms. Moray, can I ask you again to clarify? I'd like Mr. McGee to comment as well.

**Ms. Kei Moray:** Sure. I can't speak to what other countries do, and I may have misunderstood you, Mr. Brison, but I thought you were saying that Canadian purchasers may favour a foreign built ship because they could get the ACCA in Canada.

No, okay. As long as that's clear.... The ACCA in Canada is only available for Canadian-built and -registered ships. Whether or not foreign purchasers can get ACCA in their country would depend on the rules in their particular country.

**Mr. Gary McGee:** I have nothing more to add. The explanation, as given, is that a Canadian purchaser of a vessel built in Canada has the option of SFF or ACCA. I think Finance has clarified the rules with regard to accelerated capital cost allowance, so I have nothing more to add.

**The Chair:** Okay, I think it's now clear to members. We'll continue with our round of questioning.

Five minutes to Mr. Allison.

**Mr. Dean Allison (Niagara West—Glanbrook, CPC):** Thank you, Mr. Chair.

Once again, I want to thank the witnesses for being here and taking time out from their schedules. Mr. Risser, I appreciate your comments about how Canadians are used to playing ball fairly; the rest of the world doesn't always.

I want to comment on Mr. Cannis' point, which I think is sometimes related to frustration. I represent part of the wine industry in my riding. As soon as we make concessions for it, we get WTO challenges. Yet the thought process is that there are a lot of subsidies for foreign-owned wines, whether it be France or some other country. We have a hard time challenging them, so I guess that's part of my question.

I have two parts to this, either to you, Mr. Risser, or to the department officials. Do we have a hard time challenging these advantages that other countries have, or, as in the case that appears when our Canadian wine guys went to challenge some countries, they were not WTO-eligible challenges because those countries got around them and all those kinds of things? It's not like France and

Italy aren't getting huge subsidies for the wine industry; we just have a hard time proving it.

My question to you and to the officials is this. Do we challenge these things, which I'm sure we do, or do we have a hard time because the subsidies don't appear in a form that is recognized by the WTO? To Mr. Risser first, and then—

**Mr. Karl Risser Jr.:** I'll just give you the basic thoughts on it and then these guys can give you the facts. I agree with you 100%. I think that's the issue right there; you hit it in a nutshell. We have a hard time proving it for other countries. I think Canada is very transparent about what it's doing, so it's easy for them to prove it against us. I agree with you on that point.

**Mr. Dean Allison:** Okay, thanks.

How about the department officials?

**Mr. Emile Rochon (Sector Development Officer, Defence and Marine Directorate, Department of Industry):** A couple of years ago the European Union placed a claim against Korea and a lot of countries joined in on that. The claim was not successful, in spite of the fact that Korea seemed to have some very extraordinary cost advantages over everybody else, or competitive advantages over everyone else.

• (1035)

**Mr. Dean Allison:** All right. Thank you. That was sort of what I thought may be the concern.

Maybe just a last point, and once again, Mr. Risser, this is to you. I hear what you're saying in terms of where we've been in the last few years. Once again, I guess the proof will be in how we move forward. It's one thing to claim we're going to be sovereign, we're going to protect our waterways, and we're going to do procurement. I guess the proof will be in what we deliver.

I would hope that as an industry, though, you're encouraged by what this government signalled in terms of where we're trying to go. I think we recognize that the shipbuilding industry is important. It's certainly imperative for our sovereignty. It's certainly imperative, as you mentioned, for our Arctic, in terms of being able to deal with that issue. Based on what you've heard so far, are you encouraged by the direction that we appear to be heading in?

**Mr. Karl Risser Jr.:** I'm young so I'm easy to encourage. Yes, I'm encouraged by the direction. I'm encouraged by the words that are coming out of people like Peter MacKay. He put out a press release the other day and said we're going to do these things.

You make a good point. We'll see what comes out, but I am encouraged. I think the comment was that we have a new dance partner. If we can get this going, then yes. I'm a positive person anyway; I try not to look at things in a negative light. I give everybody the benefit of the doubt.

**Mr. Dean Allison:** I appreciate that. The challenge is always while we're trying to look at trade deals, trying to carve out stuff, and trying to do that. I know part of it is trying to make it as long as possible, and I realize that doesn't address this today on the ground, but I think it was in the hopes that at some point in time we'd be able to catch up.

I can appreciate why it's tough to trust government. I don't even know if I need to say that. As I said, I think we're moving forward, and I hope the 10 years will give the people in the shipbuilding industry the time they need to adjust, along with other types of directions we're trying to head in. I'm just going to leave that as far as my comments go.

**Mr. Karl Risser Jr.:** One thing I would just add is that we can't do it alone. We need you guys to come on board with us.

**Mr. Dean Allison:** As you said, procurement, sovereignty, all these things add to the picture.

**The Chair:** Thank you, Mr. Allison, and again to the witnesses.

That does get us through our rounds of questioning. We have other committee business that we need to get to, so I think I will conclude it there. It's been very helpful. I appreciate the candid responses that everyone gave in the questioning. I think it was very well done today. I appreciate the cooperation of everybody involved.

To our witnesses, again, thank you very much for coming on short notice and providing that expert testimony. Thank you so much.

We'll take a minute here.

- \_\_\_\_\_ (Pause) \_\_\_\_\_
- 
- (1040)

**The Chair:** We will resume the meeting.

The order of business is notice of motions. We have received notice of motions from Mr. Brison.

You have the floor.

- (1045)

**Hon. Scott Brison:** Chair, I will withdraw motion 2, as we've had some officials from....

For the first motion, I move that the Standing Committee on International Trade request that the Honourable Tony Clement, Minister of Industry, appear before the committee during its study on Bill C-2 in order to answer questions regarding the state of Canada's shipbuilding industry.

**The Chair:** Okay, we have a motion on the floor. Is there a seconder for that motion?

Monsieur Cardin.

[*Translation*]

**Mr. Serge Cardin:** No. I just wanted to say something.

[*English*]

**The Chair:** Does Mr. Julian second the motion?

**Mr. Peter Julian:** I so move.

**The Chair:** Thank you.

We're going to have debate then, and the clerk will take a list. I think the first speakers I noticed were Monsieur Cardin and Mr. Keddy, and we'll proceed from there. If you want to speak to the motion, please so indicate to the clerk. We'll keep a list.

We will begin with Monsieur Cardin.

[*Translation*]

**Mr. Serge Cardin:** Thank you, Mr. Chair.

In theory, I support this motion. It would prevent us from having to move another one later one.

We have two concerns, one about the shipbuilding industry and another about supply management in the agricultural sector.

I'm wondering if Mr. Brison would be interested in adding the Minister of Agriculture and Agri-Food to the list. We do not have to address these concerns at the same meeting, but it's important for us to focus on these two areas, if we can use that term in connection with ministers.

[*English*]

**The Chair:** I think Monsieur Cardin appears to be asking for a friendly amendment, so I'll go to the mover of the motion and ask if he would accept that as an incorporated friendly amendment, rather than moving it as a subamendment.

[*Translation*]

**Hon. Scott Brison:** I do not have a problem with the Minister of Agriculture appearing before the committee. However, I've heard that there were not many questions about supply management in the agricultural sector. Be that as it may, perhaps committee members could take this opportunity to ask him some questions. Therefore, I support this amendment.

[*English*]

**The Chair:** All right, the motion would then read:

That the Standing Committee on International Trade request that the Honourable Tony Clement, Minister of Industry, appear before the committee during its study on Bill C-2 in order to answer questions regarding the state of Canada's shipbuilding industry, and that the committee also request the presence of the Minister of Agriculture to discuss specifically....

Monsieur Cardin, what is the Minister of Agriculture to discuss specifically?

[*Translation*]

**Mr. Serge Cardin:** I would like us to discuss the future impact of the agreement on supply management.

[*English*]

**The Chair:** ...the impact on supply management of EFTA.

*Oui? C'est ça?*

[*Translation*]

**Mr. Serge Cardin:** Yes.

[*English*]

**The Chair:** Okay. That would be the motion before us. We don't need to have an amendment to the motion. We will continue debate on the motion as it began and revert to our list.

The next speaker is Mr. Keddy.

**Mr. Gerald Keddy:** Mr. Chair, with respect, we are the committee for international trade. We have no purview to call the minister of any other department to this committee.

I think, first of all, the motion is out of order, and second, I think it is deleterious. It's meant to delay this. We have debated EFTA at great length in this Parliament. It really is at the clause-by-clause stage. Certainly it's not at the hearing witnesses stage. Supply management has been addressed in this. We have had the shipbuilders in. That has been addressed.

We can drag this out with motions, but it's not going to do us any good. And if the honourable members were interested in shipbuilding, the Minister of Industry was at the industry committee for two hours on the estimates and at that time any question could have been asked. That was a golden opportunity to ask questions in particular on shipbuilding or have someone else ask them.

I really question whether the motion is in order for us to request the appearance of a minister from another department.

•(1050)

**The Chair:** All right. We will deal with the motion. I have ruled that the motion is in order, but you certainly are at liberty to challenge the chair. I think the motion is in order that we certainly can make a request. In response to your specific points, in terms of obligation, the minister is under no obligation to accept the request, but we certainly have the purview and opportunity to invite anyone to the committee, just to clarify your point.

**Mr. Gerald Keddy:** Thank you.

**The Chair:** I'm going to rule that the motion is in order.

Mr. Cannis.

**Mr. John Cannis:** Which minister was Mr. Keddy referring to?

**The Chair:** The Ministry of Industry.

Did you have anything further, Mr. Keddy?

**Mr. Gerald Keddy:** No. I think it's pretty straightforward. You can go back over the debate on this issue, Mr. Chair. We can continue to draw it out. I understand that there will be, at the end of the day, some ongoing concerns from some individual members, but sooner or later we're going to have to vote on this.

**The Chair:** We will continue debate on the motion that the standing committee hear both from the Minister of Industry and now the Minister of Agriculture.

The next speaker is Mr. Cannan.

**Mr. Ron Cannan:** Mr. Chair, I agree that the motion is in order, because as a committee, as you said, we can invite whomever we want.

My question would be more to the clerk. The way the motion is worded now is that we invite the ministers, and as the chair said, if they do not attend, how long do we extend the offer? My concern is the timing of getting this agreement through. As has been alluded to, we've debated it, and I respect the fact that there are new committee members who would like to hear from as many new witnesses so they can make as informed a decision as possible. Maybe a possible friendly amendment would be to invite them to the next committee meeting on February 24.

**The Chair:** I'm going to ask Mr. Brison to respond to that before we continue our list, as you have directly referred to his motion and

asked for a friendly amendment. The next speaker will be Mr. Julian, but I'll ask Mr. Brison to respond to Mr. Cannan.

**Hon. Scott Brison:** Just to that point, if this legislation is a priority to the government, the government can ensure that the Ministers of Industry and Agriculture appear before this committee. But let's be clear: this committee has a responsibility to consider the implications of trade agreements across sectors.

This is simply an effort by us as committee members to evaluate this new legislation. This is new legislation. This died when the House was dissolved.

There are members of Parliament who were not here before. There are members who were not part of this committee before. We have a fiduciary responsibility to exercise our role and perform due diligence. This is not a dilatory motion. This is to do our job as parliamentarians.

When we deal with farmers in supply-managed industries, I want to be able to say we did ask those questions. When we deal with shipbuilders or people involved in that, I want us to be able to say we did that. There's only one chance to do this. It's not dilatory in any way, shape, or form.

**Mr. Gerald Keddy:** Over the last meetings the question has been asked.

**The Chair:** Mr. Julian.

**Mr. Peter Julian:** Mr. Chair, I'm a little disturbed by the tone of debate from the Conservative side. With the legislation in place, we have had exactly one outside witness on EFTA legislation. You'll recall in the last Parliament we didn't call witnesses forward on the legislation. That's part of the reason it died. We have had one witness—Karl Risser—on the legislation.

Mr. Brison is absolutely right. For us to do our responsibility to the Canadian public, calling more than one outside witness is a minimum.

I'm concerned about the tone of the debate, that after calling one witness the Conservatives seem to want to ram this through. It's disturbing to me when the implications for jobs in Canada are pretty significant.

Regarding Mr. Brison's motion, I don't see why anyone would object to it. It just means we're doing our job as a committee. But if that's going to be the tone every time we try to bring witnesses forward, I'm concerned about the tone and the Conservatives wanting to ram this thing through and saying "damn the torpedoes".

Mr. Chair, I'm addressing my comments through you to the parliamentary secretary. In the House, the Minister of International Trade stated that we should talk to the people who raise concerns about EFTA. He said, "They may have changed their minds".

Our responsibility as a committee is to have those witnesses back and to see if they've changed their minds. That is something that the minister seemed to imply—that people have changed their minds about this agreement.

As a committee we need to do our due diligence and perform our fiduciary responsibility to the Canadian public, and that means having witnesses. That means the Conservatives, this minority Parliament, are going to have to understand that we're going to have to work through a witness list and do our job.

This motion is a good sense motion, and that's why I've seconded it. I think Mr. Brison is putting this forward, doing his due diligence as a member of this committee. To suggest that this committee has done its job on examining the legislation—I'm sorry, that has not happened. We've had one outside witness to date, in two Parliaments.

With respect, on the legislation itself, we have to do our job. That means interviewing witnesses and seeing what the implications of this agreement are.

•(1055)

**The Chair:** Thank you, Mr. Julian.

Mr. Cannis.

**Mr. John Cannis:** Thank you, Mr. Chairman.

To save time, I'm just going to say that I concur with what I heard from my colleague, Scott Brison. Also, I often don't agree with the NDP, but I must say right now that Mr. Julian's comments could have quoted me verbatim. I certainly agree completely.

I believe the motion is in order, but there's only one thing about asking to have another minister present. I don't think it's wise, and I also don't think there's enough time, to have both ministers here at the same time. I would ask us to rethink when we want to have the two different ministers. I think we should have the ministers separately as opposed to simultaneously.

On the other hand, I want to make a point. It's still my understanding that shipbuilding falls within that department. At least, it did when I was parliamentary secretary to the Minister of Industry. Is that still the case? Would the parliamentary secretary know?

If so, then it would only make sense to invite the minister responsible for shipbuilding, contrary to what I believe my good friend, the parliamentary secretary, stated. I think it's important that we have him here. As Mr. Julian clearly pointed out, there are questions, and one witness does not suffice.

I think that's our responsibility as a committee. We could not face the stakeholders in the future. Whether they live in my riding of Scarborough or not, that's not the point; they would call me anyway if they're coming from Nova Scotia or somewhere. I have an obligation to respond. I could not, in good conscience, say to them that I didn't hear any witnesses, that I didn't do my work.

That's my position, Mr. Chairman.

**The Chair:** Thank you, Mr. Cannis.

Mr. Cannan.

**Mr. Ron Cannan:** Thank you, Mr. Chair.

I just want to clarify Mr. Julian's comments on the aspect that we've only had one witness on the legislation.

To the analysts, that's correct, but maybe you could clarify the difference between the report that we brought the witnesses in on and the legislation. My understanding is that it's the same and that they'd basically be discussing the same information; it's just transferred into a legislative bill now. I just ask for clarification from the analysts, please.

**The Chair:** Well, I think if he's making debate points, yes, the committee did hear several witnesses. We heard months of testimony from witnesses on the text of the legislation. Technically, we did not debate or bring witnesses to discuss this specific legislation, because we didn't have legislation at the time the committee did a complete committee report on EFTA.

Today, we heard from Mr. Risser, who appeared twice before on the same subject, but the subject was a committee report on EFTA, not the legislation on EFTA.

So technically, Mr. Julian is quite correct. The subject remains the same, but it was not a discussion of the legislation per se. It was a discussion of the text of the legislation that we debated at length and had witnesses and submitted a report to Parliament on.

I hope that clarifies your point.

•(1100)

**Mr. Ron Cannan:** Yes, to a degree, but maybe the analysts could clarify, then, what the difference is between the text and the legislation.

**The Chair:** All right. I'll ask Mr. Holden to comment.

**Mr. Michael Holden (Committee Researcher):** The legislation is simply the bill to implement the terms and conditions of the text of the agreement.

**Mr. Ron Cannan:** Is there any difference?

**Mr. Michael Holden:** One is the agreement and one is the legislation. We didn't know at the time what was in the legislation, so that—

**Mr. Ron Cannan:** It implements the bill.

**Mr. Michael Holden:** That's correct.

**Mr. Ron Cannan:** So technically we're talking about the same thing.

**The Chair:** The legislation is an implementation bill to implement what we've already discussed, but again, it's a technical point, and Mr. Julian has made the point.

Mr. Keddy.

**Mr. Gerald Keddy:** With respect to Mr. Cannis' comments, I appreciate his comments and I realize the responsibility of holding the government accountable.

My point, Mr. Cannis, quite simply, is that we have studied the EFTA agreement at great length. There have been absolutely no changes in this legislation from the bill we studied. It addresses, to the degree that it can be addressed, I believe, the shipbuilding part and the supply management part.

We do have another obligation here, and that is our obligation that we have our four partners certainly ready to sign, we have an economic downturn in this country when jobs and opportunity are important, and we have an opportunity to continue to improve our balance of trade from the position it's in today. I do think we need to move this forward as quickly as possible.

I appreciate the debate, but call the question. If you want to continue to call witnesses, then the majority on the committee rules. It's as simple as that.

**The Chair:** I'm sorry that we have run out of time. There is another committee waiting to use the room. I would call for the vote,

except I understand there are others who want to continue to debate the motion. I can't call the vote when there are others who have already signified an interest in speaking further on the motion.

*[Translation]*

**Mr. Serge Cardin:** Ask for the unanimous consent of the committee.

*[English]*

**The Chair:** Unfortunately, I have to adjourn the meeting. We'll resume on February 24.

The meeting is adjourned.

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