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Chair

Mr. Lee Richardson

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• (0905)

[English]

The Chair (Mr. Lee Richardson (Calgary Centre, CPC)): We'll begin, ladies and gentlemen.

This is the sixth meeting, of this session, of the Standing Committee on International Trade.

Today we'll continue our review of Bill C-2, An Act to implement the Free Trade Agreement between Canada and the States of the European Free Trade Association.

We'll begin today with witnesses from Irving Shipbuilding. We have Andrew McArthur. It's nice to see you back. Thank you for coming. And from the Shipyard General Workers' Federation, we have George MacPherson, president.

We will begin with an opening statement, from one or both, if you'd like, for 10 minutes, followed by a round of questioning. As usual, the questions will be seven minutes for questions and answers.

We also have Mr. Terry Pugh.

Can you hear my voice, Mr. Pugh?

Mr. Terry Pugh (Executive Secretary, National Farmers Union): Yes, I can.

The Chair: There you go.

We were going to have Mr. Pugh via teleconference, but we have him via telephone.

Just for your information, Terry, you're coming across through speakers in the room. I hope you will be able to hear all of our speakers as well.

We will begin with Mr. McArthur.

You have up to 10 minutes for opening remarks.

Mr. Andrew McArthur (Chairman, Shipbuilding Association of Canada): Thank you very much, Mr. Chairman.

I must say at the outset that I am vice-chairman, retired, from Irving Shipbuilding, but I still do some work for them. But I'm chairman of the Shipbuilding Association of Canada, so today I will present the position of the Shipbuilding Association of Canada. Unfortunately, I have no written notes. I was quite happily playing golf in Florida when you called and asked whether I could be here, and it's so cold I'm going back tonight.

I welcome the opportunity to come and talk to you. I think we've been talking about EFTA for seven years, at least, that I can

remember. I dug out some correspondence, and we sent letters as the association to the government, dated January 2002. We're now in March 2009 and nothing much has happened.

The position of the association has never wavered from day one until today. I got a call that quite amazed me—I think it was from Mr. Julian's assistant, and if I am wrong, I apologize—saying the position of the association was that EFTA as it stands is okay. I say that is not correct. The position of the association from day one is that shipbuilding should be carved out from EFTA. We have been told categorically time and again by the government that we do not carve industries out. We raise the question of the Jones Act in the U. S., which was carved out from NAFTA. We are not allowed to build or repair for the Americans. The Americans have free access to our market. So industries do get carved out. I'm sure there are numerous other examples.

The association therefore said, "Well, if you're telling us categorically that you will not and cannot carve it out, we don't understand why, but let's make the best of a bad situation." We started discussing a situation where I think it has ended up that shipbuilding is not carved out under the present proposal, but there's a 25% import duty on vessels coming into the country from the EFTA countries, and that would be phased out over a long period of time. I'm going from memory. I think it was agreed it would be 15 years, and it may be longer for some different types of vessels. We said that's the minimum we can do it with. It would give the industry time to reorganize, hopefully, and do different things. We said to be effective and to give industry a chance, things had to change.

I'd like to go back a bit in history to the mid-1980s. I think it was about 1986 that the government of the day started a rationalization program. There was recognition by industry and the government that there were too many shipyards in Canada to have a sustainable, ongoing, viable industry. The government therefore started a rationalization program. Shipyards were closed out west. Shipyards were closed in the Great Lakes. Shipyards were closed in Quebec. Not much happened in the Canadian Maritimes because at the time Saint John Shipbuilding was building the Canadian patrol frigate program and obviously was not a category to be closed, and the Halifax industry was quite busy, so there was no rationalization on the east coast. But the industry downsized to a size that could survive.

The problem is, to this day nothing much has happened. The whole concept of saying under EFTA that we need 15 years of the subsidy being gradually reduced over that period of time was to give the industry a chance to rationalize, reorganize. The industry today is basically down to the Washington Marine Group on the west coast; there's major shipbuilding out there. You have Halifax Shipyard, a division of Irving, in New Brunswick. You have Davies in Quebec, which is now the biggest yard in the country since Saint John Shipbuilding closed a few years ago. You have a small yard in P.E.I., which is also owned by my company, and a small yard in Newfoundland, in Marystown.

● (0910)

The industry has really progressed. If there are many more closures, the industry is virtually going to disappear.

What we continue to say to the government, carrying on with the thought on EFTA, is that given the 15 years to get the industry to a sustainable size, we today have the perfect opportunity to do that. Many programs are coming up. You have the arctic offshore patrol vessels, the midshore patrol vessels, the joint support ships—many billions of dollars to be spent.

The rationalization program that started in the mid-1980s should now be completed. There are three centres of excellence. You have the Washington Marine Group on the west coast, and just by chance it falls into place. It wants to do the smaller types of ships, the midshore patrol vessels, for example. You have Halifax that will do mid-size, which are the arctic offshore patrol vessels. Davies will do the bigger vessels, the joint support ships.

If the government would recognize and create three centres of excellence, people would say it's allocation. That's correct, it's allocation. Many countries in the world have gone to allocation. The U.S., the Brits, the French, the Germans, and the Australians have done it, and today, to have an ongoing viable industry, that is the correct way to go. You then have centres of excellence that can become very competitive. The industry has said we will have total open books, fuel audit, profit limitations. You tell us what you need and you will find you have an ongoing viable industry. The government has said it wants to create jobs quickly. There is no easier way than to follow the proposal we have sent to the Prime Minister from the Shipbuilding Association of Canada to proceed with centres of excellence.

That may seem to be far away from EFTA, but it's tied to the point that the association said we need 15 years to get a viable ongoing industry. The import duty gets diminished. The industry can then stand on its own two feet, and if you do that and follow it, you could process the contracts much faster.

I was at a meeting yesterday for the arctic offshore patrol vessels. They're talking about the bid coming out in October. Six months to bid it, contract negotiations, and then contract probably awarded August 2010. You then have a minimum of a year's engineering and various things, so you might start in August of 2011. If you went the way the association is proposing, you could probably sign a contract for a-ops by August and start cutting steel the following year. So if you want to create jobs, and you want to do it quickly, follow on what started with EFTA, give the industry a chance to rationalize, create centres of excellence, and we could be off and running, and

you would have an ongoing, sustainable, viable industry that the country needs.

We have the longest shoreline in the world. We're a small maritime nation, however, and to think shipbuilding would disappear in this country is untenable. We need an industry. We talked to the navy. Our Halifax shipyard is right next door to the navy. We talked to the admiral and asked what they are going to do if we close. I don't know. We have the fleet maintenance facility on both coasts; they're strapped. They cannot do all the work if we disappear. You cannot sustain industry on ship repair. You need new shipbuilding technology. That's where the technology is. That's what attracts the people, and you need that to sustain the repair industry. The navy accepts that. They're worried as hell if we disappear. What are we going to do to repair our ships? So you have to do something. You have to do it quickly. It all started with EFTA seven or eight years ago. We've talked this way ever since. It's by coincidence with yards closing that we've arrived at this situation I described today whereby it's logical to have three centres of excellence.

● (0915)

Other shipyards will say they're left out. That, in part, is true, but all the major shipyards have said we would agree to spread the wealth around. If we get the work, we will subcontract work to the other shipyards.

Thank you very much, Mr. Chairman.

The Chair: Thank you, Mr. McArthur.

We will now go to Mr. George MacPherson, president of the Shipyard General Workers' Federation.

Mr. George MacPherson (President, Shipyard General Workers' Federation): Thank you, Mr. Chairman.

I appear before you today to represent approximately 2,000 skilled members of the Shipyard General Workers' Federation of British Columbia who work in the shipyards, in marine manufacturing and supply industries, and in metal fabrication shops in British Columbia's coastal communities. Except for a few medium-sized shipyards, the majority of marine and metal manufacturing plants in B.C. are small operations supplying capital goods to the local market.

I'm here to echo what many other representatives from the transportation and metal manufacturing industries have said before me, and that is that we are strongly opposed to yet another free trade agreement that seriously threatens to undermine the viability of our manufacturing industries in our province and country.

First, I would like to once again say that we are very appreciative of the undertaking of your committee to conduct extensive hearings on the implications of the free trade agreement currently being negotiated between the Government of Canada and EFTA, and we appreciate this opportunity to make this presentation.

One of the objections we have to Canada-EFTA negotiations is the complete absence of any prior consultation with our industry representatives before the formulation of Canada's trade agreement proposals. We also object to these negotiations proceeding before there's been a full impact assessment, with participation by labour unions and civil society groups, of the economic and social impacts of the standard FTA model on workers in Canada. One would be led to believe, from reading the documents on the government's website concerning these EFTA negotiations, that there's nothing but positive results from such an agreement. But we all know from our experience with NAFTA and subsequent FTAs that this is just not the reality and that there are all kinds of serious negative consequences, especially for Canada's struggling manufacturing industries, our workers, and our communities.

Our marine and metal fabricating industries in British Columbia have been already seriously undermined by NAFTA through elimination of the 25% tariff on ships imported from the United States and Mexico. Norway has become one of the world's leaders in ship construction with the help of their government, and U.S. shipyards have had a significant unfair advantage from Jones Act protection in recent years, a heavily subsidized naval reconstruction program.

In addition, we have suffered the serious loss to a German shipyard of four B.C. Ferry corporation contracts to build large new car and passenger ferries for B.C. coastal waters. Choosing to enter into a similar FTA with EFTA, the Government of Canada will drive yet another stake into the heart of a viable Canadian shipbuilding and marine manufacturing industry. But this stake, in comparison to others in the recent past, has all the signs of being the fatal one.

For our sector, the issue is not about forcing the Canadian shipbuilding industry to become more competitive so that it's able to compete in an export market for new or rebuilt ships. Canada has never been a significant exporter of ships and never will be. Without the current 25% tariff on imported ships, Canadian shipyards will never be able to compete with Norwegian, Korean, Japanese, and Chinese shipyards for the supply of vessels to the Canadian maritime industry. Therefore, for us the issue is about sustaining a viable heavy manufacturing industry in this country to supply just the domestic market and to protect it from the destructive forces of competition from subsidized major exporters of marine transportation equipment. If our government does not do this in these EFTA negotiations, our industry will be all but dead in a matter of a few years.

The Canadian shipbuilding industry is already operating at about a third of its capacity. Canadian demand for ships over the next 25 years is estimated to be worth \$40 billion. Under the proposed FTAs with Norway and Iceland, and the planned FTA with Korea and then Japan, these Canadian shipbuilding jobs are in serious jeopardy. In these terms, this government plan is an absolute outrage.

As stated by the president of the Shipbuilding Association of Canada, it is impossible to envision anything positive for the Canadian shipbuilding sector in a Canada-EFTA unless significant changes are made to the Canadian government's shipbuilding policies, both federal and provincial. Without tariff protection, Canadian-built government procurement policies, a comprehensive industrial strategy, and other domestic industry supports, an FTA

with Norway, Iceland, Korea, and Japan will totally undermine all of the cooperative efforts of the Canadian shipbuilding participants of the past two and a half decades to bring the Government of Canada to a point of implementing a comprehensive strategy with a viable long-range plan for the sector.

For over two and a half decades, all parties in the industry have been calling on the Government of Canada and demonstrating the need through numerous studies and submissions to develop a strategy for the development of a viable, modern industry available to meet future Canadian requirements. Finally, in June 2001, then Minister of Industry Brian Tobin gave his reply to a March 2001 report of the industry-labour shipbuilding National Partnership Project Committee, which had appealed to the minister to take practical and feasible steps to assist in the revitalization of the shipbuilding and marine fabrication industry across Canada. In his reply to the national partnership committee report, Minister Tobin acknowledged that Canada's shipbuilders systematically encountered competition from production subsidies, generous financing, market protection, state ownership, and, in Canada's largest potential market, the United States, the Jones Act, which excludes them from large parts of the commercial market.

● (0920)

Among the 36 recommendations by the national partnership committee, one addressed the hidden subsidy to vessel purchasers from shipyards in South Korea and China through the mechanism of very low wages and intolerable working conditions imposed on their workers. In some countries the workers themselves are subsidizing their industry by working for low wages and in conditions that would not be tolerated in Canada. By deliberately suppressing labour and social rights, some foreign shipbuilders are effectively filling their order books at the expense of their workers. In light of this reality, the national partnership committee believes that an international social clause governing labour standards in the shipbuilding industry should be developed and promoted by the Canadian government.

In his June 2001 announcement of a new policy framework for the Canadian shipbuilding and marine industry, Minister Tobin stated that the Canadian industry is recognized as an important contributor to the national and local economies, and that a viable competitive domestic ship maintenance and repair capacity is important to Canadian operational needs. However, since that announcement, each succeeding government has stepped further back from Minister Tobin's modest commitments to the industry.

Canada has coasts that face three oceans. It has the longest coastline in the world and has maritime responsibilities extending over an ocean area greater than its land mass. The St. Lawrence Seaway transportation route is longer than the Atlantic Ocean is wide, yet we have a maritime transportation manufacturing industry that has been floundering for over 30 years because of a failure of the government to recognize and act in the interest of a vital and strategic sector.

The governments of all great shipbuilding countries in the world, including the U.S., Norway, Japan, Korea, and, more recently, China, have long recognized the strategic importance of domestic shipbuilding and have built up their industries through all manner of procurement policies, subsidies, tax relief, loan guarantees, infrastructure development, and tariff protection. Canada is the only large maritime union that hasn't had a plan and a development strategy for the industry for the past 50 years.

To have to confront the European Free Trade Association under a standard FTA under these circumstances will result in disaster for our country, for our industry. We call upon the government to exempt the shipbuilding industry from this agreement until the following has been done: all manufacturing industry parties have been consulted on the trade agreement model best suited for entering into an FTA with EFTA; comprehensive economic and social impact assessments have been conducted under alternative FTA models, with participation by labour unions and civil society groups in Canada; and a comprehensive industrial strategy has been developed by the government for the Canadian transportation manufacturing industry that has, as its primary objective, the long-term stability and viability of the shipbuilding and marine fabrication industry on the east and west coasts. Finally, we call upon the federal government to immediately implement an enhanced structured financing facility and accelerated capital cost allowance for the industry and an effective "buy Canada" policy for all government procurements.

Thank you, Mr. Chairman.

The Chair: Thank you.

Now if he's still with us, we'll go to Terry Pugh, the executive secretary of the National Farmers Union, by teleconference. Are you there, Terry?

Mr. Terry Pugh: I am, thank you very much.

The Chair: Please go ahead.

Mr. Terry Pugh: Thank you very much for the invitation to appear. Sorry I wasn't able to get to Ottawa. I appreciate this.

We're concerned that this agreement will be of very small benefit to Canada, because the only estimate we've seen is that it will save an estimated \$5 million in tariffs. That's a very small amount when you're dealing with the amount of agricultural trade Canada has. Most of the benefits supposedly are in agriculture and food, although we haven't seen any comprehensive economic analysis.

The bottom line for us is that the measure of the success or failure of any trade agreement from the farmers' perspective is whether it actually raises farmers' net incomes. A trade agreement that boosts exports but results in lower net farm income is not a good deal for farmers.

In general, in the free trade agreement with the U.S. we've seen a consistent increase in exports but an actual decline in farm income. For example, from 1988 to 2007 our agrifood exports increased substantially from \$10.9 billion all the way up to \$32.65 billion, but realized net farm income declined quite dramatically from \$3.9 billion down to \$1.5 billion.

Over that period as well we've seen farm debt climb from \$22.5 billion all the way up to \$54 billion. You might remember that in

1988 farm debt was considered a serious problem in Canada. Now we have well over double that debt, and with the collapse of the stock market and the increase in difficulties with the credit market, this debt will seriously come back to haunt farmers, particularly in the spring.

One of the benefits that has been documented in this trade agreement is that we will increase our exports of frozen french fries to at least one of those countries. The difficulty we see is that the benefits of exporting frozen french fries will not go directly to the farmers; they'll go to the companies that manufacture those frozen french fries. If you look at the latest figures from the Atlantic provinces in particular, you'll see that potato farmers in New Brunswick and Prince Edward Island are in severe financial trouble. McCain and Irving meanwhile are doing fine, and their profits are not in any jeopardy at this point.

It is also predicted that Canada will see an increase in exports of durum wheat to Norway. Keep in mind that Canada already has half the durum wheat market in the world, thanks largely to the Canadian Wheat Board marketing efforts, and the grain quality standards we have in Canada are thanks to the Canadian Grain Commission. I'll point out that both of those institutions are currently jeopardized by some of the other policies that have come down the pike.

The reality is that free trade agreements in themselves don't create prosperity, and they actually undermine the abilities of countries such as Canada to implement policies that are designed to strengthen our own internal industries. The shipbuilders made a good point about the loss of the shipbuilding industry in Canada. That's important, particularly in certain regions, but when you look at the potential loss of a food-producing industry in Canada, the consequences can be devastating.

This agreement in general defers virtually everything to the World Trade Organization. Notwithstanding the government's stated support of supply management, this WTO agreement poses very serious threats to both supply management and the Canadian Wheat Board's single desk. With the ministerial coming up in July, that is going to create a real pressure-cooker situation, where governments will be under tremendous pressure to sign an agreement.

● (0925)

We see the stance of protecting some of these policies beforehand, but when it comes down to it, it's often presented as a trade-off: we had to make this concession in order to get a deal because to not get a deal would be a bad thing.

So in section 28 of the WTO, there are things like tariffs governing milk protein concentrates. These are under review. The whole of tariff quotas are under review. Of course, the Canadian Wheat Board, in the agriculture text, is under severe pressure not only for the government guarantees but also for the single desk at the Canadian Wheat Board. We know the Conservative government has been trying for quite a while now, and using various methods, to eliminate that single desk, so if they're able to accomplish that goal through the WTO, the temptation will be there to sign that deal and perhaps sacrifice the supply management system.

If that supply management system is changed under the WTO, Canadian dairy producers, of course, will stand to lose a tremendous amount of money. If it's signed, the potential income losses would be over \$1 billion, according to the Dairy Farmers of Canada, and that includes a \$750 million loss through tariff reduction, \$300 million through tariff rate quota expansion, \$25 million from capping tariffs, and \$75 million from the end of export subsidies.

So there's a lot at stake, and the fact is that this agreement defers to the WTO, and the impact will eventually be measured when the WTO agreement actually is concluded, if it is concluded. We feel that agriculture is too important an industry to have all of the rules set at trade negotiations like this.

I'll stop there and go to any questions you've got.

• (0930)

The Chair: Great. Thank you very much, Mr. Pugh.

That concludes opening statements. We'll now move to questions.

Again, I'll remind committee members and the witnesses that the questions in the first round are to be seven minutes for the question and answer.

We'll begin with Mr. Brison. Welcome back.

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

Thank you very much for being with us today and for your insight.

You mentioned the structured finance facility and the need to reinvest in it. It's about 60% expended now, the \$50 million. It's about 60% or...?

Mr. Andrew McArthur: At least.

Hon. Scott Brison: At least 60%. And it's only a couple of years into the program. So would you suggest an additional \$50 million go into the structured finance facility? Would that be about adequate?

Mr. Andrew McArthur: That's a difficult question to answer. It depends how many contracts the shipyards collectively want to sign, but it's a big help.

Hon. Scott Brison: I think the specifics of having the structured finance facility and the accelerated capital cost allowance available to purchasers at the same time.... If you're a foreign purchaser buying Canadian vessels, you can qualify for the accelerated capital cost allowance in your own country, in your tax system, and the structured finance facility from the Government of Canada, but if you're a domestic buyer in Canada, you have to choose between the two. Is that accurate?

Mr. Andrew McArthur: Yes, that's totally correct. And we feel that's totally unfair to Canadian owners.

Hon. Scott Brison: And that can make a significant difference in terms of your competitiveness?

Mr. Andrew McArthur: Yes. Obviously, if a Canadian owner was getting access to the structured financing and the accelerated capital cost allowance, it would make a huge difference, and I think you would see an upsurge in Canadian owners wanting to build here.

Hon. Scott Brison: What it does is equalize the playing field in terms of what foreign buyers of Canadian vessels already enjoy.

Mr. Andrew McArthur: Correct.

Hon. Scott Brison: In terms of procurement, a commitment moving forward and getting the funds flowing and the projects completed for joint support supply vessels and six new coast guard vessels, that government procurement is essential to you, isn't it?

Mr. Andrew McArthur: I think without that government procurement we won't have an industry here in a few years. I think it would completely disappear.

Hon. Scott Brison: With a reinvestment in the structured finance facility, and with the ability for Canadian buyers to participate in both the structured finance facility and the accelerated capital cost allowance, and a better government procurement program, a rational government procurement program, for Canadian vessels where we buy Canadian vessels and we accelerate those purchases because there's a strong need to invest—those three together can make a significant difference for your industry.

Mr. Andrew McArthur: Absolutely. That is truly what the shipbuilding association has been pushing. Just as you say, combine SFF and ACCA, maintain the build in Canada program, and get it going. The navy needs these ships; the Canadian Coast Guard needs these ships.

The Arctic is very important to Canada. If you look at what's happening in the Arctic today, there are a lot of intrusions by a lot of countries, and we have virtually no capability. We have the *Louis St. Laurent*, an icebreaker that was built in the late sixties. That's our biggest icebreaker.

• (0935)

Hon. Scott Brison: If those were brought in immediately, would they have an effect fairly quickly? In the next couple of years, would you see a difference?

Mr. Andrew McArthur: Yes. If you started all these programs right now, you would create thousands of jobs across the country.

It's not only the shipyards. We buy equipment and materials in almost every province. Unfortunately, we don't buy much in Manitoba. But look at Ontario, for example. If we build the ships in Nova Scotia, a huge part of the contract price goes to Ontario, a lot goes to Quebec, and some goes to B.C.

The association prepared a map that shows that we've got companies right across the country that benefit from shipbuilding. We use a factor of probably three to one; for every job in the shipyard, there are probably another two or three created outside the shipyard.

Hon. Scott Brison: Thank you very much.

The Chair: Mr. Cannis.

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

Mr. McArthur, before I get into my question, if I didn't hear that accent, I would have thought it was Jean Chrétien saying, "jobs, jobs, jobs".

Nevertheless, just to pick up on what my colleague, Mr. Brison, said, we had the Minister of Industry here in our last meeting and he was put the same question in terms of combining the two programs. We asked for his assurance that he would take it to his cabinet colleagues, because the response back to us in this committee was that this was a revenue issue.

Given that this is one approach that would help the industry—as you've just clearly stated—have there been presentations to that ministry? If not, will you commence some kind of a proactive initiative to pressure that ministry to see how they can combine these two programs? It's one of the areas that I think would help the industry.

Mr. Andrew McArthur: With all due respect to the minister, I think we've been making presentations on that for at least three or four years.

Mr. John Cannis: Revenue.

Mr. Andrew McArthur: Finance. We've made presentations to the Department of Finance, and it's always been the Department of Finance that has said no. Really, the accelerated capital cost allowance is not costing the government any dollars. It's the time value of money, and that's not a big factor in the equation.

Mr. John Cannis: You talked about the three centres of excellence to be developed as one method of supporting and sustaining long-term industry. Then you talked about the allocation. How would you handle the trickle-down contracts to the peripheral industries that support the industry? Would they be open? Would they be open bidding? Can you give me an idea?

Mr. Andrew McArthur: It would be open bidding.

If you look at the cost of a ship, it doesn't matter what type of ship you build, approximately 60% of the cost to the shipyard is purchased items. We buy engines, generators, pipe, valves, fittings, and cable. That would all be up for competition. So there's still a large element of competition.

Some people ask about the smaller shipyards. We're all accepting that there would have to be guarantees—maybe a certain percentage of the contract price to the shipyard would have to be subcontracted out to the smaller shipyards so that they would benefit as well. We're quite open to that. We'd like to start a dialogue with the government to get it going.

Mr. John Cannis: Thank you very much, Mr. Chair.

The Chair: Thank you, Mr. Cannis.

We're moving now to Monsieur Cardin.

[Translation]

Mr. Serge Cardin (Sherbrooke, BQ): Thank you, Mr. Chair.

How much time do I have? I'm going to split my time with my colleague, given that there will only be one round of questioning.

Good day, gentlemen.

Today's witnesses represent the shipbuilding and agricultural industries, two fairly sensitive areas, as far as our party is concerned. We are in favour of the proposed free trade accord, but we do have some reservations about these two areas.

I listened to what Mr. McArthur and Mr. MacPherson had to say. One of the two said that initially, he was in favour of excluding shipbuilding from the accord. Mr. MacPherson, on the other hand, has always maintained that this industry should be excluded. Yet, we sense that both these individuals held out some hope that in spite of the agreement, the government could put forward a real policy for the shipbuilding industry.

Over the years, you have gained some experience. The government has two programs in place: the structured financing facility and accelerated depreciation. That's all very good, but there are a slew of other programs included in the \$4.3 billion in investments announced by the government for the next 30 years. These investments could be made over a shorter timeframe. For example, they could be made over the 15-year period during which tariffs are to be eliminated.

Do you hold out any hope that the Canadian and Quebec shipbuilding industries will be able to survive if there is genuine political will to support their development?

● (0940)

[English]

Mr. George MacPherson: I believe that shipbuilding has a very strong possibility of survival, but the government really has to come to the table and make some hard decisions, and they have to do that very quickly. We've been trying since Minister Tobin structured the committee back in 2000, with a report coming down in 2001, saying that it was on the right track and that everybody was going in the right direction. We hit the wall with Finance, obviously, and what we really needed was structured financing, along with the ACCA and government procurement. We believe this industry would be viable today; we believe it would be moving forward.

This committee is going to finish up today and you'll go back to the House with whatever recommendations you come down with, but we believe this committee today has an opportunity to turn this industry around. We hope that today, as you make your decisions, you'll be able to do that.

The government to date has not come to the table to try to fix the industry and put it back on the right track, and we think that has to happen. Once the Conservative government came into power, everything changed, and it changed in a hurry. The committees that were struck and that were looking at the industry were dismantled. Labour was excluded from whatever talks were going on. Industry was there doing the best they could do, but nothing was moving in the right direction any more.

• (0945)

Mr. Andrew McArthur: Thank you, Mr. Cardin.

I'm sorry for the delay, but I don't speak French. In fact, I've often been told that I don't speak English, either.

Mr. George MacPherson: Many people have told you that.

Voices: Oh, oh!

Mr. Andrew McArthur: I'm curious about part of your question. You mentioned \$4.3 billion. Are you referring to the cost of the contracts?

[Translation]

Mr. Serge Cardin: I'm referring to the \$4.3 billion the government says it will invest over 30 years.

[English]

Mr. Andrew McArthur: Okay. Basically that's the cost of the programs.

There actually are two problems. There's EFTA and what we can achieve under EFTA. Then there's what I call following on with the completion of the rationalization program. It just happens that timing is causing the two to come together. We have the EFTA situation and we have the continuation of the rationalization.

The best way to support the industry is to carve out shipbuilding from EFTA, carry on with the rationalization program, and create three centres of excellence across the country. You will find jobs created fairly quickly. There's always engineering up front—you can't start cutting steel tomorrow—but you could be off and running with all these programs very quickly and would start creating a lot of jobs within a year.

[Translation]

Mr. Serge Cardin: Thank you.

The Chair: Mr. Guimond.

Mr. Claude Guimond (Rimouski-Neigette—Témiscouata—Les Basques, BQ): Good day, gentlemen.

Can Mr. Pugh hear the translation?

[English]

The Chair: Yes.

[Translation]

Mr. Claude Guimond: My comment and question are for Mr. Pugh.

Mr. Pugh, thank you very much for your heartfelt plea. As a farmer myself, I can very well understand your reasons for being concerned, in light of everything that has been said in recent years about the Canadian Wheat Board and everything we're still hearing today about supply management. Farmers in Quebec and Quebec must surely be concerned about what lies ahead. I want to assure you today that the Bloc Québécois is fully committed to protecting the existing supply management system.

Mr. Pugh, what do you think the future holds for agriculture within the context of the current WTO negotiations?

[English]

Mr. Terry Pugh: We're tremendously concerned.

I think it's important to point out that a trade agreement is no substitute for a food policy agreement. Canada can't rely completely on trade as a way of trying to increase prosperity. It just doesn't work. Food sovereignty for nations is of critical importance. I think the WTO has serious structural problems. We need to ensure the ability of nations to be able to feed people. That is still important.

I think lip service is paid to this concept in the WTO, but all of these clauses are basically trumped by the interests of large corporations who want to increase their market access. We see this continual pressure. On the one hand, you have these little pieces set aside for protection of certain sensitive products. There are endless negotiations about what products they are and how much of this or that import line will be restricted, but in the end there is just continual pressure.

I think we need to recognize that countries should have the right and the ability to be able to feed their own populations as well as have trade. No one is saying that trade is a bad thing or that it shouldn't happen. Canada, particularly western Canada, where I live, has always been dependent on trade. We're not making the argument that there should be no trade. What we're saying is that there should be fair trade, and recognize that within certain limits people have the right to ensure that a food policy that benefits the people of that country is able to take shape.

• (0950)

The Chair: Thank you, Mr. Pugh.

Mr. Julian.

Mr. Peter Julian (Burnaby—New Westminster, NDP): Thank you, Mr. Chair, and thank you to our witnesses for appearing here today. This is very important testimony. I hope all members are paying close attention.

As a committee, we dealt with the former softwood lumber agreement, which many characterize as the softwood sellout. Thousands of jobs were lost as a result of that agreement. We now have EFTA, and you've given us very strong warnings that this agreement, if there are no other changes made in shipbuilding and no carve-out, is in a very real sense going to have a very negative impact on the shipbuilding industry. Would it be fair to characterize the EFTA agreement as the shipbuilding sellout?

Mr. Andrew McArthur: If it's not a sellout, it's getting close to it. It certainly doesn't enhance the survivability of the industry. It jeopardizes it. It would be pretty hard to say it's an absolute sellout, although it's getting close. It's not only EFTA that concerns us. The ground rules may be set. We're negotiating with Singapore. We're negotiating with South Korea. Once we've set the ground rules, if we then get the same with all these other countries, the industry will be in very tough conditions and it will be able to survive only with government contracts.

Mr. Peter Julian: Mr. MacPherson.

Mr. George MacPherson: I echo Andrew's words. I think the industry is at a critical stage. These talks are critical to where our future lies. If we don't fix this problem today, I believe that in a very short period of time you'll see major yards close their doors and they'll go away. And that is the end of the industry.

Mr. Peter Julian: Would you characterize it as a shipbuilding sellout?

Mr. George MacPherson: Yes, I would. I would use those words.

Mr. Peter Julian: Thank you.

Mr. Andrew McArthur: Mr. Julian, can I add one thing? It's not only the shipbuilding industry that's jeopardized. It's the ship owners. On the east coast you have owners who operate offshore supply vessels. Norway operates one of the biggest fleets in the world. They have something like over 50% of the total world supply of offshore supply vessels. The North Sea is in a downtrend. They're looking for places to send these ships that were built with subsidies that have been written off. They could come in here and undercut any Canadian operator on the east coast for charter rates. It's not only the shipyards; it's the ship owners.

Mr. Peter Julian: Thank you.

You both referenced a carve-out, and the committee will be coming back to the implementation bill and the amendments that would carve out shipbuilding. Is it your recommendation that the committee carve shipbuilding out of the agreement at the very least to put pressure on the government to take action on some of the other issues that have been raised by my colleagues like Mr. Cannis and Mr. Brison, to push the government to finally respond on the SFF and the ACCA, and to put in place a "buy Canada" program that actually is a real procurement program and not a fake one? Would you support us as a committee carving out shipbuilding from the implementation legislation?

Mr. Andrew McArthur: The association absolutely would.

Mr. Peter Julian: Okay.

Mr. George MacPherson: Our organization would as well. We believe that's the right way to go at this point.

Mr. Peter Julian: Thank you. That's very clear and unambiguous that you are both supporting a carve-out of the implementation legislation. Thank you for that.

I'd like to come back to the issue that you raised, Mr. McArthur, about repair facilities. In a sense, if we're killing the shipbuilding sellout and we're having an impact on our shipyards regarding the construction of new vessels, and in the long term that also impacts on repair facilities, could you give us a little more detail about what that means with regard to our capacity to repair existing ships?

Mr. Andrew McArthur: It's basically the ongoing technology. If you go and try to recruit engineers and naval architects from the universities and you're running a repair facility, you're not too attractive to good top-quality engineers and naval architects. The technology comes from new construction and design, and without the ongoing technology and education, our total workforce, the industry is just going to die. You need new construction to attract top people, technical people, engineers, flowing all the way down to the tradesmen. Most of the tradesmen—George could answer better than I would. Repair is a tough business. I think most of the people prefer

to work in new construction. The Japanese call repair KKK: dirty, difficult, and dangerous. You need the new construction to sustain the ongoing technical capability. So repair would suffer.

● (0955)

Mr. Peter Julian: Mr. MacPherson.

Mr. George MacPherson: I agree with Andrew. It's the engineers from the top level all the way down to the bottom. It doesn't matter what level you look at in the shipbuilding industry, as far as it goes, with technical skills that people are going to pick up.

On the repair side, you cannot get that. You need the new construction in order to hone those skills and to draw the people into the industry. What would happen over a very short period of time is that...with these new people coming in, the industry is getting very old. The average age used to be around 47, and I believe it's a little higher than that now.

We've seen it on the west coast in recent years, probably last year, with the construction of a mid-sized ferry for BC Ferries. The difficulty they had in putting that project together was horrendous. It was horrendous because there was virtually no new construction happening on the west coast for a large number of years and a lot of those skills had walked away. You're trying to ramp up to do one job and it's virtually impossible.

You really need an ongoing correlation of work and new construction to keep those people in the industry and to keep them going. Also, it brings in your apprentices and trains your workforce.

Mr. Peter Julian: So what we're talking about is a real brain drain. If we lose other facilities, and if we're losing our capacity for new ships and certainly for repairs, then over the short to medium term what we're talking about is losing all of the skills in Canada. That would mean any revival of the shipbuilding industry would take even more effort in order to recreate an industry that we're essentially losing.

Mr. George MacPherson: That's absolutely correct.

Mr. Peter Julian: I have a couple of questions for Mr. Pugh.

The Chair: You have to be very brief. I'll give you one minute. It's seven minutes now.

Mr. Peter Julian: Mr. Pugh, could you come back to the issue of how you feel this agreement would impact on supply management and single desk?

Mr. Terry Pugh: This agreement itself I don't think would have a tremendously huge impact on either of those things. The point I want to make is that it defers to the World Trade Organization in all of its major components. In the long run the real danger lies at the WTO. You could see that showdown come as early as this summer.

As I said, if you look in terms of wheat and durum, a small increase in durum to Norway, for example, could put some money in farmers' pockets, but again, that's because of the Wheat Board's efforts. On supply management, there's the issue of tariff quotas at the WTO, which I think is the big issue.

Under this agreement, of course, there was that cut of tariffs that fell within the quotas, which I thought set a precedent, but in the long run you can't really say that's a huge impact. I think looking at tariff rate cuts in the WTO will, in the long term, be much more of an impact.

This is actually more of a symbolic agreement in many ways. It shows that Canada is moving towards a free trade agenda by continually negotiating these bilaterals. By chipping away at our own food policy through these bilaterals it undermines our position at the WTO, and that's the real issue.

Mr. Peter Julian: Thank you.

The Chair: It is 10 o'clock, but I think in fairness we'll try to complete the first round at least.

We'll go to Mr. Cannan.

• (1000)

Mr. Ron Cannan (Kelowna—Lake Country, CPC): Thank you, Mr. Chair. Since we're only having one round, I'll share my time with my colleagues.

I'd like to welcome our guests back again. I was looking through the minutes, and it was April 2 last year, Mr. McArthur. It has almost been another year. It will be your 74th birthday soon. Welcome back. It's an annual return.

As you mentioned, these are ongoing negotiations. It hasn't happened overnight; it's been close to 10 years of negotiations since the agreement was initially discussed. There has been a lot of to and fro, back and forth, and numerous meetings. I know you've partaken in close to a decade of discussions.

I also share your concerns. We have to pay close attention to industry. Our government is very concerned about the future of this industry—and industry across the country. We're trying to look at opportunities to expand our markets.

This is basically the first free trade agreement Canada has entered into since 2002. And Costa Rica wasn't a large agreement. We need to expand outside the United States. We've seen what happens when we concentrate solely on over 80% of our trade with our friends to the south. But we're looking at other opportunities around the world.

As you alluded to, there's significant investment—\$43 billion approximately, over 30 years—for the coast guard and the shipbuilding industry. As my colleague Mr. Cardin mentioned, in the budget there's \$175 million for the coast guard and for procurement and other initiatives to help our aging vessels. There is a series of initiatives that our government is working on with the shipbuilding industry. I know it's a concern across the country.

Coming from British Columbia, we have the west coast industry as well, which has been able to continue to be competitive in a global competitive marketplace.

I thank you for sharing your insight and words of wisdom on the agreement and negotiators to date.

I'd also like to ask a question to Mr. Pugh.

Thank you very much for spending time with us this morning as well.

Having been raised on the prairies, I want to ask for your perspective on durum and the opportunities for our agricultural community. My colleague Ted Menzies, who used to be the parliamentary secretary, sat on this committee. He was working with the EFTA agreement at the time. He was in Liechtenstein, and he was commenting that there are some opportunities with this agreement—if we can secure the agreement—to open up opportunities for our agriculture community in other European countries.

Do you see that as a positive initiative, Mr. Pugh?

Mr. Terry Pugh: Of course, any increase in agricultural exports is always positive. I think my main point is that the benefits from those trade deals have to go to the farmer. When you're talking, for example, about durum wheat, through the collective marketing agency of the Canadian Wheat Board you see more of that return to the farmers' pockets. There are significant markets out there, and the Wheat Board has been working very hard over the years to do that.

Of course we'll benefit from any chance we have to increase that market.

Mr. Ron Cannan: Thank you. I have one other comment.

You mentioned “supply managed”. To clarify the record, supply management isn't compromised.

I can quote from Mr. Plunkett's comments, who referred to the committee. He's the chief negotiator. He said:

I should note that Canadian supply-managed programs are maintained under this EFTA and were exempted.

I want to make sure that the comments of the chief negotiator are clarified, and if there are any other concerns around supply managed, that they be alleviated with his assurance.

At this time I'd like to pass the floor over to my colleague, Mr. Allison.

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

I want to thank the witnesses once again for being here.

In terms of concern over the last number of years, how long has the shipbuilding industry been in decline? How long has this been going on, Mr. McArthur?

Mr. Andrew McArthur: It probably started in the mid-1980s, when the government started a program of rationalization. I forget the number of shipyards that were in business at that time. George can answer for the west coast; there were quite a number that were closed on the west coast. You had Collingwood Industries in Ontario, Versatile Vickers in Montreal, MIL in Sorel, Quebec. That really started the decline of the industry.

We used to have a direct subsidy. When that subsidy finished, I think in the early 1980s, if I remember correctly—

A voice: 1985.

Mr. Andrew McArthur: —there was a decline in the industry after that. That's when rationalization started. And basically it has continued to this day.

Recently you had Port Weller shipyard in St. Catharines, Ontario. The shipyard basically went out of business. It went into bankruptcy. It's now trying to resurrect itself, and they're trying to get by on repairs.

We're at the point of no return. If there are any more shipyards that close, I don't think you'll have an industry.

•(1005)

Mr. Dean Allison: So it's fair to say that the previous government didn't do a whole lot to help with this industry, either, correct?

Mr. George MacPherson: In fairness, when Brian Tobin was the industry minister he was the only minister we saw who was prepared to actually do something for the industry to try to revitalize it. Prior to that, I would agree with you.

Mr. Dean Allison: We appreciate the concern for the industry. We also realize how important it is, as has been mentioned before. My thoughts are about what this government has done to signal that they're concerned and trying to do something.

By all means, it may not be perfect at this stage, but certainly through procurement and trying to deal with our arctic waters, etc., you must be encouraged—and once again I don't want to put words in your mouth, like Mr. Julian—about the direction this government is trying to take to restore some of the shipbuilding industry.

Mr. Andrew McArthur: Speaking for the industry, we can turn the whole thing around. The industry could have quite a good future. We need to realistically look at the proposal the association has sent to the Prime Minister and get it going.

I've been coming to Ottawa for a long time, and I've found that we need one guy to stand up. We need a champion to drive it through—some minister somewhere, or maybe even the Prime Minister—and say, “I'm going to do this, and goddamn it we're going to get it done and done quick.” You can turn the whole industry around. There's a lot of work out there that the government needs. The coast guard needs it and the navy needs it.

The Chair: Great. Thank you very much, Mr. McArthur, Mr. Allison, and Mr. Cannan.

I'm sorry, that's it for questioning. We are completely out of time.

I want to thank our witness Terry Pugh, the executive secretary of the National Farmers Union, who was with us by teleconference.

Mr. Terry Pugh: Thank you very much for the invitation.

The Chair: Mr. MacPherson and Mr. McArthur, thank you again for reappearing at the committee and for your testimony today.

Mr. Andrew McArthur: Mr. Chairman, thank you for the opportunity. It's so important to us. I'll come back any time.

The Chair: That's apparent. Thank you.

We are going to take a very brief break while the witnesses are bid farewell. We have other witnesses who may be of assistance to us in going through clause-by-clause.

• _____ (Pause) _____

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•(1010)

The Chair: Ladies and gentlemen, we will resume pursuant to the order of reference of Thursday, February 5, 2009, Bill C-2, An Act to implement the Free Trade Agreement between Canada and the States of the European Free Trade Association (Iceland, Liechtenstein, Norway, Switzerland), the Agreement on Agriculture between Canada and the Republic of Iceland, the Agreement on Agriculture between Canada and the Kingdom of Norway, and the Agreement on Agriculture between Canada and the Swiss Confederation.

We will proceed with clause-by-clause of that bill. I think a package has been distributed to everyone to review the bill. This will make it easier for us to follow in going through it. When we refer to page numbers, they will be the ones on the package distributed rather than the bill. If everyone follows the package, it will be easier to follow. This has just been passed out. It's called “Committee Stage”. Everyone has it.

Okay, so we are all on the same page.

Mr. Cardin.

•(1015)

[*Translation*]

Mr. Serge Cardin: Mr. Chair, since we have just this moment received the documents that you have listed, I have to say something. I would imagine my colleagues are disappointed to have received these documents just before they are supposed to begin the clause-by-clause study of the bill. It's really a shame.

I've glanced very quickly at all of the proposed amendments, and it appears that virtually all of them were received on February 10, with the exception of one amendment received on the 27th. I would imagine that members would have appreciated receiving these documents earlier and having the time to examine them. I have the feeling that an assumption is being made, namely that had we received them earlier, we would not have examined them anyway. On the contrary, I think we would have examined them. The process might take longer if we were to ask that each item in these documents be explained to us.

As I see it, circulating documents at the very last minute is not standard operating procedure. I merely wanted to point that out. Getting documents at the last minute is unpleasant. We had attempted to contact people to see if they were available, but we did not get a response. Now, we know what that response is. It's disheartening.

[*English*]

The Chair: Moving right along—Mr. Julian.

Mr. Peter Julian: Following what Mr. Cardin mentioned, these amendments were submitted nearly a month ago. I was unaware that they were not sent to members of the committee.

The Chair: Fine.

Mr. Peter Julian: In every committee I've been part of, amendments have been given to members of the committee days before they considered clause-by-clause. We've had discussions over the past two weeks about clause-by-clause coming forward, certainly this week but most probably today, so I think Mr. Cardin's question warrants a response. Why weren't they distributed to committee members?

The Chair: I'll let the clerk respond. I don't deal with those things. It's up to the clerk.

The Clerk of the Committee (Mrs. Carmen DePape): I was speaking with the legislative clerk, and the practice in other committees has been to sometimes give them out a day or two before or on the day of the meeting.

The Chair: If you were aware there were amendments and you wanted to look at them, you might have raised it prior to now, but I'll take the explanation of the clerk. In future, if members would like to get amendments earlier, by all means raise it with the committee.

We will now proceed with clause-by-clause. But first I want to let the committee know that should they have any questions as we go clause by clause, we have several witnesses available for clarification of any particular point, all of whom I think have appeared previously at the committee. We also have the general counsel for the Trade Law Bureau, if there are any specific legal questions, as well as the legislative clerk at my side as we proceed with clause-by-clause.

With that, I would like to begin with clause 1, which of course is the short title and is normally postponed to the end of the bill pursuant to Standing Order 75.

We'll turn to our package and look at clause 2. No amendments have been submitted on clauses 2 to 5, so I might suggest we deal with them together, unless anyone has any further comment on clauses 2 to 5 from the bill.

(Clauses 2 to 5 inclusive agreed to)

(On clause 6—*Causes of action under Part I*)

•(1020)

The Chair: I understand there is an amendment to clause 6, and that would be from Mr. Keddy. Mr. Keddy is not here today, so I understand, Mr. Cannan, you're going to move that amendment.

Mr. Ron Cannan: Yes, thank you, Mr. Chair.

It was an oversight by the drafters. We're just removing the two words "or regulation". I can give an explanation for the rationale.

The clause was based on subsection 6(1) of the Canada-Costa Rica Free Trade Agreement Implementation Act, which included a regulation-making power in part 1 of the act's section 17, which dealt with certain measures in relation to wine and distilled spirits pursuant to article III.8 of the Canada-Costa Rica Free Trade Agreement. Since that provision is not in the Canada FTA, this regulation-making power is not included in part 1 of the Canada FTA Bill C-2. Since no regulation-making power is created in part 1 of Bill C-2, the reference to regulation-making power in subclause 6(1) should be removed. The amendment would simply delete in subclause 6(1) "or regulation"—those two words—in the English

text, and however you say it in French, "*ou ses règlements*". The text below identifies the text to be deleted, bold and underlined.

I believe there was some information handed out with that? The clerk did not receive a copy of the amendment? I want to make sure everyone has it in front of them.

The Chair: It's the first page of the package.

So is there any discussion on that amendment?

Mr. Brison, did you have a comment?

Hon. Scott Brison: What is the material change that results from the removal of "or regulation"? If it were not amended, what would be the material effect on the legislation?

Mr. Ron Cannan: Mr. Chair, I could ask the professional staff who are here, but I understand there is no...it just cleans up the wording.

The Chair: We have the general counsel of the Trade Law Bureau here. Ton, would you please explain?

Mr. Ton Zuidwijk (General Counsel, Trade Law Bureau, Department of Foreign Affairs and International Trade): In answer to the question of what would happen if the two words were not removed, since there is no regulatory power in part 1, not removing these words would not have a material effect, but to make the draft as perfect as possible, we recommend these two words be removed.

The Chair: All right. Is there any further discussion?

(Amendment agreed to)

(Clause 6 as amended agreed to)

The Chair: Thank you, Mr. Cannan.

We are now going to proceed to clause 7, but before we do, I want to note that the next amendment we are aware of is on clause 33. Might I ask if there's any interest in moving along to clause 33? We might do that by grouping clauses 7 to 32 as one.

Let me do that, then. I'm going to ask if there's any discussion on any of those before we proceed.

Mr. Brison.

Hon. Scott Brison: I have a question on clause 31.

•(1025)

The Chair: Well, then, I wonder if we might just do clauses 7 to 30, and then we'll get to clause 31.

Hon. Scott Brison: Okay, that's fine.

The Chair: All right.

(Clauses 7 to 30 inclusive agreed to)

(On clause 31)

The Chair: Mr. Brison.

Hon. Scott Brison: Mr. Chair, I have a question on clause 31, on the inclusion of NAFTA countries Chile and Costa Rica. I think I understand the rationale, but I'd like either the government members or the officials to clarify it.

Mr. Dean Beyea (Senior Chief, International Trade Policy Division, International Trade and Finance, Department of Finance): Mr. Chair, I can do that.

This clause introduces tariff treatments specifically for... So the amendments...the NAFTA country is already there, Chile is already there, and Costa Rica is already there, given our free trade agreements with those countries. What you're doing is introducing Iceland, Liechtenstein, Norway, and Switzerland—the four members of the EFTA states. It's an amendment to an existing clause, so it's a repeat of the current clause and then the new additions. That goes throughout what we'll do in most of the customs tariff. The main purpose of what you're doing throughout the rest of this section is to introduce new tariff treatments for the three countries. There will be three tariff treatments: one for Switzerland and Liechtenstein together, one for Norway, and one for Switzerland.

Hon. Scott Brison: Thank you.

The Chair: Mr. Cannan.

Mr. Ron Cannan: Thank you, Mr. Chair. I have a supplemental.

When Canada has other free trade agreements, would this agreement get amended or updated?

Mr. Dean Beyea: Right.

Canada's customs tariff includes the tariff elimination. The schedule to the customs tariff includes I think about 12 tariff treatments now. All of our free trade agreement tariff phase-out, as well as development programs like the least-developed country tariff, are all in that element.

Mr. Ron Cannan: Thank you.

The Chair: Thank you, Mr. Cannan.

Thank you, Mr. Beyea, for that explanation.

(Clauses 31 and 32 agreed to)

(On clause 33)

The Chair: We have received an amendment to clause 33.

Mr. Julian.

Mr. Peter Julian: Thank you, Mr. Chair.

To facilitate our discussions, I note that there are 16 NDP amendments, but in a very real sense, I think, they should be grouped in four sections. The first section deals with the Iceland tariff. The second section of four amendments deals with the Norway tariff. The third is the Switzerland and the Liechtenstein tariff. The fourth section of four amendments deals with the tariff schedule generally. Understanding the agreement we have to go through these today, I think what we can have is essentially four discussions.

The first series essentially carves out shipbuilding from the Iceland tariffs. Essentially, we have four amendments that do the same thing.

Why propose this? I think we've just heard very substantive testimony from the shipbuilding industry. In fact, every single person who has come before us representing the shipbuilding industry, either as workers or as shipbuilding industry owners, has said the same thing. They want to see a carve-out of shipbuilding from the

EFTA agreement. We have a unanimous recommendation from the shipbuilding industry and a very clear indication that if we don't carve out shipbuilding there will be negative impacts and there will be lost jobs, and that once you lose the shipbuilding industry, it is very difficult, with the brain drain that results, to reconstitute the shipbuilding industry afterwards.

It's very clear to me, Mr. Chair, that we have a unanimous recommendation from the industry that this will cause harm unless we carve it out. We have a responsibility, then, to do our due diligence and to change the implementation legislation so that shipbuilding is carved out. That's what the amendments propose to do.

This is a legislative responsibility that other legislatures and congresses take. We've seen it most recently with the U.S. and Peru, where the U.S. Congress essentially said they were going to change the implementation legislation. Peru later ratified those changes. We've seen it with the European Community and CARICOM. It was the same kind of situation, where some Caribbean legislatures reacted to the implementation legislation. The European Union is now essentially re-crafting those elements.

When we have a unanimous recommendation from the industry, it's a responsibility we have as legislators to say, essentially, that we must do our due diligence and change the implementation legislation to reflect the industry. All opposition parties have said in terms of EFTA that we're concerned about the shipbuilding industry.

The reality is, Mr. Chair, that if we carve out shipbuilding at the committee stage, there is no greater pressure that could be put on the government than to do that at the committee stage, so that essentially the government is forced to act on all of the other issues that, very clearly from the testimony we've heard, they've not acted on. On a combination of the ACCA and SFF, they haven't acted.

Carving out shipbuilding at the committee stage allows us to maximize that pressure so that the government can act. "Buy Canada" procurement policies and putting into place a real economic stimulus package for the shipbuilding industry allow us to put on that maximum pressure that the industry is asking for in order for the government to act.

Carving out shipbuilding at the committee stage makes good sense. It increases the pressure on the government and, in a very real sense, I think, puts shipbuilding front and centre in government priorities for the coming weeks.

We know the impact will be negative. We know that we have the opportunity as a committee to be either heroes or heels today. We can be heroes if we carve out shipbuilding at the committee stage. We'll be heels, I think, if we simply concede and say that we don't care about shipbuilding.

I think it is far more than a symbolic industry. We have the longest coastline in the world, yet we have a shipbuilding industry that is on the ropes. That is of symbolic significance to all Canadians, I think, but when you look at the economic ramifications in places like Nova Scotia of the shipbuilding industry going under, as has been clearly indicated by representatives of the shipbuilding industry, you can see that the economic repercussions could be enormous.

•(1030)

For all of those reasons, it's very clear to me that a carve-out is warranted; a carve-out is indeed our responsibility. It puts pressure on the government to take immediate action. When this implementation bill goes back to Parliament, then we can see the results of that action, and maybe some parties will want to change their position at that point. But today our responsibility is to hear the industry, to carve out shipbuilding from the agreement, and to force the government to act so that our shipbuilding industry does not go under.

The Chair: Thank you, Mr. Julian. I think that was quite clear, the intent of the amendment, and your expression of the amendment.

Bill C-2, among other things, amends the customs tariff to provide for the legislation of reductions in tariff rates....

Mr. Cannis.

Mr. John Cannis: I think Mr. Silva had his hand up.

The Chair: Yes, I saw that. Thanks.

I'm actually going to deal first with the amendment, and then I'm going to go back to Mr. Silva. We have it down here. Thank you for that, Mr. Cannis.

I was saying that Bill C-2, among other things, amends the customs tariff to provide the introduction of a reduction in tariff rates agreed to in the CEFTA. As per clause 33 in the agreement, goods originating from Iceland that are identified as Q1 or Q2 have a gradual and steady tariff reduction to a rate of free after a certain period of time has elapsed.

This amendment, as Mr. Julian has just clearly stated, proposes to eliminate certain provisions of clause 33, notably the provisions with regard to items categorized as Q1 and Q2 in the column entitled "Preferential Tariff".

As the *House of Commons Procedure and Practice* states on page 654:

An amendment to a bill that was referred to a committee *after* second reading is out of order if it is beyond the scope and principle of the bill.

In the opinion of the chair, the elimination of these provisions is at odds with the intent of the CEFTA and contrary to the principle of Bill C-2 and is therefore inadmissible. As a consequence to this ruling, the chair must also find that the following consequential amendments are also inadmissible, and those are the ones that Mr. Julian announced at the beginning, and that would be NDP-2, NDP-3, and NDP-4.

Mr. Silva, did you want to comment on that?

•(1035)

Mr. Mario Silva (Davenport, Lib.): I think a lot of the points I wanted to raise you've already clarified. I was going to mention the fact that I am new to the committee, but I do understand a little bit about parliamentary procedure. Constitutionally, trade deals are the prerogative of the government. I know they've been forwarded to the committee, but our system is very unlike the American system where you require through the Constitution in the U.S. to have Congress also have its stamp of approval. Technically, we could actually vote

against it and the government could actually still sign and ratify it. It's a different system altogether from the American system.

I think you can vote for it or against it, but I'm not sure you can make amendments that the government has actually—

The Chair: Fine. I get the point. It's not a point of order. The chair has ruled. The amendments are inadmissible. It's not debatable.

Mr. Mario Silva: I wasn't arguing with your point, by the way. I was trying to clarify things and ask for your opinion as to whether I was right or wrong in my opinion.

The Chair: You were right. Thank you.

All right. We'll move on to NDP-5.

Mr. Julian.

Mr. Peter Julian: Mr. Chair—

The Chair: Mr. Harris.

Mr. Richard Harris (Cariboo—Prince George, CPC): On a point of order, I'd just like to thank Mr. Silva for bringing that to our attention.

The Chair: That's not a point of order, Mr. Harris. Thanks anyway.

Mr. Julian, you have the floor for movement of your amendment, NDP-5.

Mr. Peter Julian: Mr. Chair, I will have to disagree with you in terms of your ruling on amendments NDP-1 to NDP-4. It doesn't expand the scope of the bill at all. In fact, it is perfectly in order with an implementation bill to subscribe or delete now—

The Chair: Excuse me, Mr. Julian, are you challenging the chair?

Mr. Peter Julian: No, Mr. Chair.

The Chair: Then please move your amendment and carry on.

Mr. Peter Julian: I suspect, Mr. Chair, we're going to see a similar ruling on this next series of amendments, and I will challenge you on that. I wanted to respond to Mr. Silva's comments.

I'm moving amendments NDP-5 through NDP-8, Mr. Chair, so they're now on the table.

The Chair: All right.

Mr. Peter Julian: To start off, responding to Mr. Silva, I'll say that Parliament is sovereign and Parliament does have the responsibility to amend the implementation legislation. It doesn't change the text of the treaty; it changes the impact of the agreement itself, which would mean, of course, if there's a carve-out on shipbuilding in the implementation bills as a result of that, we would go back to the EFTA partners and explain that Parliament has amended the implementation bill. EFTA, in the same way that Peru responded to the U.S. Congress when they amended the U.S.-Peru trade agreement, would then have to respond in a similar vein. It is current practice around the world for legislatures to provide that oversight, that due diligence.

It's not a question of the same system. It's certainly not a question of constitutional responsibilities. We have the right and the responsibility—I would suggest the responsibility. We certainly have the right to amend implementation legislation.

This next series of amendments would amend the Norway tariff, and that is very clearly where most of the concern is around our shipbuilding industry. The Norwegian industry has been built up through a very smart and strategic development of their shipbuilding industry. Norway has decided to put forward a shipbuilding industrial strategy. We haven't. So at the same time as Canada's shipbuilding industry has declined markedly—and Mr. MacPherson testified just a few minutes ago that we are at one-third of our capacity, which means thousands of lost jobs—Norway has built up its shipbuilding capacity and has become one of the world's leaders in shipbuilding.

Mr. Chair, you're too young to remember this, but in the Second World War we had the fourth-largest navy on the planet, and our shipbuilding industry in British Columbia, in Nova Scotia, and in the chantier naval Davie Québec—right across the country—was extremely strong. We had an extremely strong shipbuilding industry that has declined. Norway has built up its shipbuilding industry. What's wrong with that picture? Norway has put the emphasis on building up their shipbuilding industry while we've forgotten it, so we have a responsibility.

We certainly have the right constitutionally and the right as a parliamentary committee to amend the implementation legislation. It is not beyond the scope of the bill. It is very clearly within the scope of the bill to make these amendments.

Mr. Chair, if you're going to be ruling on that shortly, I will challenge your ruling to that effect.

•(1040)

The Chair: Don't put the cart before the horse.

Mr. Peter Julian: Very clearly, what is proposed here is constitutional. It is within the scope of the bill. It is responsible, and it is what the shipbuilding industry unanimously has asked for. We have the responsibility, I believe, to approve these amendments.

The Chair: Thank you, Mr. Julian.

Mr. Julian is moving amendment NDP-5 and the consequential amendments NDP-6, NDP-7, and NDP-8.

As suspected, Mr. Julian, the chair will again rule that the elimination of these provisions is at odds with the intent of the EFTA and contrary to the principle of Bill C-2, so the amendment is therefore inadmissible. As a consequence of this ruling, the chair must also find that the consequential amendments NDP-6, NDP-7, and NDP-8 are also inadmissible. It is not debatable.

We'll move on.

Mr. Julian.

Mr. Peter Julian: On a point of order, Mr. Chair, I challenge your ruling.

The Chair: All right.

Mr. Julian has challenged the ruling of the chair. That is also not debatable. I would ask those who wish to sustain the chair to please raise their hands.

Just so we are clear, the chair has ruled that Mr. Julian's amendments regarding a carve-out for Norway are inadmissible. The chair has ruled these amendments inadmissible and contrary to the

principle of Bill C-2. Mr. Julian has challenged the chair. It is not debatable.

I'm asking the committee now that those in favour of sustaining the chair please raise their hands.

(Ruling of the chair sustained: yeas 9; nays 3)

Mr. Peter Julian: Mr. Chair, the vote was 9 to 3, but there are only 11 members.

The Clerk: Oh, I'm sorry. It was 8 to 3.

Mr. Ron Cannan: You still lost.

Mr. Peter Julian: But by less.

The Chair: Thank you.

We're moving on to the next amendment. That would be amendment NDP-9.

Mr. Julian.

Mr. Peter Julian: Mr. Chair, I will move amendments NDP-9 through NDP-12.

Unfortunately, nobody testifying before us feared the Swiss and Liechtenstein shipbuilding industries, so I think it's a little more difficult to put forward these amendments when clearly it's the Norwegian industry that is of concern.

You are going to try, Mr. Chair, to rule these amendments out of order as well.

The Chair: Move your amendment and leave the judgment to me.

Mr. Peter Julian: In a real sense, Mr. Chair, these amendments subscribe to the shipbuilding carve-outs that the industry attested to, but if you rule it out of order, Mr. Chair, essentially what happens is they then become admissible and in order for third reading, so we will have these debates over these amendments just the same in the House, as you know.

If they're not considered at the committee stage and they are clearly within the scope of the bill, then what happens is they become eligible for committee stage reporting. We'll have this debate over these amendments again. I'm not sure what the government's strategy is on this, because by refusing to have the votes at committee stage, we then essentially defer the debate to committee stage in the House. That gives us additional time to discuss with our Liberal colleagues, of course, the possibility of shipbuilding being carved out of the agreement. So in a sense, Mr. Chair—

•(1045)

The Chair: Okay. I think we've heard enough.

Mr. Peter Julian: Well, we have 14 minutes left.

The Chair: But, Mr. Julian, you've moved the amendment and you're now getting into debate on an entirely unrelated matter.

Mr. Peter Julian: Fair enough.

The Chair: I've heard it. You were very savvy in suggesting that the chair might rule as it ruled in the past, that in the opinion—

Mr. Peter Julian: I think I saw this coming.

The Chair: Did you see that coming?

With regard to amendment NDP-9, in the opinion of the chair, the elimination of these provisions is at odds with the intent of EFTA and contrary to the principle of Bill C-2 and is therefore inadmissible. As a consequence of this ruling, the chair must also find that the following consequential amendments are inadmissible: NDP-10, NDP-11, NDP-12, NDP-13, NDP-14, NDP-15, and NDP-16.

Let me clarify that, because I did go beyond NDP-13. We hadn't moved amendments NDP-14, NDP-15, and NDP-16. Those are regarding the tariff schedule. If there is no amendment, then there is no point in moving to the schedule, so we'll just save a little time and rule them all inadmissible.

Mr. Julian.

Mr. Peter Julian: Mr. Chair, with respect, I challenge your ruling.

The Chair: Mr. Julian is challenging the ruling.

On any particular one or on all of them, Mr. Julian?

Mr. Peter Julian: They're within the scope of the bill.

The Chair: All right.

Mr. Julian is again challenging the chair with regard to the admissibility of his amendments. The chair has ruled that these amendments are inadmissible.

(Ruling of the chair sustained: yeas 8; nays 3)

The Chair: We have no amendments to clause 33.

(Clause 33 agreed to)

The Chair: I have not received any further amendments until clause 38. Shall clauses 34 to 38 carry?

(Clauses 34 to 38 inclusive agreed to)

The Chair: Shall schedules 1 through 7 carry?

Mr. Peter Julian: On division.

(Schedules 1 to 7 inclusive agreed to on division)

(On clause 1—*Short title*)

The Chair: We're back to the top now, members.

Shall the short title carry?

Mr. Peter Julian: On division.

(Clause 1 agreed to on division)

The Chair: Shall the title carry?

Some hon. members: Agreed.

Mr. Peter Julian: On division

The Chair: Shall the bill as amended carry? That first amendment from Mr. Keddy had passed.

Some hon. members: Agreed.

Mr. Peter Julian: On division.

The Chair: Shall I report the bill to the House?

Some hon. members: Agreed.

Mr. Peter Julian: On division.

The Chair: Shall the committee order a reprint of the bill?

Some hon. members: Agreed.

● (1050)

Mr. Peter Julian: On division.

The Chair: Does that satisfy the legal clerk? It does. All right.

Thank you to the committee, and thank you to the witnesses for their patience and assistance throughout. It's been very helpful.

We have now concluded Bill C-2 in committee. There is no further business.

I should remind members that we are going to begin our Thursday meeting one hour later. It will be in 253-D of Centre Block at 10 o'clock.

This meeting is adjourned.

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