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Chair

Mr. Lee Richardson

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• (1545)

[English]

The Chair (Mr. Lee Richardson (Calgary Centre, CPC)): This is the 22nd meeting of this session of the Standing Committee on International Trade. We are continuing our study of the free trade agreement between Canada and the states of the European Free Trade Association: Iceland, Liechtenstein, Norway, and Switzerland.

We will hear today from witnesses representing the Shipbuilding Association of Canada; the Canadian Auto Workers Shipbuilding, Waterways and Marine Workers Council; and the National Farmers Union.

I will introduce our guests first. We will hear briefly from each of them and then ask questions.

It's always a bit late getting started on Wednesdays because the House tends to be late after question period, so I will get right to it. I appreciate your patience. We'll begin.

Mr. Sukh Dhaliwal (Newton—North Delta, Lib.): [*Inaudible—Editor*]...to vote today.

The Chair: Yes, and that's another good point. Thank you, Mr. Dhaliwal.

We will have to conclude the meeting at 5:15 because we have votes tonight in the other building. We have some outstanding business from the previous meeting on future business, so I suggest we conclude this session at five o'clock, allow our witnesses to leave us, and go in camera for 15 minutes to deal with future business.

I'm ready to proceed, with the consent of the committee.

I would like to introduce, from the Shipbuilding Association of Canada, independent consultant and member of the board of directors, Mr. Andrew McArthur.

From the Canadian Auto Workers' Shipbuilding, Waterways and Marine Workers Council, we have Karl Risser Jr., who is the president of Halifax Local 1; and the business agent, Jamie Vaslet, who is here with us today.

Via video conference, from the National Farmers Union in Saskatoon, we have the executive secretary, Terry Pugh.

Can you hear me well?

Mr. Terry Pugh (Executive Secretary, National Farmers Union): Yes, I can hear you fine. Thank you very much.

The Chair: My goodness, we can certainly hear you fine. You're coming in beautifully on the screen here in our meeting room.

I'm going to ask you each for a brief opening statement of five to ten minutes. I'll begin with Mr. McArthur from the Shipbuilding Association of Canada.

Mr. Andrew McArthur (Independent Consultant, Member of the Board of Directors, Shipbuilding Association of Canada): Thank you very much, Mr. Chairman. I welcome this opportunity to appear before your committee.

I apologize that we have no written brief. Something fell between the cracks and we were not aware until Monday morning that a presentation was asked for. I was sitting happily by the pool in Florida when I was asked to make a presentation.

I will speak for the Shipbuilding Association of Canada, for which I'm a past chairman and member of the board of directors. I will also represent Irving Shipbuilding Inc. I retired as vice-chairman a couple of years ago, and I still do work on a consulting basis. I will also briefly talk on behalf of Atlantic Towing Limited, which is another Irving company.

For brevity, when I speak for Irving Shipbuilding Inc., I'll call it ISI, and when I talk about the Shipbuilding Association, I'll call it the association.

It has to be five or six years ago that we started talking about EFTA. It's been a long time, and I have been involved since day one in the discussions.

The positions of the association and Irving are basically the same. From day one, we said the Norwegian industry has been totally supported by its government to build up a tremendous infrastructure. It is a good industry with a lot of government help, and now they're looking to see what else they can do.

So our position from day one has been that shipbuilding should be carved out from the trade agreement. We butted our heads against a brick wall for quite a number of years on that and we were told there is no carve-out. If the Americans, under the Jones Act, can carve out shipbuilding from NAFTA and other free trade agreements, as I believe the Americans are doing today with Korea, or have done, why can Canada not do the same?

Looking at NAFTA, we feel we were sold down the river on NAFTA. We cannot build for American shipowners, but American shipbuilders can build for Canadian shipowners and import the ships into Canada duty-free. There has never been such a one-sided agreement, to my knowledge. It's totally ludicrous that they can build for Canadian owners, come in duty-free, and we cannot build for American owners. On the repair side, it is even worse. We used to be able to do some repairs for American Jones Act ships. Today it's very, very difficult. There are a lot of restrictions, and that work has basically disappeared.

So I think you can understand why we were all for carve-out.

The Shipbuilding Association reluctantly took this position. After beating our heads against the wall, we said, "Okay, you're telling us that categorically there will be no carve-out?" The bureaucrats we were dealing with at the time said, "Quite definitely." We then took the attitude as an association that half a loaf is better than nothing, so we started the discussion and said, "Since you're telling us that, then we need a long phase-in period." We talked for fifteen years, and to the best of my knowledge I think the fifteen years has been achieved. We don't like it, but if it's the best deal that could be done, we have to stick with it.

The association was quite firm on the point, however, that their agreement on a phase-out was contingent on getting a new shipbuilding policy. Now, the new shipbuilding policy we asked for was that the Government of Canada continue the Buy Canada policy for Canadian government ships, and we are told that is still the situation. We still have the Buy Canada policy. That's excellent, as there are quite a number of programs coming in.

But we went further. We have the structured financing facility where there is an interest buy-down for potential owners. Canadian owners also have access to the accelerated capital cost allowance, where you can depreciate a ship basically over three years. But it's an either/or situation, and it's totally unfair to Canadian shipowners. If we build a ship for a foreign owner, they can get access to the structure and financing facility and get an interest buy-down. They can then go back to their own country and get accelerated depreciation, the same as you do in Canada. So they get a ship that they can depreciate very quickly and beneficially to them, and the charge-out rates then go worldwide when they're putting their ship to use.

• (1550)

When a Canadian owner comes to us, we tell them they can get the structured financing facility, but if they take it, they don't get the ACCA, and therefore the depreciation isn't over three years, it's over twenty years.

So you penalize, by the introduction of this, the Canadian owners. A Canadian owner might be then better going overseas, where he can get reasonable financing. But then to bring his ship into Canada, where he currently pays the duty, he's no better off. So you're penalizing the shipbuilding industry and you're penalizing the Canadian owners.

The Shipbuilding Association agreement to the phase-out was contingent on the Buy Canada policy, combining SFF and ACCA. Since that has not happened, the Shipbuilding Association is back to

the policy of carve-out. We've said that since day one. However, we're told it's not in the agreement. You've gone with a 15-year phase-out.

Quite some time ago, we were told that the only thing holding up an agreement was the shipbuilding industry. Everything else had been agreed. The shipbuilding was holding everything up. One must ask oneself, why is shipbuilding holding it up? Who wants shipbuilding? Who are the EFTA countries that want shipbuilding in the agreement? I'm quite sure it doesn't matter to Greenland, Liechtenstein, Switzerland: it only leaves Norway.

Somebody should ask themselves why Norway is so hell-bent on getting shipbuilding into EFTA. There's only one answer: they want to come in, they want to sell ships in Canada, and they want take away the ships we are building. More than that, Norway owns one of the biggest offshore supply vessel fleets in the world. They look worldwide in terms of where they can put these ships. These ships were basically built at a time when they got subsidies. They've been depreciated. They can therefore put them into Canada at charter rates that the companies in Canada cannot meet.

Now, that's not going to affect the shipbuilder directly, but it's going to affect, for example, Atlantic Towing Limited. Since 1995, Atlantic Towing, which is an Irving company, has invested \$317 million in an offshore supply boat fleet. It was not under subsidy and they didn't get the SFF on any of them. They financed the fleet themselves. They now have to compete against ships, if we go ahead with this, where the charter rate will beat the hell out of them. Those ships were built with subsidies and were written down.

We deal a lot with Norway. Funnily enough, we built these offshore supply boats to a Norwegian design. We bought the equipment in Norway. We say ourselves that we have excellent relations with the Norwegians. We could have designed an offshore supply boat, but they build the UT722s. If you're in the oil business and you're chartering supply boats, you'll know—everybody in the business worldwide will know—what a UT722 is. We thought about it, and thought, okay, we'll design a Halifax 123. But when anybody would go to charter it, we knew they would say, "What the hell is a Halifax 123? I've no idea what that ship does. I like the UT722." That's the reason we went to Norway, we bought the design, and we built them.

As I said, we're very good friends with them, and we don't mind doing that, but now we feel that they're putting the boots to us. Not only do they want us to buy their equipment, they want to build the ships in Norway, put their own equipment on them, and then send them to Canada. I think the government has to think a long time before it does that.

The other thing there has been a lot of discussion about is Norwegian content. The negotiators had actually negotiated that a vessel built in Norway, with 35% Norwegian content, would qualify as built in Canada. That was the most ludicrous thing we had ever heard. They got the numbers mixed up. It's now changed, I understand, to 65% Norwegian content. But even at 65%, there is the potential that Norway can build the hulls in low-cost European countries, import them to Norway, put their equipment in them, outfit them, send them to Canada to a Canadian owner, and qualify for the reduced duty. Those would qualify as Norwegian-built ships.

• (1555)

A Norwegian-built ship should be 100% built in Norway. Sixty-five percent is a lot better than thirty-five percent, but it's still debatable. There is the potential there for them to go to Poland or someplace to build low-cost hulls.

For us, going to Poland is out of the question. For one thing, we don't employ these guys. For another thing, towing a dead hull with no equipment or power across the Atlantic is just out of the question. It's not feasible or cost-effective either.

What happens if this goes ahead?

Shipbuilding in Canada is in a precarious situation. If you go back to the early 1980s, we had a big viable industry. In about 1986 we started with a shipbuilding rationalization program. You have Burrard on the west coast. Yarrows closed. Collingwood closed. MIL and Sorel closed. Vickers in Montreal closed. A big part of the capability was taken out.

What we are left with today is Washington Marine on the west coast and a few other smaller ones. There is Port Weller in the middle, which is owned by Upper Lakes Shipping, and its future is somewhat in the balance and it was recently in bankruptcy. Jack Leitch from Upper Lakes has bought it back, and hopefully it's going to stay in business. You have Davie Shipbuilding in Quebec, which has been in bankruptcy four times that I remember in the last 30 years. There is a new owner, and funny enough, the owner is Norwegian. I think that's pure coincidence, by the way. We're not sure of the future of Davie. It's very busy right now, and hopefully it's making a strong comeback and it'll stay in business. Then you have the Irving Group on the east coast with Halifax Shipyards and East Isle in Prince Edward Island. You have Marystown in Newfoundland. That is basically the industry.

For example—and I apologize for not having any handouts—if you look at the Halifax Shipyard and East Isle, between them right now there are approximately 600 or 700 employees. The average payroll runs to \$30 million. We pay \$11 million a year in CPP, EI, and others. Halifax Shipyard purchases locally \$35 million in goods and services, basically in Nova Scotia, but also in other parts. East Isle has purchased \$3 million in Prince Edward Island. If you're in Toronto \$3 million in purchases doesn't get much attention, but in Prince Edward Island \$3 million certainly helps. If you look at Atlantic Towing, they employ 300 people. They have an annual payroll of \$17 million, pay \$6 million CPP, etc., purchased \$17 million, and as I said, since 1995 have spent \$317 million.

There is a group in Quebec, and we got this information from Gordon Bain, who is the president. He would be affected like East

Isle and like Atlantic Towing and Secunda. He employs 350 people. He has an annual payroll of \$18.7 million. He pays \$4.6 million in payroll taxes and spends \$20 million a year in purchases of local goods and services. Gordon has invested \$50.6 million in that company since 1995.

There's a big investment in the companies. If they were to disappear, we would be in dire straits.

There's one other major point that must be considered, and I think the Department of National Defence has finally come around to this concept. It started, I think, three years ago at an outlook conference in Vancouver, and I gave a speech about it. Without new construction, the ship repair industry will not survive in Canada. Ship construction attracts the engineers, naval architects, and technicians. Ship repair is difficult. The Japanese call it KKK. It's dirty, dangerous, and difficult. You need ship construction to advance the technology, get the investment, and get the people that you require—the engineers and technicians.

If there is no new construction in Canada, it's quite likely the repair will disappear. If there is no new construction, the Halifax Shipyard will likely close. That affects these fellows, it affects the payroll; but worse than that, we are neighbours with a fleet maintenance facility. We have a common boundary.

• (1600)

When I talk to the admirals, I say, "Do you realize that if we disappear, we disappear for good? What are you going to do with your frigates?" They answer "Yes, but...."

You're not going to Spain, you're not going to Portugal, you're not going to the U.K.; the logical choice is to go to the U.S. We've got 12 frigates; the U.S. has 57 FFG7s. If there's any difficulty in getting repair, you know who's going to be at the head of the line. It's not going to be us.

There is a growing concern amongst the senior brass at DND that the ship repair industry must exist. It's a strategic resource. The Americans, the U.K., France, Germany, and Australia all recognize it as a strategic resource.

We have to do something to ensure shipbuilding continues. The easiest thing is to carve it out from EFTA. And if you do one thing, convince your colleagues in government to extend the ship financing facility, make it available to Canadian owners in combination with the accelerated capital cost allowance, and you will have as vibrant an industry as exists.

There's nobody here from the Great Lakes, but the Great Lakes today are in a terrible situation. The average ship is over 30 years old and has to be built soon.

My recommendation is to carve out EFTA, combine SFF extended, and combine it with ACCA.

Thank you very much, gentlemen.

The Chair: Thank you, Mr. McArthur.

We'll now hear from Karl Risser Jr. I'm going to get it right before the end of the day, Karl.

Mr. Risser is from the Canadian Auto Workers' Shipbuilding, Waterways and Marine Workers Council in Halifax.

Mr. Karl Risser Jr. (President, Halifax Local 1 and Shipbuilding, Waterways and Marine Workers Council, Canadian Auto Workers Shipbuilding, Waterways and Marine Workers Council): Thank you, Mr. Chair, and thank you to the committee for hearing from us.

The Chair: Could you try to keep it under 10 minutes? We went to about 20 minutes on the last one.

Mr. Karl Risser Jr.: Andrew did a pretty good job in over-viewing where the industry is at, and I'll try to stay away from repeating what he said.

Again, thank you for having us here. Because of the short notice, we don't have anything prepared by our union, but it would like an opportunity to put together a formal presentation to this committee. Hopefully, this committee can make time for that.

I am here on behalf of the workers in the marine sector of our union to express our opposition to this agreement. Canadian shipbuilders find themselves competing for work in domestic and international markets on far from a level ground. Other governments, Norway for one, have supported their shipbuilding industries for years and have built them into powers, while Canada has not. We have had little protection, and what little protection we have left is a 25% tariff on imported vessels into Canada, which is being washed away by government daily through agreements such as this and the exemptions being negotiated with companies.

The government—in this case Minister O'Connor—has stated that the shipbuilding industry is of strategic importance to the sovereignty of this nation. And Peter MacKay, in a press release on June 7, stated that the government recognizes the challenges faced by the shipbuilding industry and is taking real action to help it in both the short term and long term, and that as a marine nation Canada needs a viable shipbuilding industry to support our sovereignty. Maxime Bernier has said the same thing in talking about a renewed approach to assist in the maintenance of domestic shipbuilding and ship repair capacity, which supports our sovereignty as a nation.

With all these statements, you'd think the government's action would be to put into place national strategies to ensure a viable shipbuilding industry, but we have seen no sign of that. What we have seen is the EFTA agreement, which we feel will further devastate the shipbuilding industry.

So I urge you to take the opportunity before us with procurement to revitalize this industry. This industry provides highly skilled jobs, often in areas of economic depression. The shipbuilding industry supports key industries such as transport, fisheries, tourism, and oil and gas—and perhaps most importantly, as Andrew pointed out, the industry is critical to the defence capabilities of Canada.

The reasons are clear for supporting the shipbuilding industry. I just think this committee and government have to find ways of doing that. As yet, we still have to see something that actually works for us.

There is a large phase-out period in this agreement, and we all recognize that is a benefit; but it's only a benefit if there is a way for us to adjust. Asking workers to adjust to a global market is unfair,

because there are actually things that we cannot control. In some of the countries that we will be competing with internationally, the workers themselves are the subsidy. There are not human rights in some of these countries; there is very little health and safety. It's a totally different game that some of these countries are playing.

But to get back to this agreement, the Norwegians have built their industry into a very powerful industry.

So this EFTA deal is a bad deal for Canada. I'd love to see someone answer the question, what is Canada going to get out of this agreement? I know we're going to destroy our shipbuilding industry, a multi-billion-dollar industry in Canada. It's on its last legs now and needs a real boost. We have that opportunity in front of us, but whether we take it or not is the question.

Again, the one question I have is, what is the benefit to Canada from this agreement? The last thing I would like to ask is, will this agreement be put before Parliament, as Minister Emerson has said, for a full debate and vote?

On that note, I will close my statement. Thank you.

● (1605)

The Chair: Thank you, Mr. Risser.

Now, in the interests of timing, we're going to shift gears a little and go to Saskatoon, and Terry Pugh of the National Farmers Union. Could I also ask you to give only a brief opening statement, and then we'll move to questions, and committee can direct their questions to those from whom they would wish a response?

From the National Farmers Union in Saskatoon, Terry Pugh, the executive secretary.

Mr. Terry Pugh: Thank you very much for the opportunity to present to the committee by video conference. We appreciate it.

We haven't had a lot of time to look at this trade agreement, but it's clear that it's one of a series of bilateral trade agreements that Canada is pursuing. They're all in conjunction with the larger trade agreement, the WTO, so it's important to look at this in the context of the WTO.

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

That being said, there is actually one positive thing in this agreement that I've seen, and that is on durum wheat. It's perhaps the only positive aspect of this trade deal that I've found. Because durum exports are made through the Canadian Wheat Board, the farmers of western Canada are the direct beneficiaries of those sales and more money is going right back to the farm gate. If those sales were made through private grain companies, there would be considerably less going back to the farm gate. So an increase in sales as a result of lower tariffs in some of these countries will actually translate into increased direct revenue for farmers.

Of course, the Wheat Board has done a tremendous job marketing durum in Europe. You're probably aware that the EU is our biggest customer already for durum wheat. Canada grows only a little over 12% of world durum production, but we actually ship 51.8% of durum globally.

Right now Switzerland isn't a big market for us. From the best estimates we've seen, we only ship about 1,500 tonnes, and the tariff rate is already very low. Norway is a little bigger, and right now we export no durum to Norway. So if we are increasing those exports, that will probably help us.

But it's important to keep in mind that Canadian wheat and durum exports are a big draw for our overseas customers because of the consistent quality and reliability of those grains. That's due to the Canadian Wheat Board sales regulations that are in place, the Canadian Grain Commission, and our system of kernel visual distinguishability.

Both of those agencies are under severe stress right now. The Canadian Grain Commission, under Bill C-39, is faced with the loss of inward inspection. As you're probably aware, the KVD system, which is the key cornerstone of our grain quality system, is going to be phased out on August 1, 2008. If that happens, there is a real concern about whether we're going to be able to keep those markets. So even if we gain something with these duty tariff reductions, we may lose many millions more if we lose the Canadian Grain Commission and the Canadian Wheat Board single desk.

I was a little surprised, in reading some of the transcripts, that no economic analysis has been done on the implications of this trade deal. I think that speaks volumes. We've seen a similar lack of economic analysis in Bill C-46, which will change the Canadian Wheat Board Act and the Grain Commission. We haven't seen any economic analysis by the government on what will happen to farm incomes if those two agencies are weakened in any way.

• (1610)

But the most critical and highly negative aspect of this deal, from our point of view, is its impact on supply management, for example, in the dairy industry. It's true that our access commitments remain in place for imports of certain commodities, as specified under the WTO agreement, but the tariff rates on some of those imports have been dramatically lowered, some of them to the point of elimination entirely.

It's good when the tariff rates on our exports are reduced. It's another matter when we see tariff rates on imports of dairy products, for example, coming into Canada reduced.... I think the Ag Canada representative, in early March, pointed out that, for example, on butter, under 4,000 tonnes of butter coming into Canada, which is our access quota, right now under the WTO—that's a 7% tariff. Under this deal, that 7% goes down to 0%. That is, without a doubt, a tariff cut from 7% down to 0%. The amount that's coming in stays the same, but the tariff rate is actually reduced.

That is a key point, because what that does is effectively facilitate access to the Canadian market for imports of dairy products. We have to keep in mind that the more we open up our market to imports, the more we shut out Canadian producers from their own

domestic market. As I pointed out, that cut from 7% to 0% for some dairy products coming in is definitely a cut in tariff rates.

A little over two months ago, Agriculture Minister Gerry Ritz stated in response to a revised WTO draft modalities text, "Canada maintains its firm opposition to any tariff cuts or tariff quota expansion for sensitive products. This represents a fundamental element of Canada's negotiating position."

I'll just finish up by saying that that statement from Gerry Ritz was released two weeks after this agreement was signed, when he certainly should have been well aware that there were tariff cuts. So when he said there will be no tariff cuts at the WTO, it makes us wonder whether the government is perhaps putting on a public show of resisting this push at the WTO for reductions in tariffs; but it's actually willing to cut tariffs on a small bilateral trade deal, so how can it refuse to do so on the larger WTO deal?

This agreement actually appears to have set a precedent that may well facilitate ongoing trade measures that weaken Canada's supply management and orderly marketing systems.

I'll conclude with those remarks.

• (1615)

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

We're going to begin our round of questioning. I think we may get just one round in today.

I see Mr. Bains is chomping at the bit, so we'll begin with the Liberal Party and Mr. Bains.

Hon. Navdeep Bains (Mississauga—Brampton South, Lib.): Thank you very much, Chair.

I'm going to ask my set of questions, and hopefully if there's time remaining, I'd like my colleagues to also ask their sets of questions, if we're only going for one round.

In my first question I'm seeking clarification, and this is for you, Mr. McArthur. You spoke very clearly about the concerns you had with the Norwegian shipbuilding market and how Norway has heavily subsidized its market. From your current experience, do you know, in any shape or form, of any examples presently of their subsidizing the shipbuilding industry in Norway?

Mr. Andrew McArthur: No. To the best of my knowledge, Norway phased out its shipbuilding subsidy policy over a number of years and it's now finished.

Hon. Navdeep Bains: That's what we heard from the department, as well as officials from the Norwegian—

Mr. Andrew McArthur: If I could add one thing, though, we believe quite a number of contracts were signed before it was eliminated, and those ships have yet to be built.

Hon. Navdeep Bains: Okay. That's a fair comment. That's a very good point you raise.

Secondly, Mr. McArthur, you talked fairly extensively about the shipbuilding strategy and about some of its positive aspects. You felt that the Buy Canada procurement policy, if it remains intact, is a good thing for us and it helps shipbuilding locally, but you seem to be concerned about its structured financing. What did you want to see in that, or what was missing according to your analysis?

Mr. Andrew McArthur: Let me agree with you. We think the Buy Canada policy is very good, and there are a lot of programs coming up that have been a long time in coming. That has been the problem.

There is the structured financing facility, where you can actually get a financial buy-down of almost up to 15% of the cost of the vessel, but if a Canadian owner accesses that facility, then he loses an accelerated capital cost allowance, where he can depreciate one-sixth of his vessel the first year, one-third, one-third, and one-sixth. In effect, he will have written it off over three years. And they're worth about the same amount.

If companies are profitable in their business, they generally accept the ACCA and forgo the SFF. For all the ships we've built in the past few years, for everything, we didn't want to access SFF.

If the companies are profitable, they take advantage of the ACCA. If you combined both, many other shipowners would come to the table in Canada. You'd see a revival of the lakes fleet, for example.

Hon. Navdeep Bains: This is a question for Mr. Risser, who spoke about jobs and the fact that this will have a tremendous impact on the jobs.

You indicated in your remarks that the 15-year tariff reduction wasn't sufficient time for the local industry and for the local employees to adjust. Could you elaborate on that, because from the sound of it, if the average person were told this, they would think 15 years seems to be a reasonable timeline to know in advance that the tariffs are going to be reduced and therefore certain adjustments will be needed. So could you elaborate on that, because I didn't necessarily catch a 15-year time period as insufficient.

Mr. Karl Risser Jr.: As to the 15-year time period, what I'm basically saying is that the things we would have to change are out of our control as a company or as workers. They're more at a government level, the things that would have to be put in place to support the industry. Fifteen years may seem like a long time here in this room, but your first question was about Norway companies not being subsidized anymore, but they were. They were subsidized for a long period of time in which they built this killer machine, this monster, and we were left to starve, left with what we managed to keep going on our own. So now it's like you're going into the prize fight, and they're going to send in their 300-pound boxer and we're going to go in there at 165 pounds.

• (1620)

Hon. Navdeep Bains: Have you done any analysis on the job loss, the impact it will have on the industry, how many jobs will be lost in the short and long terms? I know the comment was made in the remarks that it was deeply disappointing that there was no economic analysis done, even after the deal was signed, to show to key stakeholders how this deal would potentially play out in case scenarios. So I wanted to know from the Canadian Auto Workers

shipbuilding section whether you have done any analysis. Do you have any projections or numbers that you can share with us?

Mr. Karl Risser Jr.: No. Well, not as of yet, and that's why, when I started, I said our union could bring forward numbers like that at some point, and I think it looks forward to that opportunity to put forward a more detailed report and look at some of those numbers for you. But with the short timelines we have in front of us, I don't know if.... Today we do not have those.

Hon. Navdeep Bains: Okay.

Mr. Pugh, you spoke extensively about the supply management issue, which is obviously a very sensitive topic. We were given assurances by department officials and by the government that supply management is protected and will be protected in this deal and is not compromised, and you spoke to the example that they described about the butter issue. In summary, do you believe supply management has been compromised in this free trade agreement?

Mr. Terry Pugh: I think it's been compromised to the effect that what we're seeing is a chipping away of the foundation of what keeps it in place here. And to a certain extent, there's a little bit of jiggery-pokery happening here, because if you keep the tariff quotas the same but you reduce the tariffs, then you're essentially still freeing it up. You're making it easier for those imports to come in. It's making it more profitable for any company that's exporting, say, from another country into Canada. It's making it a more attractive option for those people. So if you just chip a little bit away there, you could say that things are still the same because we still retain those tariff quotas. But the tariffs have dropped. So a little later on, say under the WTO, you may see those tariff rate quotas going up. And then again the tariffs within that limit may drop as well.

So it's death by a thousand cuts. Over a period of time we're seeing the gradual weakening of that system.

Hon. Navdeep Bains: And you raised a good point as well when you talked about this particular free trade agreement as an example of how other free trade agreements could be pursued. And if, as you've indicated, we've compromised supply management to a certain extent on the periphery on this particular free trade agreement, then I think there's very little confidence that you have going forward with other free trade agreements.

Is that correct?

Mr. Terry Pugh: Well, I think it raises this question. If the government tells farmers time and again, and it's very firm on this, that its position is—and this is a quote—“firm opposition to any tariff cuts”, and then we see tariff cuts in a trade agreement that this government signs, then what does that tell us?

Hon. Navdeep Bains: Were you consulted by the government or made aware in advance of these potential tariff cuts?

Mr. Terry Pugh: No, we weren't. It wouldn't surprise me if commodity organizations such as the Dairy Farmers of Canada were also not consulted. And if they were consulted, how formal were those consultations? Was it just a meeting over a phone? Were there any records kept?

In the last appearance of Agriculture Canada and the trade negotiators, in their reference to discussions with dairy farmers, they weren't able to produce any written records of those meetings. They just said, basically, that these were all oral comments. So I don't know how seriously you can take consultations like those as serious discussions.

Hon. Navdeep Bains: Did you make any formal presentations or submissions to the government on this particular free trade agreement, EFTA?

• (1625)

Mr. Terry Pugh: On this one, no, we haven't. We have made several presentations on other trade agreements, particularly on NAFTA of course, over the years, and on the WTO as well. The WTO, I think, is the big trade deal that will have an impact on all these bilaterals. So we've definitely been letting our views on the WTO be known to the government.

Hon. Navdeep Bains: This question also applies to the other witnesses we have, the Shipbuilding Association of Canada and the Canadian Auto Workers' Shipbuilding, Waterways and Marine Workers Council. Were you involved in any consultation process? If so, did you make any formal submissions?

Mr. Andrew McArthur: I'll talk for the association.

I'm forever talking. I think we've been talking about it for six years, and we've made various presentations, quite a number. I've been at them all—I can't remember how many. I've been to at least a dozen, I would think.

Hon. Navdeep Bains: They've been presentations to the government.

Mr. Andrew McArthur: They have been to the bureaucrats who are dealing with it.

And you know, that's one drawback. Every couple of years the people change. You find that you're talking to new people, and you have to re-educate them.

Hon. Navdeep Bains: How about you, Mr. Risser.

Mr. Karl Risser Jr.: Yes, I think Andrew has said it. This is an old battle for us as a union. We've been pushing our shipbuilding policies, and it dates back to Mr. Tobin. Most recently, a brother of ours from the west coast, George MacPherson, submitted to this committee on international trade a report on how he feels about the upcoming agreements under the WTO.

The Chair: Thank you.

Thank you, Mr. Bains.

I think we'll move on to the Bloc. We'll go to Monsieur André.

[Translation]

Mr. Guy André (Berthier—Maskinongé, BQ): I will be sharing my time with Mr. Cardin. I believe that we have ten minutes, Mr. Chairman. Is that correct?

[English]

The Chair: You have 10 minutes.

[Translation]

Mr. Guy André: I am delighted to have you here with us today. You have clarified a number of points regarding shipbuilding. We

previously heard from Mr. Plunkett, a DFAIT director general, who is currently working on international trade policy. He told us that consultations have been underway with shipbuilders since as far back as early 1990. You can check that in the transcript of his testimony. He said that there did not appear to be too much disagreement about this Agreement, that it did not present any significant problem, and that it would not necessarily have a negative impact.

The Free Trade Agreement with the States of the European Free Trade Association provides for a 15-year phase-out period. There is also a 10-year phase-out period for certain sensitive products. This will give the sector the chance to adapt and become more competitive at an international level. We asked these witnesses whether an economic analysis had been carried out. They replied that no official analysis had been undertaken, although a number of consultative meetings had been held.

If this agreement were to be signed, the government would have to support you over a 15-year period so that you can adapt and become more competitive. What sort of programs or interventions would be needed in order to do this?

[English]

Mr. Andrew McArthur: There is no question that what you say is basically correct. I think I said in response to the previous question that there has been extensive discussions between the government negotiating team and the Shipbuilding Association, and I've attended every single one of them. We were quite firm in saying there should be a carve-out, and as I said earlier, the government just pounded it into our heads: "We will never agree to a carve-out." We could never understand why not. The Americans do it.

When we reluctantly accepted that the government said there would be no carve-out, we said, okay, let's get the best deal we can, and that's where we pushed for a 15-year phase-out and a different arrangement on offshore supply boats, small ferries, and tugboats. We said, however, the association agreement on doing that is contingent on help, and 15 years is fine, but if there's no additional help, the industry is just going to go along the same way.

So we said, we have the structured financing facility, we have the accelerated capital cost allowance; it's an either/or. Combine the two, and you will go a long way to supporting the shipbuilding industry. If you do one thing, combine these two, and then you'll go a long way to supporting the shipbuilding industry.

It's not going to cost the government any more. The accelerated capital cost allowance is the time value of money. You still get the same money at the end of the day. It's the time value of money. The structured financing facility is a cost, there's no question, but combine the two, and the Great Lakes fleet and others would be booming. You'd have quite a good ongoing industry. It's not difficult to do.

But you're correct, we've had long, extensive discussions with government.

I hope I've answered your question.

• (1630)

[Translation]

Mr. Serge Cardin (Sherbrooke, BQ): It is now my turn to take the floor, Mr. Chairman.

Good afternoon and welcome, gentlemen.

You said earlier that you have been involved in nearly all of the discussions that have taken place since the beginning of this process. We say in French that those who fail to attend are always in the wrong, and so I apologize if I ask a question that has already been asked. Before we go any further, I would like to know whether the Shipbuilding Association of Canada represents all shipyards from all regions in Canada.

[English]

Mr. Andrew McArthur: No, there are a few people who are not in it. The major shipyards are in it. Port Weller was out while it was under bankruptcy and so was Davie. Port Weller is back in and Davie have told us they are coming back in.

Shipyards are distinct from small boat builders. On the major people in the association, the two biggest groups are by far Irving and Washington Marine Group on the west coast, Allied in Port Weller, and then there are a number of suppliers that are part of the association. But, for example, the shipyard in Newfoundland is not a member—Peter Kiewit. They don't believe in joining associations, they tell us.

So there are a few who are not in it, but the biggest yards in the country are certainly in it.

[Translation]

Mr. Serge Cardin: Based on what you said earlier, it would seem clear that Norway, after having subsidized shipbuilding for a long time, has managed to develop a very solid industry. People have sworn to us that Norway no longer subsidizes its shipbuilding industry. However, as you said, it was able to build infrastructure and develop a fairly solid industry. It now has an impressive supply capacity and could probably meet demand at a world-wide level.

As somebody who will be affected by this Free Trade Agreement, do you not think it would be only fair for the Canadian sector to receive some form of subsidy or support—for example, tax credits for research and development, upgrading or new technology—so that it can compete with other countries, including Norway, during this transition period?

[English]

Mr. Andrew McArthur: Absolutely. That's been our point all along. We said, even if we get our 15-year phase-out and nothing else happens, that's going to be...I think your colleague said death by a thousand cuts. It will be the same thing. The industry will carry on. You won't have the capability to invest, for if you're not making money, you can't invest. And you have to invest in people and infrastructure.

And Norway has done a tremendous job. I have great admiration for Norway. I have many friends there. They subsidize their

engineering, they subsidize their technical capability, and that's why I said we buy their designs. They're first class.

But doing the phase-out without doing something else is not going to work. We'll just gradually die. We won't die right away. There are a number of government programs, so we'll exist for a while—and the word is “exist”—and then we'll just gradually die.

Norway's been through it. Germany's been through it. B.C. Ferries are building two over in Germany. That yard was bankrupted over there. It's terrible. That yard was built and subsidized with government money. It was bankrupt; it was a wreck. The German governments, local and federal, poured all sorts of money into it. It took them 10 years to get up to where they are—a first-class shipyard, absolutely. It's a good shipyard, all built with government money.

We're saying give us the programs that we need to give the industry a chance.

• (1635)

[Translation]

Mr. Serge Cardin: When Norway was heavily subsidizing its shipbuilding industry, did the WTO carry out a review to assess whether the subsidies were in compliance with its rules?

[English]

Mr. Andrew McArthur: Yes, that's quite correct, and I think we go through the same scrutiny by the WTO. But we're always the boy scouts in the world. We appear to take everything to heart and play everything by the rules. I'm not saying you shouldn't play by the rules, but when some other countries bend them, maybe we should do the same thing.

[Translation]

Mr. Serge Cardin: We know full well that it would be possible to set up programs which would be of great assistance to the industry, without necessarily contravening WTO rules.

As you may recall, a Norwegian company called TECO bought Davie, a Quebec company. Obviously, we are very happy that jobs have been kept—and even created—in Quebec. I wonder, however, if you nonetheless feel concerned that Norway can compete with us on Quebec and Canadian soil.

Do you think that this could lead to the two countries sharing technology, something which could be beneficial for the Canadian shipbuilding industry, or are you worried about the ramifications of foreign investment in our domestic industry?

[English]

Mr. Andrew McArthur: We welcome the Davie's new buyer. It's a big shipyard. If it survives, it will be the biggest shipyard in the country. We closed Saint John Shipbuilding through lack of work after the frigate program. There was no continuity. You needed about \$300 million a year in that facility. It was world class, but there was no continuity for the frigate program, so the shipyards closed.

Davie was in bankruptcy. This Norwegian owner came in and he bought it, and we welcome that. I hope he survives.

My biggest concern is that I don't know how much of his own money the guy's got into it. From what I'm told, not very much. And you know the Davie has gone through ups and downs with various owners over the years. I hope this fellow makes it. The industry in Canada would like Davie to survive. There are a lot of programs coming up. We need Davie. So I hope he makes it.

We don't fear the Norwegians' coming in and building inside Canada. It's wonderful. It's creating jobs in Canada, it's building in Canada. What we don't want is building in Norway and sending them over here. So we welcome that Norwegian gentleman's buying that shipyard.

The Chair: Thank you, Mr. McArthur, and thank you, Mr. Cardin.

Mr. Julian.

Mr. Peter Julian (Burnaby—New Westminster, NDP): Thank you very much, Mr. Chair.

I appreciate all four of you being witnesses here today. Yours are by far the strongest presentations that we've heard on the EFTA agreement. It's a matter of some concern, of course, because a year and a half ago in the same committee we were hearing testimony about job losses in the proposed softwood lumber agreement, and the government didn't listen to the comments that were made at the time. Subsequent to that, we've seen a hemorrhaging of jobs in the softwood industry.

Clearly there is real concern for the shipbuilding industry in Canada. So I'd like to start by asking those from the shipbuilding industry, the marine workers and those representing the owners, do you consider the way the government is approaching this as a broken promise? In a sense, they were pushing you to move away from carve-out to a phase-out, and the quid pro quo was to put in place some legitimate programs. Do you think that's a broken promise?

• (1640)

Mr. Andrew McArthur: Absolutely, yes.

Mr. Peter Julian: Okay. That's extremely important.

Mr. Andrew McArthur: Could I add?

In fairness to the bureaucrats, they cannot promise the Government of Canada is going to implement that program. They said they heard us, but they don't sit down and tell us they will ensure we'll get that. So we feel it's a broken promise, but we have to be fair to the individuals we were talking to.

Mr. Peter Julian: But the government has said that they ensured that all interests and concerns were fully understood and taken into account in the negotiations after regular consultation with the shipbuilding and marine industry. And very clearly that's not the case. It's a broken promise.

Parliament has three ways to proceed. First, we could proceed to adopt the implementation legislation as is and push the government to put in place the Buy Canada policy, the SFF and the ACCA, and ensure that is present for shipyards. That's option number one.

Option number two would simply be to have the House of Commons reject this treaty and have the government negotiate a carve-out for the shipbuilding industry. We have the world's largest

coastline. It's absurd that we're slowly killing our shipbuilding industry.

Option number three would simply be the House of Commons rejecting the implementation legislation.

Which of those three possibilities do you think would be best, not only to maintain the shipbuilding industry but also enhance it, so we have a shipbuilding industry that's fully supported and provides the kinds of jobs across this country that having the world's largest coastline should normally demand from our shipbuilding industry?

Mr. Andrew McArthur: It's quite difficult for any member of the association to say you should not sign the agreement. If it's good for Canada, that's great. But as my friend here said, we have asked many, many times, what's in it for Canada?

I remember that we asked at a meeting in Halifax, and she just about brought the place down. She said we're going to sell more horsemeat to Norway. You can imagine the reaction from the floor about selling horsemeat, and that was the official answer: we'll sell more horsemeat.

We've never yet been told the benefits to Canada.

Mr. Peter Julian: We've certainly been hearing representation from the government—and it's not clear—that the advantages seem to be symbolic. Very clearly, in a very practical sense what you're bringing to us today is that there is a huge downside to this deal.

Mr. Andrew McArthur: Let me go into the other parts of your question. What would we prefer?

If it's a benefit to Canada, the agreement should probably go ahead. Would we like it to go ahead as is? Absolutely not. We would like to see shipbuilding carved out, and in addition to the carve-out, perhaps talk about a combined SFF and ACCA, and then you've got a shipbuilding policy. Then you've got something we could work with.

This is not going to affect me one iota. I turned 73 last Wednesday. It's not going to affect my future. I'm gone. It doesn't matter to me, but it sure affects these guys, and they're quite passionate about that.

Mr. Karl Risser Jr.: I agree with Andrew. I think this should be rejected straight out and then we should sit down and develop policy.

You hit on it: we are a marine nation. We have a waterway that's longer than the Atlantic Ocean, and how we manage that waterway is even bigger than shipbuilding. Shipbuilding is only a part of that. Waterway management and the controlling of the Canadian fleets and the transportation that goes on around here is really lax, I think, for a maritime nation. For sure, the right way to approach this is to put in place the policies, before you negotiate a trade deal like this, that allow us to start to flourish and watch our industry grow a bit before we go and pull the plug.

Right now we have a 25% tariff in place and we're not growing, we're not competing. So to say "just adjust" as we remove that tariff is totally lax, and I think anybody who really looks at it has to understand that before you could do this, we have to head in the right direction. And right now we're not. We're not heading in the right direction at all.

Mr. Jamie Vaslet (Business Agent, Financial Secretary, Halifax Local 1, Canadian Auto Workers Shipbuilding, Waterways and Marine Workers Council): It's the same with Norway. Their shipbuilding industry was heavily subsidized for years and years and years, until it got to the point where Norway can now negotiate free trade agreements and say they are not going to subsidize their industry anymore, because it's self-sustaining. It will sustain itself through the subsidies that it's already enjoyed over the last 20 years.

I think it was in 1995 that we did the report on shipbuilding and asked Canada to put in place the measures that Mr. McArthur mentioned and to give us a real shipbuilding policy we could sink our teeth into, so that when we entered into free trade agreements like the EFTA agreement with Norway, which we are talking about now, we would at least be on a level playing field.

We're not against fair trade; we're against free trade, because we're giving Canada away. But we're not against fair trade, as a union. We believe that with the subsidies Norway has enjoyed—and I'll repeat this again—over the past 15 to 20 years, there is no way, even with the 15- or 20-year phase-out, that we can catch up to them in technology, infrastructure, and so on and so forth, because we're pouring nothing into it. It is like pouring water into a cup with no bottom; it just goes nowhere, but straight out the other end.

The other thing with the World Trade Organization, and the free trade agreements with some of the other countries like Korea, is that while they say they don't subsidize their industry, their workers are in fact direct subsidies to their industries, because of the lack of safety standards and because their wages are so low. When you're working in the Halifax Shipyard, you make \$24 an hour, and you have medical benefits, and the company pays compensation rates, and we pay our income tax to the government. And then you go to Korea, and the guy working on the ship is working in a pair of sandals, not steel-toed work boots, because there are no safety laws, and he gets \$10 a month whereas we get \$25 an hour. Their workers are a direct subsidy to their shipbuilding industry, without the government even tapping into what they are doing.

• (1645)

Mr. Peter Julian: Thank you.

I'd like to come back to Mr. McArthur. You're saying that the subsidies for the Norwegian industry are long-term contracts. Essentially those subsidies continue, as they were contracts signed in the past for ships that will be built in the future. So the subsidies are continuing.

The other question I want to ask is about the Norwegian content of 65%. Essentially, if we're looking at this tariff reduction, ships that are one-third build in Poland will be part of the equation of what could get under that tariff reduction as it works through the process.

Mr. Andrew McArthur: That could be. It's difficult to say categorically how many vessels still have to be built; it's only a few. Norway has given up its subsidies.

There are a few contracts, I am told, under which vessels still have to be built. Is it a massive amount? Obviously not. So they have, in effect, given up their subsidies.

Mr. Peter Julian: Thank you.

Over to you, Mr. Pugh.

In all of the EFTA countries, they have paid particular attention to preserving the family farm. That's very clear from the agricultural side agreements that are part of the EFTA. So my question is about your comments on the chipping away of supply management, the chipping away of family farms. Essentially, what do you think the impact of this is in the long term, and why are the European countries so much better at protecting their agricultural sectors and their family farms?

Mr. Terry Pugh: Well, I think it goes back to their history, right back to World War II. They realize what the loss of that food production capacity entails, and they're not prepared to go through that again.

On the other hand, here in Canada we seem to be embracing the idea of importing food wherever possible. The CanGro fruit and vegetable processing plant in the Niagara Peninsula in Ontario, for example, which was really the only processing plant east of the Rocky Mountains for Del Monte vegetables and fruits, is probably going to be shut down. The last day was March 31, I think, and we're still not sure how much longer that's going to keep going. But it doesn't make sense to keep importing food at the same time as we are sacrificing our own production here in Canada.

If we sacrifice institutions that ensure farmers have market power, like the Canadian Wheat Board, supply management systems, and the Canadian Grain Commission as well, we are essentially driving down farm income here in Canada and we're turning over control of that food production to outsiders.

• (1650)

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

Mr. Miller.

Mr. Larry Miller (Bruce—Grey—Owen Sound, CPC): Thank you, Mr. Chairman. I'm going to be splitting my time with Mr. Cannan.

Thank you to our guests for being here.

Happy belated birthday, Mr. McArthur. You hold your age well.

Mr. Risser, earlier you mentioned human rights around the world. We all know that there are countries where.... Do you have any evidence that you could put forth that could show human rights abuses in Switzerland, Norway, Iceland?

Mr. Karl Risser Jr.: No, not in Norway. It would be more specific to South Korea.

Mr. Larry Miller: So none of those countries in the EFTA.

Mr. Karl Risser Jr.: No, not in the EFTA agreement.

Mr. Larry Miller: Thank you.

Mr. McArthur, you stated earlier—I hope I quote you right on this—that if an agreement is good for Canada, we should probably go ahead and sign it. We've had many witnesses here at the committee who have stated that this is a good agreement for Canada, so I'm glad to hear your endorsement.

Are you aware of any violations of human rights in any of the countries in the EFTA agreement?

Mr. Andrew McArthur: Absolutely not. They're all first-class.

Mr. Larry Miller: Thank you.

Mr. Pugh, you represent the National Farmers Union?

Mr. Terry Pugh: That's correct.

Mr. Larry Miller: Are you also on the board of directors for the Canadian Wheat Board, or an advocate for it?

Mr. Terry Pugh: No, I'm not on the board of directors of the Canadian Wheat Board.

Mr. Larry Miller: Are you a paid advocate for them?

Mr. Terry Pugh: I'm an employee of the National Farmers Union.

Mr. Larry Miller: Thank you.

Now, many industries that are in this EFTA free trade agreement are going to benefit from this EFTA agreement. One of those industries, of course, is agriculture. That's something we've heard about here.

One of those specific commodities, and you did touch on it in your opening remarks, is durum wheat. Has your organization done any math to figure out, in terms of tonnage or dollars or that kind of thing, what benefit it would be to durum wheat growers? I know that a lot of that durum is grown in western Canada.

Mr. Terry Pugh: The benefit from this agreement?

Mr. Larry Miller: Yes. Have you done any math on what the potential is there?

Mr. Terry Pugh: If we were to increase, say, and were able to get about 10,000 tonnes into Norway, at the farm gate you'd probably be looking at a fair bit of money—\$3.5 million, probably, straight into farmers' pockets, after Thunder Bay storage.

So yes, I'm not denying that there would be a fair amount of money. My point here is that those durum exports, because they're under the Canadian Wheat Board, will go back to farmers' pockets.

Mr. Larry Miller: Well, for any durum wheat that's produced here, it certainly would go back to farmers' pockets. It's not your Wal-Mart store that grows the product.

I have a last statement before I turn it over to Mr. Cannan. On the supply management, which you've touched on more than once, you're absolutely off base on it. It's not true.

I know that my colleague here will have some information to back that up, so I'll turn it over to Mr. Cannan.

Mr. Ron Cannan (Kelowna—Lake Country, CPC): Thank you, Mr. Miller and Mr. Chair, and thank you to our guests. Mr. McArthur, I'm sorry for taking you away from the poolside. I appreciate your bringing your experience and your wisdom to the table.

For those around the table who have had the opportunity, we've been discussing this for about five meetings, I guess, so far. We've had different witnesses bringing different perspectives. So just to clarify some of the comments for the sake of those who weren't here for the other witnesses, we've had Mr. David Plunkett, who's the chief trade negotiator for this EFTA agreement. He works for the Department of Foreign Affairs and International Trade.

With regard to Mr. Pugh, to respond to your comment about the aspect of supply management, it isn't compromised. It's not affected. I quote Mr. Plunkett's comments, "I should note that Canadian supply-managed programs are maintained under this EFTA and were exempted." So if there's some miscommunication along the way, those are the comments from the chief negotiator. If there's some other information we should know, then I appreciate that, but that's what we've been told around the table here.

Also, an agrifood negotiator with the strategic trade policy division of the Department of Agriculture and Agri-food, Mr. Frédéric Seppey, says:

We mean that an essential element of the supply management system is the predictability of imports. That is achieved by having low duty apply on the volume coming in that is within the access commitment—which is the tariff quota we have in place—and having very high tariffs on the volume coming in that is beyond this tariff quota. In these negotiations the over-access tariffs are not affected. We maintain our over-access tariff on all supply-managed products. Hence, we are maintaining the effectiveness of import control for supply-managed goods.

Our government's very concerned. I know that negotiators had spent... This agreement started about 10 years ago. It's the first free trade agreement Canada has entered into for the last six years, so it's not that it's taken, I guess, like a storm overnight. There's been a lot of consultation and a lot of toing and froing to make sure we get a fair and balanced agreement.

I know there are some challenges within certain sectors.

The other aspect that needed clarifying was a question Mr. Risser asked about the process, and this is something new that our government brought in. It's a treaties-in-Parliament process. How it works is that basically there's a 21-day provision for any of the opposition parties to use one of its opposition days to debate, in this case, the EFTA agreement.

We're just nearing that 21-day period, and the NDP hasn't exercised that option. They said it was of very significant concern to them. They wanted to have more oversight and input, but they haven't chosen to take that option.

There will be an opportunity to debate this in the committee as well as in the House once legislation is tabled by the government. We'll have a full and open debate both at the committee level and in the House, so there'll be ongoing opportunities for parliamentarians to provide oversight and input. I just needed to make sure that's on the record to clarify the process.

I have one specific question for Mr. McArthur. You've been in the industry for a long time. Have you been involved in these ongoing discussions over the years this EFTA agreement is taking to come to fruition?

• (1655)

Mr. Andrew McArthur: I've been at every meeting the association has had.

Mr. Ron Cannan: So there has been—

Mr. Andrew McArthur: There have been quite a number of meetings.

Mr. Ron Cannan: So as far as the industry is concerned and you yourself, you've come to this point where the 15-year phase-out wasn't satisfactory from an industry's perspective?

Mr. Andrew McArthur: No, we came to it reluctantly.

Could you indulge me, Mr. Chairman, and I'll tell a story for 60 seconds, which tells you how Norwegians think.

We did a large job for a Norwegian company, funnily enough, and Mr. Bjarne Skeie, the owner, came over and I took him in to meet the Premier of Nova Scotia. I think it was John Hamm or John Savage at the time; I forget.

Mr. Skeie said to the premier, "I can't understand you Canadians. You pussyfoot around with oil companies." And he told us a story.

The vice-president of Exxon came over to Norway to talk about the entry to the North Sea. He met the Prime Minister of Norway, and he said, "We want into the North Sea. We own all this acreage, and we're going to build all the equipment in Houston, Texas. They know how to do it." And the Prime Minister said, "No, you're not. You're going to build it here." He said, "You've got no facilities. You've got no knowledge." The Prime Minister said, "I'm going to build them here. We'll build the facilities." And he said, "No, if you tell me that, I'm going to walk out the door." The Prime Minister said, "On your way. It's in the ground and the storage is free." Six months later, the vice-president of Exxon came back and said, "Okay, we'll build them in Norway", and that was the start. That's where they started.

Mr. Ron Cannan: With regard to the specific agreement, Ms. Cherniak, a respected lawyer who presented here, said she looked at over 100 different free trade agreements with respect to shipbuilding, and that 15 years in certain cases for phase-out to occur is abnormally long in the context of free trade agreements. She went on to say that for the next three years we are today where we were yesterday. It's a great plus in the sense that we have three years of phasing in to the program. That's unusual in a free trade agreement. Normally reductions start immediately. We have things that remain the status quo for three years and then we start the phase-out. Making the best of a situation is challenging for an industry, I agree, but I think the negotiators have been able to get some wins in that situation.

One last clarification was on the issue Mr. Pugh talked about, butter and importation with agriculture products. The WTO has a restriction of 4,000 tonnes, so we're committed to allow up to 4,000 of butter into Canada at the low rate of duty. Over that it's a WTO issue, and I believe it's 299% after that. So again, I think the element with the supply management is protected fully. That's something our government is very concerned about. It is standing up and making sure that agriculture and the farmers are protected.

Thank you, Mr. Chair.

• (1700)

Mr. Terry Pugh: Could I respond to that?

The Chair: If you could be brief, I'd appreciate it. Go ahead, Mr. Pugh.

Mr. Terry Pugh: Sure. This is actually another quote from Mr. Seppey, which is from that same exchange. I wasn't suggesting that there was a change in the amounts of butter coming in; it was simply on the rate of the tariff. This quote is from Mr. Seppey. He says:

The concession we have exchanged with Switzerland vis-à-vis the butter coming from Switzerland is that instead of applying a tariff of 7%, which is what we exchange with all the WTO members for up to 4,000 tonnes, we allow them to export their butter subject to no tariff.

That sounds to me like it's a drop in the rate.

Mr. Ron Cannan: You should keep going:

However, the over-access tariff—whatever amount is exported beyond the 4,000 tonnes—is still subject to a 299% tariff, and we are not, as a result of this agreement, allowing entry of butter beyond 4,000 tonnes at a low rate of duty.

Mr. Terry Pugh: I wasn't saying that there was no difference in the amount for the over-quota tariff. It's that within the amount allowed in you're reducing it from 7% to zero.

Mr. Ron Cannan: There is one last statement, though:

So the 300% rate, which is in fact what is ensuring that we maintain supply management with respect to butter, is unaffected by this agreement.

Mr. Terry Pugh: No, that's still the same.

Mr. Ron Cannan: That's his quote right here. You have to carry the whole quote through. You need to finish it off.

The Chair: Thank you, Mr. Cannan.

Mr. Ron Cannan: I just want to make sure that everything is put into context—

The Chair: I think we get the point.

Mr. Ron Cannan: —and that he doesn't take pieces of Mr. Seppey's quotes out of context.

Thank you.

Mr. Peter Julian: I have a point of order, Mr. Chairman.

The Chair: We've run out of time. We're at five o'clock, so I'm going to thank our witnesses and questioners.

You're welcome to proceed.

Mr. Peter Julian: Mr. Chair, the first witness in front of this committee said the government will introduce implementing legislation once these 21 sitting days have elapsed. To clarify Mr. Cannan's comments, it's the government itself that said the implementation of the legislation would be coming after the 21-day period.

The Chair: Again, may I thank our witnesses for coming today and responding to our questions, particularly on short notice. Thank you again for coming.

We're going to take a very brief break, about one minute, while we go in camera.

Thank you.

[Proceedings continue in camera]

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