

*Customs and Excise*

shipping industry. In other words, Canadian shipbuilders would not seem to benefit to any extent from such action. There may, however, be scope for tightening up the criteria used to determine whether or not suitable Canadian vessels are available for particular activities, and this is being examined.

It has been suggested that vessels and floating structures used in the offshore should be dutiable at a 10 per cent rate, the same rate applied to most equipment used in petroleum exploration on land. The 10 per cent rate is based on recommendations made by the Tariff Board in a report in the 1960s. It is perfectly clear that the 10 per cent rate was meant to apply to equipment used on land and not to vessels and floating equipment. Despite this, it has come to our attention that some vessels and floating structures have entered Canada at the 10 per cent rate. Therefore, the Bill includes tariff amendments to prevent any recurrence of this, and to remove any doubts about the proper dutiable status of these goods.

Notwithstanding these amendments, in recognition of the high cost of exploration in the offshore it was decided that the 25 per cent rate on vessels and structures used in drilling should be reduced to 20 per cent. The lower rate should not have any significant effect on the ability of Canada's shipbuilders to compete, but will help offset some of the higher costs that petroleum companies face as a consequence of the new offshore measures.

A great deal of thought was given to the manner in which this legislation should be introduced so as to lessen the initial impact on users of foreign equipment, while at the same time providing them with an incentive to buy Canadian goods in the future. With this in mind Bill C-16 provides duty and tax exemptions or "grandfather rights" for goods on site in the new jurisdiction on June 30, 1983, the effective date of this legislation.

It also provides exemptions for goods ordered before the Government announced its new offshore policies in January of 1983. The exemptions for foreign-owned goods are limited, in most instances, to the duration of the leases under which they are operating on the shelf. Similar grandfather rights have been introduced in connection with the elimination of the tariff preferences on Commonwealth ships engaged in coastal trading.

Since the announcement of the new offshore measures, we have received a number of inquiries and comments from our trading partners. In essence, they are concerned that the measures introduce new elements of protectionism. When we reviewed the desirability of extending customs and excise jurisdiction, careful consideration was given to the international implications of such action. Let me assure the House that we view the extension of the customs and excise regime as fully consistent with international law. Indeed, similar action has already been taken by the United States.

The related tariff amendments aimed at rectifying current and potential anomalies in the dutiable status of vessels and floating structures are purely technical with no substantive implications for our obligations under the GATT. We have nevertheless notified the GATT of the action taken.

In conclusion, I would like to state that the Government has received strong support for this initiative from various sectors of the Canadian economy, such as the shipbuilders, as well as from several Hon. Members on both sides of the House. As was to be expected, we also received a number of representations from importers and users of vessels and other equipment urging modification or cancellation of the new policies, or at least a delay in their implementation. We are not ready to do this. The extension of the custom and excise regime is, in our view, necessary if Canada is to exercise economic sovereignty in matters affecting resource development on its continental shelf and to provide its business community with an environment in which it can compete on a fair and equitable basis. This legislation is a reasonable compromise between the necessity of keeping offshore resource exploration costs down and the desirability of having Canadian manufacturers participate to the greatest possible extent in supplying goods to the offshore exploration. The generous grandfather rights reduce the initial impact of the measures.

I should now like to turn for a moment, Mr. Speaker, to the question raised by the House Leader of the Official Opposition and by the representative of the New Democratic Party with regard to Schedule B of the Bill now before us. Hon. Members will recognize that the purpose of the Bill is to ensure that Canadian shipbuilders and other marine suppliers have a fair and equitable opportunity to supply the petroleum exploration within our 200-mile limit. In providing this legislation, however, the occasion was taken in the schedule to the Bill to reorder, as it were, or to place in one schedule the various tariff rates which affect all types of ships, including fishing vessels exceeding 30.5 metres in length. Fishing vessels under 30.5 metres in length have incurred a duty since the 1950s but, equally, vessels over 30 metres in length have entered Canada free under the general preferential tariff.

The Bill now before us does not change in any way the regime pertaining to fishing vessels. Vessels under 30 metres will continue to incur a duty; those over 30 metres will continue to enter duty free. This is a policy which has been pursued by governments on both sides of the House since the 1950s. However, the placing of all of the tariff items pertaining to vessels under one schedule has drawn the attention of some Hon. Members of the House to the fact that fishing vessels measuring 30 metres or longer do enter duty free. It has been the contention of certain Hon. Members that the occasion should now be taken to impose a tariff on all such vessels comparable to the tariff now incurred by fishing vessels of under 30 metres. We have had one or two representations recently from shipbuilding interests—I might say very few—to consider such a change.

• (1630)

But we have equally had some representations from some fishing interests opposing such a change. We have also had in mind that if we were to change the tariff, that is to say impose a tariff on fishing vessels measuring over 30 metres, our trading partners could interpret this as a form of protectionism