

Customs Tariff

ively. Therefore, we have retained in item 399 in the amended form now proposed the hitherto effective B.P. and M.F.N. rates with respect to pipe more than 10½ inches in diameter.

Now, Mr. Chairman, having said that, perhaps I should go on with the remainder of the explanation of item 399. Item 399, Mr. Chairman, as you will see, covers pipes or tubes of iron or steel and fittings and couplings therefor, for use in the transmission of natural gas to points of distribution or in the transmission of crude oil. These are the pipe lines, whether for transmission of gas or crude oil. The tariff board made a recommendation here, Mr. Chairman, and associated with the rates they recommended a proposal for a 50 per cent drawback. They recommended a B. P. rate of 12½ per cent and an M.F.N. rate of 22½ per cent. If you apply to that the drawback of 50 per cent which they recommended, you have effective net rates recommended by the tariff board of 6¼ per cent B.P., and 11¼ per cent M.F.N.

The budget proposal is that the rates be 10 per cent B.P., and 15 per cent M.F.N., so that the hon. member for Welland must see that what is recommended in the budget proposal is an effective increase in the effective tariff rates on the gas pipe lines recommended by the tariff board. I think, if I may say so to my hon. friend, what he overlooked in his argument was the existence of the drawback recommended by the tariff board as well as the fact that there has existed until now a 50 per cent drawback on pipe lines used for gas and a remission on pipe lines used for transmission of crude oil.

With respect to oil pipe lines, Mr. Chairman, the tariff board recommendation was for tariff rates B.P. 12½ per cent; M.F.N., 22½ per cent. The budget proposal is as follows: B.P., 10 per cent; M.F.N., 15 per cent; and on both B.P. and M.F.N. accordingly there is a reduction proposed in the resolution as compared with the tariff board report.

Just to recapitulate as briefly as can be, Mr. Chairman, as to pipe for pipe lines, the situation is as follows: On pipe used in gas pipe lines the tariff board recommended the continuation of the 50 per cent drawback of duty which was formerly in effect. On pipe used in oil pipe lines the tariff board made no specific recommendation in reference to drawback. However, on substantial quantities of pipe used in oil pipe lines, remission of duties has been permitted under the Financial Administration Act. That has been going on now for years.

Tariff item 399, as introduced in the budget, proposed a British preferential rate of 10 per cent and an M.F.N. rate of 15 per cent on all pipe used in gas or oil pipe lines. Since

the budget was introduced, representations have been received from the pipe industry pointing out that—this is the pipe industry that the hon. member for Welland was referring to—the item as introduced would cover pipe of all diameters. It is with those representations in mind that I am putting forward the amendment to item 399 in order to limit the item to pipe over 10½ inches in diameter. I remind my hon. friend that the 10½ inches diameter comes from old tariff item 397b. It is now a well-established point of differential in the diameters of pipes for this purpose. The effect of this change will be that all pipe 10½ inches or less in diameter will be dutiable under tariff item 397 which, as I have explained, retains the effective margin of protection between the rates of duty on pipe and on skelp recommended by the tariff board under the M.F.N. tariff and somewhat increases the effective margin of protection under the B.P. tariff.

With respect to pipe over 10½ inches in diameter used in gas and oil pipe lines the British preferential tariff will be 10 per cent and the most-favoured-nation tariff will be 15 per cent. Under the tariff board's recommendations on gas pipe lines the effective rates would have been British preferential, 6¼ per cent, and most-favoured-nation, 11¼ per cent on most of this pipe, so that the item now proposed represents substantially more protection than would have resulted from the tariff board's recommendations. I think the hon. member for Welland must recognize that. On pipe used in oil pipe lines it would be difficult to resist requests for remissions of duties to the extent provided by the drawback item recommended by the tariff board on pipe for gas pipe lines, in which case the rates now being recommended would again provide significantly more protection to the pipe industry.

I have tried to make clear the effect of items 397 and 399 and perhaps at this point it is appropriate that I should say perhaps a brief word about skelp which is the basic material in item 384.

Mr. McIlraith: I have one or two questions I want to ask. Would the minister prefer me to ask them now?

Mr. Fleming (Eglinton): I will finish this up quickly and then take my hon. friend's questions. On skelp the tariff board recommended a most-favoured-nation rate of 10 per cent but since the rate of 22½ per cent on the finished pipe recommended by the tariff board was being reduced as a result of the GATT negotiations with the United States to 20 per cent it was considered appropriate to reduce the rate on skelp from 10 per cent