

Restraint of Government Expenditures

demolition work, while we are trying to improve the well-being of Canadians, and thereby building a better Canada and government structures that can serve the people better.

● (1640)

[English]

Mr. R. E. McKinley (Huron-Middlesex): Mr. Speaker, on December 18, 1975, the president of the treasury board announced the elimination of the subsidy on the movement of flour and grain through the east coast ports. This is a very serious move and one which will have devastating and far-reaching consequences. This is in clause 15 of Bill C-19, formerly Bill C-82. If this subsidy should be removed, many aspects of the economy such as the eastern ports, the farmers, inland grain terminals and the flour industry, stand to lose. The scope of this problem is very large indeed. During the last session the hon. member for Halifax-East Hants (Mr. McCleave) and the hon. member for Vegreville (Mr. Mazankowski) mentioned the effect the removal of this subsidy would have on the flour industry in Canada. However, Mr. Speaker, let me refresh the memory of members of the House.

First, the removal of this transport subsidy could cause freight rates in some cases to jump by as much as 212 per cent. This is an unrealistic figure, no matter what one happens to be talking about. Second, because of these increased costs, Canada will stand to lose any competitive edge it currently holds in prices, and as a result our flour buyers will be forced to look for alternative suppliers. The alternative suppliers in this case would be the Americans and the European Economic Market. It is interesting to note that both these alternative suppliers already enjoy a competitive advantage with their various export subsidy programs.

Third, the elimination of this subsidy could mean a loss of \$28 million, in what economists call the "added value processing activities", with most of this occurring in depressed areas of our country. Fourth, many plants in the milling industry will be forced to close, with lay-offs approaching 3,000 personnel. This figure is for workers directly engaged in the flour industry. Who knows how many workers will be indirectly involved. I ask the government this question: How can you adopt a plan that will increase unemployment when we are already living in an economy where unemployment is over 7 per cent?

Fifth, it is felt that our domestic price of flour will go up because of the number of mills operating at less than full capacity. As one can well see, the removal of this subsidy will have negative results in the flour industry, so much so that the flour industry might be forced into further declines and lose even more of its share of the export flour trade. Of course, there is also the significant effect the reduction in the movement of grain, as a result of the subsidy cut, will have on the eastern ports. This has been discussed in greater detail by the hon. member for Halifax-East Hants, but let me touch on it briefly. First the removal of financial support for shipments through eastern ports will require increased freight rates. That, in turn, will have the effect of pricing the facilities of

[Mr. Goyer.]

Saint John and Halifax out of business. Naturally, accompanying this will be loss of jobs, loss of markets and reduced rail movements: the list goes on.

However, the biggest injustice here is that at the same time the government announced the plan to eliminate the subsidy to the eastern ports, it also announced that the tolls on the St. Lawrence Seaway will not be raised this year, even though this is needed to meet operating costs. The government will subsidize the Seaway and the Great Lake ports, but will let the Atlantic ports fend for themselves.

The third point of discussion, and one which the government has met with weak solutions, is the question of what will be done with this extra 35 million bushels of wheat that is currently handled by the rail movement from these inland terminals to the eastern ports. One solution, as suggested by the government, is the adoption of a new system for moving grains. One that has been discussed is the concept of unit grain trains running from the prairies to Halifax or Saint John. This proposal, however unique-sounding it may be, cannot be considered as a serious alternative. It has never been heralded by the Wheat Board as an alternative mode of grain transportation to the eastern ports. It has never had practical application from the prairies to Halifax or Saint John. It has even been said that the roadbed on which these trains are supposed to be able to travel is not strong enough to support these proposed unit trains full of grain. They will not be able to support any unless a great deal of money is spent improving the roadbed.

● (1650)

The general feeling among the people affected by this proposal is that this extra grain will never see the eastern ports under any other type of grain movement. It is felt that this extra grain is likely to be moved out of the Vancouver port. This is ironic in that the facilities are already overloaded, especially with wheat, and it will not be encouraging to our export buyers if they have heard of the labour unrest there, or are from the other side of the Atlantic. The conclusion that must be drawn from this information is as follows: there may be more efficient and cheaper systems for this movement of grain, but let us carry out our experiments now before we change the present system. Let us find out all there is to know about these alternatives before any present system is replaced or subsidies cut.

Another question to ask in this discussion is: How is it that this particular subsidy is being chosen as the one to be cut? This subsidy, which is in the neighbourhood of about \$11 million annually, is quite small and not all that staggering, especially when you compare it to others. For example, \$150 million is being spent annually on the subsidy for the movement of grain from the prairies to Vancouver and Thunder Bay. If the government wants to make some savings, simple arithmetic tells you that \$150 million is much more than \$11 million. This is only one of many examples of grain being moved at statutory rates. There has been no government action to cut any of these rates.