

Adjournment Debate

national health grant of \$90,000 has been awarded to the University of Prince Edward Island to evaluate the effectiveness of a school lunch and nutrition education program. We are looking into ways of supplementing the nutrition of Canadian children.

I want to point out to the hon. member that the skim milk powder to which he is referring is not free. It is not even the property of the Government of Canada, but the property of the producers. If we were to decide to take that property from them and allocate it to some national program, this has to be done on the basis of its value. It has to be bought. When one considers buying it, one has to ask: is skim milk powder the right thing to buy in order to meet the nutritional needs of the young children of Canada?

Skim milk powder is not an attractive food. Its nutritional value is undoubted, but as we can see from the market it is not something that is in great demand. When one is considering having a reserve and allocating it to this program, one has to think of other alternatives. What else can we use? In what other ways might we best proceed to deal with this problem?

I simply note in closing that on this important question we must rely very heavily under our constitution on the jurisdiction of the provinces. We are in the process of developing a new social services act, but this act will not change the fundamental constitutional responsibility of the provinces to determine the type of programs and the type of social services that are to be purchased within the provinces for people. We are bound by their decisions.

TRANSPORT—PROPOSED REMOVAL OF SUBSIDY ON EXPORT FLOUR—REQUEST FOR RECONSIDERATION

Mr. Robert McCleave (Halifax-East Hants): Mr. Speaker, it is a pleasure to see you, the hon. member for Mercier (Mr. Boulanger), gracing the chair this evening. If I were not caught within the seven minute limit I would recall at some length my satisfaction and pleasure at this event and our association as "old boy speakers" of the twenty-ninth parliament of Canada.

● (2220)

Now, sir, in a few weeks time we are likely to be told that Russia is seriously reconsidering a deal under which, in normal circumstances, that country would purchase 375,000 tons of Canadian flour this year. How should such a situation that I forecast come about? The answer is that recently the government announced that its subsidy on the movement of flour and grain for export through eastern ports, that is, Montreal, Saint John, and Halifax, would be abolished. Presumably this also would mean that the hold-down on flour rates which has existed since September 30, 1966, would also be abolished.

This policy change has come without warning to the flour milling industry of Canada, and I owe most of my speech to the research of the Canadian National Millers Association and its brief, as presented by Mr. J. F. Blakney, its chairman, to the Minister of Transport (Mr. Lang) and other ministers of the government.

This is a serious situation, Sir, and the significance of the decision is that it means that perhaps we will see a rail rate increase of from \$17.64 to \$22.05 per metric ton on flour

[Mr. Kaplan.]

exports. When Canadian millers went to argue with those hard nosed and hard headed Russian importers they were told very flatly that if they came along with an increase in the cost of Canadian flour, because of Canadian freight rate changes, they were going to be in for great difficulties indeed.

How serious is this matter? In 1954, 21 years ago, Canadian millers were exporting over 20 million one hundred weight of flour annually, about 31 per cent of the world trade. Twenty years or so later that figure dropped to about 8.5 million hundred weight, or 11 per cent of the world flour trade. That is a substantial decline indeed.

I should like to recall briefly the circumstances under which this help to the export flour trade originally came about. It was established first in 1961 by the Diefenbaker government, but it was continued by the Pearson government, for four principal reasons; to encourage the continued use of eastern ports, to help keep Canadian flour companies competitive in world markets, to promote and assist in the development and expansion of Canada's grain industry, and to benefit the Canadian economy by providing mill, transportation and port employment as well as helping Canada's balance of trade position.

Let me quote from the brief given to the minister as follows:

The implications of the cessation of the subsidy are clear. Perhaps we can demonstrate with one example. The present compensatory rate for flour exports from a bay port mill to Halifax is \$1.109 per 100 lbs. Of this amount the milling industry pays \$.3975 and the federal government through the payment of assistance to the railways \$.7115. The projected rail rate for 1976 (the railways estimate) is \$1.242 per 100 lbs.

This will mean a net cost increase of \$.8445 per 100 lbs. For Canadian millers; in other words, a 212 per cent increase in rail rate costs which will be added to the cost of export flour.

What will be the practical results? I have noted some of these, and I am sure there will be more, totalling over \$100 million. First, Canada will lose out in competition with the United States and the European economic community because they do have subsidies, which no longer will be our case. We are likely, as a practical example, to see that contract with Russia go down the drain.

Secondly, the elimination of the subsidy could mean the loss of \$28 million in what economists call "added value processing activities," most of this occurring in depressed areas of our country, which perforce would become even more depressed. Thirdly, there is the effect on the railways, pilotage and dock labour, and the like. The figures there are in the tens of millions of dollars.

Fourth, there would be more plant closures in the milling industry which worked at 76.8 per cent capacity in 1975, as well as more layoffs of the 3,000 personnel directly engaged in that industry.

Fifth, because a number of mills would be operated at less than capacity turning out our domestic flour one can only assume that flour would have to go up in price.

Finally, Sir, in my own area the devastating effect on morale at the Atlantic ports is something about which I occasionally have nightmares. I find it very difficult to put it into language, but I know that for many longshoremen and other labour people on the dockside in Halifax, and I am sure also in Saint John and probably in Montreal, the devastating effect is just beginning to make itself felt.