

*Softwood Lumber Products Export Charge Act*

Government to use any mode or system of taxation to impose a tax. The Government is using that section of the Constitution.

The solution that has been offered is not only questionable on legal and political grounds, but as one who was elected to stand up for the rights of Canadians, I must also question this deal on economic terms.

In that vein, let me refer to an economic impact study on the Canada-U.S. softwood lumber agreement which was prepared by Widman Management Limited of Vancouver. It points out that the agreement has a negative impact on the Canadian economy. First, the timing of the agreement was bad. My colleagues and I have pointed out that the initiation of the U.S.-Canada free trade talks was badly timed because some 80 per cent of the trade between our countries did not have any type of tariff arrangements. The Prime Minister (Mr. Mulroney) initiated an agreement to increase that tariff-free trade to more than 80 per cent, to make it virtually duty free on all products. Since these negotiations began just over one year ago, duty free trade is now slightly over 70 per cent, thanks to the protectionist measures that have been implemented by the Americans as well as by Canadians in retaliation.

● (1620)

In terms of economic initiative, the agreement was badly timed because housing starts in the United States are beginning to decline. In 1983 there were some 1.7 million housing units developed in the United States. In 1984 it went up to 1.74 million units and, in 1985, levelled at 1.74 million units. In 1986 housing starts jumped to 1.825 million units. The forecast for 1987 is that there will be barely 1.5 million units started, which is down 325,000 housing starts.

Not all of these housing starts require lumber, so it is estimated that the total U.S. demand for lumber will be down about 8 per cent this year as opposed to last year. This means that the U.S. market will not absorb a 15 per cent increase in price for Canadian lumber because there will be no demand for Canadian lumber whose price is higher than last year.

Our producers will have to absorb virtually all of the 15 per cent. This is particularly bad news to the stud industry because a number of mills were particularly developed to service that United States demand. There are several in my Province of Saskatchewan. According to this study, in 1986 studs were bringing in about \$153 per thousand feet. It estimates that the price for 1987 will drop to about \$120 per thousand feet. The production costs in stud mills in northeast Saskatchewan run at approximately \$140 per thousand feet, which means that there will be a net loss of \$20 per thousand if they continue to try to sell to the United States market. Instead, these mills have done the prudent thing by cutting back production and have actually laid off 30 people in the last couple of weeks as a result of the drop in demand.

Government revenues from the 15 per cent tax will be close to \$565 million. However, the loss of approximately 17,000

jobs as a result of this tax by the federal Government, the loss in corporate taxes, unemployment insurance payments and personal income taxes will create a debit of \$505,000. This means the Government will have a net gain of \$60 million.

The Government boasts that it made this deal by being tough bargainers with the United States and that it did not blink. We know that the Government closed its eyes and Canadians are beginning to wake up.

**Hon. Herb Gray (Windsor West):** Madam Speaker, technically, at least, we are debating a motion by a Conservative Member that "the question now be put." The question that I and Canadians ask is: why is the Government so anxious to choke off debate on this important measure to impose, we believe wrongly, an export tax on the sale of our softwood lumber to the United States? Why is the Government in such a hurry to bring the debate to an end and force this measure through the House? This measure will impose an additional tax burden of some \$600 million directly. It is a measure that we believe and the Government admits will have serious consequences for the softwood lumber industry and the entire Canadian economy.

The leaders of the industry say that \$600 million represents their entire profit margin of the softwood lumber section. They say that tens of thousands of jobs could be lost. This debate began last Monday and continued last week. Friday was taken up with what the Speaker has described as a very important point of order. When it comes to debating a measure of this importance, with these likely adverse consequences, I think most people would say that we are far from reaching a point in time when debate on it has gone on for too long.

Why is the Government in such a rush? Why did this motion to choke off debate come when it did, at the end of last week? The thought suddenly struck me that the motion came just after the visit to Ottawa of Vice-President Bush of the United States. I, and I believe all Canadians, should wonder what was discussed at that meeting. The Prime Minister (Mr. Mulroney) said that he reprimanded Mr. Bush over the slowness of U.S. action on acid rain. Surely, however, that could not have been the only main subject during those talks.

The Prime Minister also expressed concern about the lack of interest of the United States in the free trade discussions, but surely that did not take up all the time available for the discussions. Surely the Prime Minister must have known for close to a year that the Government of the United States was not taking seriously the famous Accord, the supposed great break-through on reducing acid rain which the Prime Minister and President Reagan entered into at their last Summit. Surely the Prime Minister has known for some time that the United States is not giving the same degree of priority as himself to the desire of the Conservative Government to enter into an agreement on comprehensive free trade which many of us think would be harmful to Canadian interests. In fact the lack of interest on the American side is leading the Government into a very dangerous and weak bargaining position. It is