

Shipping Conferences Exemption

among major shipping lines. If not, the result is a free-for-all which while it may benefit the large corporation in the short run, will squeeze out the small shipper who does not have hundreds of containers to offer for shipment. To insist on free competition in a market with the above characteristics is to promote instability, inefficiency, and bankruptcies. A completely free market will result in rates that are non-compensatory in periods of slow trade and surplus capacity, but which will skyrocket during tight supply conditions with growing trade.

Under such circumstances, the price shocks in the general cargo sector would be akin to those experienced in the oil sector in years past where tanker rates changed by a factor of ten or more over a short period of time.

In this paper Professor Sletmo points out a variety of forces that work on the conferences as constraints on the possibility of monopoly pricing. I will not take the time now to note those, but to the six cited in a classic study from the early fifties he added a couple of additional factors which are operating now, those being air cargo and the neobulk shipment developments of the last years.

He is arguing, of course, that the constraints are such that there really is no need to try to destroy the basic conference system. It was his conviction, as well as that of many other people, that the shipping conference system basically, which Canadian law recognized more fully than U.S. law had before, though perhaps not quite up to the sophistication of European and Japanese law, was in fact designed to destroy the conference system.

In addition, Professor Sletmo pointed out what the consequences would be for small shippers. In a certain classic sense there was a confrontation between the shipping federation, which speaks for those who represent the ocean carriers, and the shippers' council which is, I think, first of all, the organization of the large exporters and importers who provide so much of the container trade to the carriers. The shippers' council wanted Bill C-21, and the shipping federation was convinced that some of the provisions, particularly the secrecy on the service contract, was detrimental to the future of the conferences and, therefore, a danger to Canadian ports and Canadian shipping. Professor Sletmo adds:

The Bill in its present form may harm the small shipper who lacks the resources—human and economic—to keep fully informed about different transport arrangements. He usually lacks the volume to obtain interesting special rates or service contracts. The small shipper is highly dependent upon regular liner services at stable and predictable rates. For that to be available, an efficient and reliable liner industry is needed. In all trades, that has till now meant the presence of conferences. This does not preclude the presence of independents, however. On the contrary, non-conference services represent a valuable complement to conference lines and obliterate claims that conferences "monopolize" trades.

If the hand of the largest shippers is further strengthened by legislation, it means still lower rates for those shippers. However, this does not mean reduced costs to conference lines. Hence, the general rate structure will come under upward pressure to recover the reduced liner income. An analogy is a hotel raising its individual rates because it was forced to accept even lower corporate rates.

I could read from the submission of Dr. Leslie Kanuk, an American authority who appeared before the committee the same afternoon. I will only cite her American observation that if it ain't broke, why fix it? She stated that the Shipping Conferences Exemption Act of 1979, the system which we will continue to have until this Bill comes into effect, worked pretty

well. I suggest that we face a period of very serious risk as this Bill goes into effect. It is more severe than the American law. Rather than following American law, as the Government has often done, particularly in the secrecy involving service contracts, we do not know how ocean carriers and the conferences will respond to it. There is a possibility that they might give up serving Canadian ports. That, of course, would have immediate impact on our ocean ports.

There are some particular possibilities along that line that I want to point out. Given the developments in carriage these days, particularly the U.S. railways going to the stacked container system of movement across the continent, there is a possibility that American ports and railways will be able to grab trades, even from inland Canadian shippers. Some Canadian centres, in particular Toronto and Montreal, are not all that far removed from American ports. There is a real possibility of displacement of Canadian ports by American ports. For example, Vancouver on the West which could be displaced by Seattle. In the East, Elizabeth, New Jersey, would displace Saint John, which could conceivably take port business from Montreal.

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In 1985 almost a quarter of the containers moving through Canadian ports were American. In addition, approximately one-fifth of Canadian cargo moved through American ports. In fact, on the West Coast, almost one-half of the containers were moving through Seattle and other centres.

The Shipping Conferences Exemption Act could easily result in the various ports, such as Montreal, Vancouver and Saint John suffering very severely. This could involve some thousands of jobs at the ports, with the additional economic ramifications. Only time will tell, but the uncertainties that the Government has created with this Bill are such that I have advised my colleagues that we should join in opposing this Bill.

The Acting Speaker (Mr. Paproski): Is the House ready for the question?

Some Hon. Members: Question.

The Acting Speaker (Mr. Paproski): Is it the pleasure of the House to adopt the motion?

Some Hon. Members: Agreed.

Some Hon. Members: No.

The Acting Speaker (Mr. Paproski): All those in favour of the motion please say yea.

Some Hon. Members: Yea.

The Acting Speaker (Mr. Paproski): All those opposed please say nay.

Some Hon. Members: Nay.