

Supply

The decision further defies reason when it is considered in the context of geography and commerce. Canada and the United States are the two largest foreign trade partners in the world.

The Reagan administration action against Canada is not only an action taken against a friend, but also against a trading partner which has ample means of retaliation at hand. Canada simply is not Uruguay or Uganda. It is a step and a handshake away.

● (1630)

It is certainly comforting to know that we still have some good, staunch friends and supporters in the United States. I have a couple more quotes that are of interest. There is one here from the *San Jose Mercury News* of last Thursday, June 5. It reads:

But members of the Canadian industry assert that the tariff will hurt everyone because higher prices will force home builders to buy asphalt or composition shingles.

Americans have lost market share, they contend, because they've run out of cheap trees to cut and failed to modernize their facilities.

I want to draw attention to that situation later in my speech because it also applies to the softwood lumber case. The articles goes on:

They note that Reagan imposed the sanctions on the same day that House Democrats passed their own protectionist measure to save domestic jobs—a bill the president denounced as “kamikaze legislation” that would lead to economic peril.

In the same paper for the same date, June 5, in the *San Jose Mercury News*, there is an article by the news business writer entitled “Tariff on shingles hits Valley with increase in roofing prices”. It reads:

The effects of the U.S. tariff placed on Canadian cedar products already have hit home, literally, for some Santa Clara County residents.

The price of a wood shingle roof has increased by \$300 to \$500 since the tariff was announced two weeks ago. Prices are expected to rise further after the tariff officially takes effect Friday.

“We expected a real banner year (for new roofs) because of lower refinancing costs,” said Jeff Fierstein, San Jose branch manager for Marshall Supply Inc., a roofing supply company. “But homeowners are switching all over to other materials or cancelling orders (for new roofs) altogether.” American producers are taking advantage of the tariffs by raising prices, local contractors and suppliers say.

Fierstein said that on the first business day after news of the tariff broke his U.S. cedar suppliers notified him they were raising prices 17 per cent immediately and another 17 per cent when the tariff goes into effect.

Roofing contractors with fixed contracts to build roofs for tract homes have been hardest hit by the prices increases. “Contractors are in a bind,” Fierstein says. “They want to renegotiate their contract but some developers won't let them.”

The increase in cedar prices is expected to drive consumers to alternative roofing materials. After hearing about the tariff, “I went out and bought a fork lift to start lifing tiles,” says Ed Martinez, owner of Saiz Roofing of San Jose. “The shake roof market is dying.”

Martinez thinks the tract home market for shake roofs will completely dry up. “If a guy's building 100 houses and he can save \$500 a house, he's going to switch (to another material),” he said.

Price increases may not be limited to just wood roofs. “Composition manufacturers have been trying unsuccessfully (because of a soft market for roofing materials) to raise their prices for two years,” —The increases in cedar prices may allow them to finally do so—

I think that this just points out the effect tariffs have on both sides of the border. If a tariff is imposed on softwood

lumber exports to the United States, we can expect a severe fall-out in the U.S. as well as in Canada.

In reply to the shake and shingle action taken by the U.S., Canada, we know, retaliated by placing tariffs on various items coming into Canada that are not bound by the General Agreement on Tariffs and Trade. We heard this morning from the Hon. Member for Winnipeg—Fort Garry (Mr. Axworthy) that it was the previous Government's fault for not making sure that shakes and shingles were bound in GATT negotiations. At least the Hon. Member was charitable enough to admit that it was an oversight by the previous Government.

Our Government is considering other options for the shake and shingle industry, but no action will be taken until our Government has met with representatives of that industry. Obviously such actions would have to have the full agreement and co-operation of the industry.

With respect to the motion before the House today, I think that the concerns of the motion were adequately and thoroughly addressed this morning by the Minister.

This afternoon I would like to put on record some facts about the softwood situation that I feel are worth noting. What has been taking place in the industry, north and south, in the last several years? First, it should be established that the forest industry is extremely important to both countries. Of the 53 billion board feet of softwood produced in North America in 1985, approximately 31 billion board feet were produced in the U.S. That amounted to a revenue of about \$8 billion to the U.S. forest industry.

In the late 1970s things were booming in both countries. Lumber prices were high and the value of our respective currencies was not far apart. On the strength of these bullish markets, U.S. producers bid very aggressively for their wood supply. Unheard of prices were paid, much of the money up front, for timber supply. This action was to come back and haunt the U.S. industry in the downturn of the 1980s.

Because I come from British Columbia, let us look particularly at the U.S. Pacific northwest, an area that no doubt was hard hit. As I mentioned, that area was caught with an extremely high cost for timber. Demand in prices fell dramatically. It faced stiff competition from a planted pine forest coming into production in the southern United States. Not only was this southern wood cheaper, but wages paid in these southern mills were considerably less than those paid in the north. Mills in the Pacific northwest were mainly unionized, and high wages play an important role in this entire issue. What resulted from all of the above was the closing of about 100 or 500 mills in the northwest United States. It is interesting to note that a considerable number of mills in that area which closed have now reopened under new management. They are non-union mills. There have been some very tough labour industry disputes in the U.S. northwest since 1982. I maintain, Mr. Speaker, that the cost of labour is one of the factors that makes Pacific northwest wood and lumber products uncompetitive.