

*Supply*

Mr. Speaker, what strikes me in the recommendations before us today is their illogical thrust. The recommendations are divided into four points, and point one contradicts point two. The first point recommends invoking the Employment Support Act while the second point urges doing our utmost to make our case before the United States International Trade Commission.

If we refer specifically to the softwood lumber industry, I suggest that we cannot implement these two recommendations.

Since I am still a relatively new Member of the House, Mr. Speaker, I had to do some research over the weekend to find out what the Employment Support Act is all about. This legislation was assented to in 1971 and its purpose is to support levels of employment in Canada by attenuating the negative impact on Canadian industries of import surtaxes levied by foreign countries or of other action having a like effect.

Mr. Speaker, not only had this legislation been assented to or approved in 1971, but so had the regulations which pertained to the establishment of an employment support program and which had been the subject of an order in council. According to the document I was able to find, the seven members responsible for administering the Act had also been appointed by the Governor in Council.

In a report which dates back to 1972 and which I would like to refer to for the enlightenment of my colleagues, here is what it says about the provisions of the Act:

*[English]*

The levels of employment in the Canadian industry are supported by cash grants available under the Act. Any Canadian manufacturer who establishes that the work force at his plant is, or is likely to be, significantly reduced during a specified period by reason of the application of foreign import surtaxes, or other actions of like effect, could apply for a grant. The grants were authorized and administered by a seven-member Employment Support Board, of which three members, including the Chairman, were from outside the Public Service.

The criteria of eligibility for the Employment Support grants, as embodied in the Act and Regulations, required that:

- 1) employment at the plant of the applicant be significantly reduced, or likely to be reduced, as a result of a surtax,
- 2) not less than 20 per cent of the total value of all goods produced at the plant in 1970 was exported to the country imposing the surtax and would have been subject to the surtax, had that surtax been in force in 1970.

Notwithstanding the above, and where a manufacturer who applied under this Act was unable to comply with any Regulations, the Board could recommend to the Governor-in-Council that a grant be authorized for the manufacturer where, in the opinion of the Board, such a grant would be consistent with the purposes of the Act.

The grants were authorized for individual plants of a manufacturer for assistance periods, not exceeding 90 days, during which the applicable surtax remains in effect. The grants were conditional upon the manufacturer maintaining a prescribed level of employment at the plant during the assistance period.

The amount of any grant authorized by the Board was limited by the Regulations to a maximum of two-thirds of the amount of surtax which would have been payable by the applicant in 1970, had the surtax been in full force and effect, prorated for the number of days in the assistance period. In no case, however, could the amount of a grant be greater than that deemed adequate by the Board to maintain employment at the applicant's plant at a satisfactory level.

Where, in the Board's opinion, circumstances so warrant, the Board could recommend to the Governor-in-Council that a grant greater than two-thirds of the relevant surtax, but no higher than the aggregate amount of the applicable 1970 surtax, be authorized.

The grants were payable after completion of the assistance period, and were treated as current income for the purposes of the Income Tax Act.

*[Translation]*

Mr. Speaker, what I was unable to find are specific cases where this legislation was used, and if we look at the Employment Support Act, it clearly refers to subsidizing Canadian manufacturers whose products become subject to a surtax imposed by a foreign country.

In the case of the softwood industry, I think such measures are entirely premature, since the International Trade Commission has now decided to hear the case, and we will have a chance to defend ourselves. The U.S. softwood lumber industry insists that the Canadian product is subsidized by the Government and as a result should be subject to an import surtax. There is none for the time being. The Commission will have to decide whether or not there is a case for an import surtax.

Since this case is going to be heard before the Commission, if we were to apply the Employment Support Act now, it would be a clear admission to the Commission that the Government is prepared to subsidize the industry, and would more damaging than for us to go and defend our case. The entire Canadian softwood lumber industry is now being threatened because of this review by the International Trade Commission. The U.S. industry's case is based on the argument that stumpage fees in Canada constitute an unfair subsidy. It is our duty to convince them they are wrong, and we will not be able to do so if we put into effect another provision that is clearly a subsidy and would thus make our case impossible to defend.

Mr. Speaker, the Employment Support Act was drafted at the beginning of the Seventies, when because of circumstances prevailing at the time, the Government wanted to provide short-term assistance to plants that were threatened by unemployment as a result of the imposition of a surtax. Section 2 of the Act makes it clear that the assistance is for a specified period. Under the regulations, the maximum payment period may not exceed 90 days. The measures already taken and now being scrutinized by the United States are not sporadic in nature. Furthermore, the U.S. surtax problem affects the buyer and not the manufacturer. Because of the surtax, Canadian products would become too expensive for the American buyer. The Employment Support Act could do no more than help accumulate staggering inventories that would become impossible to sell.

Mr. Speaker, if we were to use measures like the Employment Support Act, we might, in the case of the softwood industry, jeopardize the case now before the International Trade Commission. I think that it would not be at the advantage of Canadians or the employees of this industry. As for the second part of the motion which asks the Government to assist "in every way the softwood lumber industry in making the Canadian case before the United States International Trade Commission", that goes without saying. I cannot believe that the Government would act otherwise. We shall do everything possible to present a solid case to the International Trade Commission.