

Americans are, for example, because we have modern plants and equipment, our labour costs are lower, and the cost of many of our raw materials is lower. But the key phrase here is "fair competition".

If we are guaranteed fair competition, as the president of Stelco said, he has great confidence that Canadian companies will win the contracts. But out in the hard world of international trade this concept of fair competition is one that is quickly eroded. What happens is that foreign governments have various means, through subsidies, tax policies and transportation policies, of subsidizing their steel companies to the point that they can sell their steel products at below the cost at which Canadian companies are able to produce steel here at home. That is what worries me, the ability of foreign steel producers to underbid Canadians because of unfair competition policies.

I am not drumming up some bogeyman, some imaginary case. We know this has happened in the past. But Algoma Steel has demonstrated before the Anti-Dumping Tribunal that in the past Japan has been dumping steel on the Canadian market as below cost. It is important therefore to the Canadian steel industry which employs 40,000 steel workers, and to the company in my constituency, Algoma Steel, which employs 9,000 steel workers and which will benefit indirectly by the Alcan pipeline because it will be able to supply steel for fabricating by Stelco and the other plants and it will be able to take up the slack in other areas, that we do everything possible to ensure that our steel industry gets the contracts and the jobs for this massive pipeline project.

There is a long history of unfair foreign competition in steel. There is, of course, the outright dumping which Japan has practised. That is easier to spot and easier to take action against. But also, as I have mentioned, there are hidden subsidies by government, and other forms of assistance, which make foreign steel often cheaper than we can produce here at home. I would remind the House that it was Japan, not the United States, which won the contracts to build the U.S. pipeline, the Alyeska route through Alaska. That shows to what degree the Japanese have been able to corner contracts once we get out into competitive bidding on the world markets. I would also remind the House that U.S. steel in the fall of 1977 bid on a gas pipeline from Mexico at 20 per cent below the cost of a comparable Canadian pipeline. So in the past Americans as well have been able to outbid Canadian companies on pipeline contracts.

We know that the National Energy Board has recommended a 56-inch diameter low pressure pipe, which of course is good news for Canadian companies. Stelco and Ipsco will be able to manufacture that kind of low pressure wide diameter pipe. But let us not forget that the Americans as well were the ones to ask for the 56-inch pipe as an option, contrary to what the Minister of Energy, Mines and Resources (Mr. Gillespie) is telling the public. He told us that U.S. firms cannot produce 56-inch pipe, but the U.S. technical committee said that that should be one of the options and there is a U.S. company, namely, U.S. Steel, which has the capability of producing a

Northern Pipeline

56-inch pipe. Also, Japan, Italy and West Germany will be able to produce this wide diameter pipe. It is not only Canadian companies which will be manufacturing this pipe.

I should like to draw to the attention of the House what the National Energy Board said in its report when it recommended a 56-inch diameter pipe. This is what the NEB said at page 6 of the report:

The choice of 54-inch or 56-inch diameter systems over 48-inch might result in minor diminution of Canadian content of component parts. To some extent this will depend on the lead time available for Canadian manufacturers to respond to business opportunities.

The point there is that that should sound a warning which the National Energy Board acknowledges when it says there may be a minor diminution of contracts. Knowing the world trading scene and the experience other countries have had in the past with building pipelines and component parts, we must not forget that.

● (1652)

Our factories have not had an opportunity to build compressors and valves for this kind of wide diameter pipe, so there will be a race to see who can build them the fastest and the cheapest. When we get to world competition it may be that Italy, Japan, Germany, or even the United States, because of the greater size of their steel industries, will be able to produce the component parts cheaper than the industry in Canada. I worry that we might lose out on these component parts because of the increased diameter of the pipe.

Another point we should remember is that the Canada-U.S. pipeline agreement contains a clause which may limit Canadian content in the project. I do not think this has been raised by previous speakers. There is a clause in the treaty that provides a formula whereby the Americans will pay the cost of the Dempster spur line, but the cost-sharing clause says, in effect, that if the costs on the Canadian portion of the pipeline go beyond the estimates, the United States obligation to pay for the construction of the Dempster line will diminish accordingly. That would have a very important impact.

There is more incentive for the builder of the pipeline, the Foothills company, to buy goods and services abroad than would be the case under different circumstances. In other words, there is a built-in incentive in the treaty whereby costs must be held down on the Alcan portion of the pipeline if Canadians want to get Americans to pay for the Dempster spur. What way is there to keep the cost of the Canadian portion of that pipeline down? It is to go onto the international market where there is often more expertise and, because of the development of foreign technology, there is a chance that the component parts will be produced cheaper by foreign companies than by Canadian companies.

I remind the House that Canadian companies have had no experience in building some valves and compressors for 56-inch diameter pipeline, whereas foreign competitors have much more experience. In these circumstances can we assume that our costs for this new technology will be lower than those of our foreign competitors? I have my doubts, so I am there-