

particular benefit to a number of Quebec mills close to the U.S. border. That ceiling is roughly the amount of the volume of trade at the present time.

Fourth, additional further manufactured products will be exempted from the export charge with respect to the value added. This will be of particular benefit to mills in Alberta, Ontario, and Quebec.

Finally, all individual company exclusions will be terminated. As a result, the 20 companies which have enjoyed the benefits of this exclusion over the past year will now be competing in the U.S. market on the same basis as other softwood lumber producers in their respective provinces. As a practical matter, for most of the companies affected, the loss of their exclusion will be offset wholly or in part by the concessions we have gained.

In conclusion, I want to acknowledge the significant investment of time and effort on the part of my colleague, the Hon. Minister of State for Forestry and Mines (Mr. Merriethew), and the Canadian Council of Forest Ministers concerning provincial replacement measures. Finally, I would like to make particular mention of the very close and effective working relationship with the Governments of British Columbia and Quebec during all the negotiations.

Some Hon. Members: Hear, hear!

Hon. Lloyd Axworthy (Winnipeg—Fort Garry): Mr. Speaker, time after time in the House the Minister for International Trade (Miss Carney) has shown a remarkable facility of taking a disaster and describing it as a victory.

The fact of the matter is that the announcement today should bring absolutely no joy to the hearts of Canadians, because what she is not announcing is the elimination of an export tax is the application of a major new program of stumpage fees which will have significant negative consequences for the entire lumber industry, not just the softwood industry.

When the legislative committee on Bill C-37 held its hearings, the problem of replacing an export tax with a stumpage fee was made very clear. Our there in the forests in the interior of British Columbia and other places, it is impossible to distinguish which tree is going to be softwood lumber and which one is going to be used for other wood products such pulp and paper. There was no formula or equation announced in the Minister's statement to show that that is indeed the case. We have the problem that in the softwood lumber field itself there will be a new cost to Canadian consumers.

Miss Carney: This is good news, Lloyd.

● (1520)

Mr. Axworthy: All Canadian consumers will now be paying higher lumber prices. That is consequence number one. All Canadian softwood lumber products in the building industry will now be higher priced. As we saw previously in the

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committee, that can add anywhere from \$500 to \$700 per house in new construction in this country.

Second, we will now, because of the stumpage fee, be adding additional costs to all our other exports, not just U.S. related exports, but all our other lumber related exports going to other countries. You cannot say that this tree is going to the United States and that one is going to Europe. The stumpage fee has across the board application and, therefore, we will be in a position where our own exports will be at a higher cost and in a less competitive position with others in the softwood lumber area.

Third, will the new stumpage formulae being brought in by the provinces apply only to those stands of timber used for softwood lumber or will they be applying to all wood products? There is no clarification in the Minister's statement to determine whether in fact the negotiation has resulted in some kind of complicated formula that will allow a distinction to be made between various kinds of lumber products. If that is the case, then the inflationary consequences, the cost-push consequences, will be enormous for the entire lumber industry.

When the Minister, in an attempt to dissemble in this House, says that we are eliminating the export tax, she does not provide any information on the other side of the equation about the additional cost to Canadian consumers, additional costs to our export markets and potentially additional costs to all other lumber products as a result of the raise in stumpage fees.

The Minister in her statement suggests that the imposition of the export tax in its original form and now the stumpage fee will have absolutely no impact on the softwood lumber industry. It is a mere irrelevant, small item that has no consequence whatever. She points to the fact that in the last six or seven months since the passage of the Act the market prices have stayed strong and employment up. There is no argument with that. But the Minister does not deal with the fact that the softwood lumber industry is a cyclical industry. It goes through boom and bust times.

What was clear in the evidence presented before the standing committee dealing with this matter was that it may be possible for the lumber industry to pass on these additional costs to consumers when there is strong market demand. But when that market turns down, as historically it will, because it has every time in the past, then the additional \$700 million, \$800 million, \$900 million—close to a billion dollars—in additional costs imposed will provide an enormous drain on the cash flow of the industry and put many companies in a position where they will no longer be able to operate.

Let me give you an example of the changes already occurring as a consequence of the new regime that has been brought in as a result of the Government's action.

In an article dated October 17 in *The Vancouver Sun* various spokespersons for the British Columbia interior lumber industry point out that these are the changes in cost. If you