or quick delivery, as to guarantees, as to service policies, quality and suitability of the product, and also consumer styling, appearance, and many other important features.

These are all factors, and they do provide opportunity for a manufacturer to secure a little higher price than another manufacturer might get on an imported product. Or, it can be turned around the other way, to say that a piece of imported goods might be sold in Canada at a higher price than a product of local manufacture because of some style or appearance it has. Generally speaking there are Canadian goods of good quality and value on the market pretty well all over Canada, but there are areas where we have the terrific involvements of major shipments of merchandise from other countries, such as is the case with electronics, tubes and textiles.

Senator CROLL: My purpose in asking you the question is this: Are you not putting too great an emphasis on wages and productivity as related to these other elements which we have enumerated?

Mr. NEEDLES: Wages are 100 per cent of the cost of anything. It costs money to transport, to build machinery, to lay bricks, to mine metals—anything you spend money on, wages and salaries are 100 per cent. Wage levels are the most important impact upon the selling price.

Senator HAIG: Hear, hear.

Senator CAMERON: Mr. Chairman, may I ask one question related to this very point? Production costs materially affect your competitive position. Last week, when we had the electrical manufacturers here, a question was asked about plant capacity in relation to the market. With respect to the market for refrigerators, as an example, the statement was made that 400,000 refrigerators were made annually but that the plant capacity was 1,000,000.

The next question was, to what extent does this over-capacity in relation to market apply to the electrical industry? As I recall the answer, it was that this 40-60 ratio might apply fairly generally. If it is true that there is a 60 per cent over-capacity in any line of production, is this not a factor that affects your production costs and your competitive position? In other words, you have a capital investment which is too high for your market; and, naturally, your costs are going to be higher. Does this apply to other segments of the manufacturing industry as well?

Mr. STYLE: I was also representing the Canadian Electrical Manufacturers. I remember that discussion. There is no doubt that at the present moment, largely because of the fall-off in demand for some of our products, there is excess capacity. Generally, I do not think it is anything like it happens to be in the manufacture of refrigerators. On the average, I think that today one might say that there might be 20, 25 per cent excess capacity for today's market. The best way of utilizing that excess capacity is, first of all, to try to get a greater share of the Canadian market; secondly, to try to export; and, thirdly, to try to get much greater Canadian content into what we produce—all of which are economic factors.

As each year goes by, every manufacturer, in his own interest as well as in the interest of employing Canadians, tries to get more Canadian content into his operation. But, as Mr. Needles said, if you can buy certain components or certain parts in Japan at half the price you can produce them, and you have to be competitive in the outside markets, there is a limit to what you can do. However, it is certainly the desire of every Canadian manufacturer—and I think I can say that without exception, whether entirely a Canadian manufacturer or foreign controlled—to get the maximum degree of manufacture in Canada. But it is an economic problem we are facing, and one which many of the things in our brief are directed towards easing, so that we can manufacture more.