and discussing with them potential changes in matters relating to the auto pact.

There are two separate studies going on, one in Canada and one in the United States, with regard to the future of the auto industry in general which, of course, is being significantly affected by the energy shortage and by a whole variety of new factors which have emerged in the last three or four years. Once these studies are completed and the United States authorities and ourselves have agreed that we ought to seek to do it during the current year, then we will put these studies together to see what kinds of additional changes may be necessary in terms of achieving more equitably the original goals and aims of the auto pact.

In the meantime, some statistics which have just recently come to hand will, I am sure, interest hon. members, and in a totally non-partisan sense I expect they will be encouraging to hon. members. The auto industry will probably sell one million cars this year. This will be the first one-million car year in Canadian history. That is perhaps in some respects—as I suspect some would say—a regrettable trend if one is talking about conservation and the like. Nevertheless, if one is talking in trade terms exclusively, of course it makes a very substantial difference. To the end of May, for example, sales were 338,122 units, which is up substantially over last year. The totality of our manufacturing sector within Canada is now working at full capacity with the exception of the Chrysler truck plant, which I was pleased to open officially two or three weeks ago. It, too, will be going on a second shift at the start of the 1977 market year, which I believe is almost a full year earlier than had been previously anticipated.

These indicators show that in the current year the auto industry will be very much on the upswing and that the deficit which we had last year on the so-called auto account, of $1.9 million, will be halved at least in the 1976 year. I should emphasize, again, as I know hon. members on both sides of the House are already aware, that a good deal of the problem continues to exist in the auto parts sector. I have had many discussions with the various parties concerned, both the auto parts manufacturers and the auto companies, as to how that particular segment of the auto industry can be brought into better balance. I believe progress will be made.

The mere fact that business is improving is bound to have its beneficial effect for the auto parts manufacturers, but there are other incidental, although very important, contributors as well. To use the auto industry as an example, one of these is the development, in the so-called less developed countries, of a growing capacity and a capability for the manufacture of a great line of parts and accessories of one sort or another. So it is not only in some of the more sensitive areas, such as textiles and footwear, that we are encountering this resurgence or emergence of the less developed countries, but it is now starting to spill over into what perhaps we considered to be almost exclusively the domain of the developed countries and, in terms of Canada-U.S., something which we kept within the North American continent. So that is a factor we will have to keep a very close eye on.

● (1600)

I made these references in relation to the auto pact, but the same is true, of course, of a very wide and increasing range of commodities where less developed countries are acquiring greater confidence and competitiveness every day. In any event, I think it is important to note that in this current year—assuming that everything goes as is now projected—we will see, for the first time in our history, the sale of one million passenger cars. This will result in halving the deficit and virtually all of it will be on the side of the auto pact.

I said I would say a few words about productivity. Of course, this is at one and the same time one of the most obvious problems facing the Canadian economy, and particularly manufacturing and processing today. It is also one of the most complex ones, because one has to begin by seeking a definition, to which everyone can agree, of what constitutes productivity. In the manufacturing and processing sector, in the work we have done—incidentally, I would be more than pleased, as we have done on other issues, to make it available to members of the standing committee or to any others who may be interested—it is shown clearly that you can determine with a fair degree of precision what your productivity gains are, because they are based on the simple measure of output per man-hour. You can figure that out, as I said, relatively easily.

The same is basically true of the extractive industries—forestry, mining, etc.—where, once again, you have a firm and fixed product line to which you can attribute the cost of turning it out. Where the big difficulty comes, and where, as I said a moment ago, we need some clarity and agreement on definitions is, first of all, in the service sector. To the best of my knowledge, in the service sector there is no unanimity on whether or not there is a measurable productivity factor, and indeed the tendency has been for the most part to regard it as being neutral or flat, in productivity terms. In other words, you do not regard it as having had any input or output in so far as growth in the economy is concerned.

Obviously, this is an oversimplification, and yet at the same time it is something about which, it seems to me, we do not have enough knowledge at present to judge what measurements we should be using in this country to determine precisely how productive we are. I might say, also, that another area for which a more detailed study and one on which there is bound to be a good many points of view expressed, is whether or not, in terms of measuring productivity, for instance, we really ought to give it the overriding emphasis that has tended to be the case for most of us, including myself, until fairly recent times.

For instance, when you look at the statistics and the calculations, it is clear that there are countries in the world with a much higher rate of productivity, given the yardsticks I have mentioned, than Canada has. Among them, as I recall, are Japan, for example, and Italy. But whether or not we in this country would want to have the same kind of economies that have generated these levels of productivity is another matter and one which I think is a very real basis for debate.

The other point in relation to productivity—and I am simply touching here on a whole range of issues which certainly deserve much more thorough examination by all