

loans for machinery, is not enough; we have to do far more than that. We have to make sure that they are of the size and the structure that will permit them to be competitive.

Under your criteria, do you grant loans for the rationalization of industry to permit two small companies to come together and to purchase each other's stocks in order to form a more efficient organization for competitive purposes?

Mr. Barrow: I would like to consult with Mr. Arthur a moment. I do not think we have had an application where two companies wished to come together. We think—perhaps I should consult our legal advisers—that we would have the authority to lend funds if this would increase productivity and make these firms more viable.

Mr. Saltsman: If one company came to you and said that they were considering purchasing company "B" in order to create this kind of situation, would you have the authority to make a loan for that purchase?

Mr. Arthur: If I might answer that question, Mr. Chairman—

The Chairman: Yes, Mr. Arthur.

Mr. Arthur:—If that was part of the program, yes. But I think the Board would certainly want to see something besides just a straight acquisition as the program of expansion. In other words, unless there is going to be some bringing together of production facilities and probably expanding the company or re-organizing it, I think the Board—while I believe it has the authority—certainly would want to see that the program of acquisition was going to be more than just purchase.

Mr. Saltsman: In its discussion on productivity the Economic Council of Canada I believe made some reference to the need to rationalize our industry. A further question I would like to put is, have you made any loans for the purpose of rationalizing Canadian industry?

Mr. Barrow: I think, Mr. Chairman, if I can put it this way, all of the loans in one sense are assisting the parts makers to rationalize because prior to the program the Canadian parts makers were given a multiplicity of orders for all sorts of parts. That is, one company might be asked to turn out 20 different parts, and they would be supplying, let us say, a vehicle manufacturer who, in turn,

would be making 60 or 70 models of cars in Canada. The result was that they might be turning out, let us say, 50,000 hubcaps, which is a very expensive and high-cost operation.

Now, under the present program there is rationalization in the procurement of parts in that the motor vehicle manufacturer may now ask an individual company to produce only three or four different types of components, but he will give that manufacturer much longer production runs than he had before. To this extent there is a great deal of rationalization going on all through both the motor vehicle industry and the parts industry.

A moment ago somebody was asking me about the stampers, and this is what has been happening with the small Canadian stampers who two or three years ago would be asked to produce a great multiplicity of stamping, whereas now they are being asked to produce only three or four but are being given very long production runs. They have had to re-equip with new kinds of presses and stamping machines, but they have got their costs down much lower than before and they are much more competitive. They are getting into export markets where they never were able to penetrate before. This sort of rationalization is going on very extensively.

Mr. Lind: May I ask a supplementary question?

The Chairman: Mr. Saltsman, will you permit a supplementary?

Mr. Lind: I would like to know whether a parts manufacturer who has obtained a loan and expanded, but whose business has expanded faster than he originally anticipated, can come back to you and, without too much of a problem, get additional money in order to expand further to increase his production?

Mr. Barrow: Yes, we would be very happy if he came back for more money to increase production; this is exactly the thing we want to encourage.

Mr. Lind: Thank you very much.

The Chairman: Mr. Saltsman?

Mr. Saltsman: One of the conditions of your loans is—

The Chairman: Mr. Saltsman, Mr. Tremblay has indicated he would like to ask a supplementary.

(Translation)

Mr. Tremblay: I will have two questions to ask, Mr. Chairman.