CONTROL ON TOURIST CABINS LIFTED: The Wartime Prices and Trade Board announces that all tourist cabins now vacant or which may become vacant in the future will be free of rent and eviction control. Tenants now in occupancy are still protected by the rentals regulations and cannot be required to vacate so long as they are well behaved. If a tenant does vacate, the accommodation will then be free of control. This rule will also apply to ski lodges, winter chalets, hunting lodges, and summer cottages.

GUNLESS TANK FOR SALE: One surplus Ram Tank, made in 1942, tops a list of material now being offered to trade buyers by War Assets Corporation through the Montreal Branch Sales Office. It is admitted that this particular Ram Tank - a Mark II - in its present condition would be of little service in any war, private or otherwise, because the armament has been removed and a gunless tank would be as harmless as a kickless mule.

Suggestions are offered that it might do as a garden ornament, or even serve as a type of tractor, but the Corporation states that it will gladly consider any reasonable offer, and leave it to the purchaser to find useful employment for this tank that stayed at home.

Folding cradle beds make another entry into the list of unusual items of surplus in possession of War Assets Corporation. Not for infants, these are a special type of bed designed for naval sick bays fitting into a mechanism which allows them to remain level against the roll of the ship.

RCAF APPOINTMENT: Air Force Headquarters has announced the appointment of W/C J.B. Millward, DFC, Ottawa and Montreal, as Director of Selection and Manning at Ottawa, succeeding A/C R.C. Ripley, OBE, who was recently appointed Assistant Chief of the Air Staff.

IMPORT CONTROL OF CAPITAL GOODS

HOW RESTRICTIONS WILL BE APPLIED: During discussion by the House of Commons, in Committee of the Whole, of the Exchange Conservation Bill, the Minister of Trade and Commerce, Mr. Howe, outlined the principles and policy underlying administration of schedule III of the Bill. This schedule deals with import restrictions applied to the import of capital goods.

The objective guiding our administration, Mr. Howe said, is to encourage industries, activities and practices which will earn or save United States dollars. A necessary test is that these industries will use Canadian resources in so far as possible. New industries must be economically sound; capable of standing on their own feet and competing successfully once the temporary protection of import restrictions is withdrawn. That is the positive side.

NEGATIVE MEASURES APPLIED

To make our positive measures effective we must also apply some negative and restrictive measures. We must discourage further investment in a broad range of industries which are less essential. I do not like the word "non-essential." The new amusement, service, commercial and industrial enterprises in which new investment and construction must be curtailed would provide many pleasant amenities and improvements in the Canadian standard of living. But they all involve expenditures of United States dollars. I have mentioned before, that approximately 30 cents out of every dollar spent on new construction, machinery and equipment finds its way to the United States. Since our supply of United States dollars is limited it must, in effect, be rationed.

The need for this is underlined by the magnitude of new capital investment intentions in 1948. On top of an investment boom in 1947 in which the all-time record, in peace or war, of $2.4 billion was spent on new construction, machinery and equipment in Canada, an increase of 17 per cent, or $400 million, is planned for 1948. For the purposes of this discussion it is the United States dollar aspect of this really staggering amount--$2.8 billion--which concerns us. But I would like in passing also to draw attention to the disturbing inflationary possibilities inherent in such a programme. Some postponement of the less essential expenditures in this programme will be far from harmful. It will not cause any unemployment in the construction or capital goods industries. In fact our capacity in a number of key instances, such as steel supply, will be strained to the limit to provide for essential construction. Additional demand in the market will simply bid up prices, intensify shortages, interrupt necessary work and generally add to costs. On the other hand, projects postponed now will prove useful in maintaining employment and income in the future.

TWO RATIONING METHODS

This may appear a digression, but I wish to make the point that while our exchange position forces us to limit our purchases of capital goods in the United States, our over-all investment picture is such that some deferment of expenditures would in any case be economically desirable and sound.

There are two possible methods of limiting the imports of capital goods, or to put it another way, of rationing our limited supply of United States dollars to be spent on such goods. One method is an over-all blanket reduction; the other is by a selective approach, distinguishing between those projects which are most necessary and helpful to Canada, and those which can be postponed with a minimum of loss and inconvenience.

SELECTIVE APPROACH

There can be little question as to the superior merit of the second method--the selective approach. But it has some important implications, from its very nature, that must be clearly understood. It is obvious that no hard-and-fast formula can be laid down to govern administrative procedure. Almost every project has distinctive features which require special consideration. There must obviously be a measure of administrative discretion. Each application for an import is screened in the light of the use for which it is required. Wherever possible the importer is required to submit complete details of his project. Various factors must be taken into account in the final appraisal of the essentiality of the project such as, for example, the need for maintaining basic public services; the possibilities of expanding export trade, the desirability of further developing our primary industries and in general of strengthening the Canadian economy with an eye to maintaining employment and income in the future.

What I have been saying applies to the general range of capital goods covered by schedule III. The schedule also provides for control of the imports of the important automobile and motion picture industries. Since there has already been some desultory discussion of this I would like to make some general remarks concerning these two industries and their place in our over-all exchange and industrial programme.

AUTOMOBILE INDUSTRY

The automobile industry has become one of the largest Canadian manufacturing industries. It has developed to the point where cities such as Oshawa and Windsor are largely dependent upon it as a source of income and employment, and its ramifications are very great. The total scope of the industry cannot indeed be estimated with any accuracy because it extends into so many aspects of our national life. It reaches out from the automobile production line to distributors, repair and dealer services which extend across the country. The needs of automobile drivers and of commercial transport are reflected in the highway systems and the construction programmes of the provinces. The tourist industry is important to the country because of the automobile and the service facilities available to travellers. The automobile manufacturers depend in their turn upon other industries which supply them with their raw materials, such as primary iron and steel, textile fabrics, plate glass, paints and varnishes, and so forth.

I have been asked to provide some statement as to what was our preliminary objective with regard to the saving of United States dollars which might be effected by restricting the imports of the automobile industry. I must say again that there was no such objective at the beginning except the general belief, founded on a careful examination of the facts, that some substantial saving could be made without at the same time inflicting damage on the industry itself. I have given the house a figure of $35,000,000 which was mentioned at an earlier stage by some of those involved but this was never a goal or an objective.

FORMULA DEVELOPED

It has been necessary to proceed step by step in consultation with the industry itself. They have been approached to give their advice as responsible citizens in the formulation of a policy for their industry which would be in the national interest. A formula has been developed which will enable automobile manufacturing to continue at substantial levels and still provide some relief by way of minimizing the net drain of United States dollars (C.W.B. February 13).

The formula has been published and made available to the house and it will not require any marked diminution of automobile production in Canada this year. In the categories affected, namely automobiles and light trucks, it might indeed be increased from the high level of last year when the total production of such vehicles was in excess of 250,000. Imports of parts under tariff items enumerated in schedule III, namely 438b, 438c, 438d and 438e, amounted to $108 millions in 1947. Imports of complete vehicles, such as automobiles and trucks of three tons or less, were running at the annual rate of about $65 million in 1947 until they were banned on November 17. Out of this total it is estimated that the formula will save about $70 to $75 millions of imports from the United States. By far the larger part of this, about $55 millions, will be saved on the import of complete vehicles and the balance on non-essential accessories and gadgets. Many parts which were previously imported will be found obtainable in Canada of good quality and at favourable price.

INCENTIVE TO PRODUCTION

In effect the formula adopted reduces the imports of finished cars to token amounts in 1948, but will permit the continued operation of the automobile production and service industries at substantially 1947 levels. There is, in addition, an exchange incentive to increase production and exports about 90 per cent of the 1947 level, and the effect of this is that, roughly speaking, for every additional car sold for export two additional cars can be made.

Let me repeat that the formula and these estimates have been arrived at after consulta-