

Customs Tariff

manufactured in Canada and for a review of the whole formula respecting content as well as for the encouragement of Canadian content in imported vehicles. This may be a small item, less than \$100,000—

Mr. Benidickson: Just part of it. Just one item was \$78,000.

Mr. Martin (Essex East): Yes, just one. But the accumulation is important. One of the factors producing instability in the automobile industry at the present time, if that is a correct characterization, is the question of importations. If that can be dealt with in a way that will not prejudice tariff policy and so on it ought to be done, and I think it can be done by a change in the content requirement. What we are doing in this bill is going one step further along the lines generally complained of by the industry throughout the country.

Mr. Spencer: Mr. Chairman, before the minister answers that point I should like him to clear up the point raised earlier by the hon. member for Essex East. I should like the minister to set my own mind at ease on this point. I think perhaps I understand it and that the hon. member for Essex East does not fully comprehend it.

As I understand the purpose of the present amendment it is to admit these specific items which are not made in Canada at a lower rate of duty, in fact duty free, if they are utilized in the manufacture of certain vehicles in Canada. That in no way adversely affects the employment of men in Canada, as I understand it, because these commodities are not made in Canada at the present time.

Mr. Martin (Essex East): I am suggesting they should be; that is the point.

Mr. Spencer: The hon. member for Essex East has indicated that this amendment will have some bearing upon the point raised in a previous brief, that employment in Canada would be promoted by a change in the Canadian content. It is my understanding that this will have a beneficial effect, because when these items are incorporated into the vehicle—being articles not made in Canada and therefore not of Canadian content—it will mean that in order for the manufacturer to get these articles in duty free he will have to increase the other content of the automobile so as to come within the specified requirements respecting the Canadian content. By virtue of these things being done the manufacturer will have to incorporate into the vehicle a greater quantity of other Canadian-made products. The net result will be, of course, that some other item which at present is being imported will

[Mr. Martin (Essex East).]

have to be incorporated into the vehicle, and that will be a Canadian-made commodity. I do not know whether that is the correct understanding, but I believe it is.

Mr. Fleming (Eglinton): Mr. Chairman, that is entirely the correct understanding. This change will have the effect of reducing the cost of production of the Canadian automobile or truck to the extent to which these particular parts are installed in the finished product. What the hon. member has said in regard to content is also entirely correct.

Mr. Benidickson: I can see that point, Mr. Chairman, and have no quarrel with it. Did the minister not say, however, that at the present time the effective protection is 25 per cent? Did he not say it is 17½ per cent British preferential and 25 per cent most favoured nation?

Mr. Fleming (Eglinton): Yes, but I think these are imported largely from the United States.

Mr. Benidickson: Yes. Up to the present time these articles have been protected to the extent of 25 per cent. They have paid a duty rate of 25 per cent. They will now come in free if not made in Canada; is that right?

Mr. Fleming (Eglinton): They will become free under the changes now proposed, but this applies only to articles of this description of a class or kind not made in Canada.

Mr. Benidickson: We will assume they are not made in Canada now. I assume there has been an encouragement to Canadian manufacturers to look at the possibility of making them by reason of a tariff of 25 per cent. That is to be taken away, so the encouragement for Canadian industry to look at this possibility is probably going to be considerably less than it was prior to this change.

Mr. Fleming (Eglinton): I think the experience of the Canadian manufacturers is that the volume is so very small that they could not possibly hope to compete, and this is in line with requests that are often received in the case of components that enter into the Canadian manufacture of finished goods. Where there is no Canadian source, therefore request is made that the tariff be removed on these elements in order to assist the Canadian manufacturer to be competitive in relation to his finished product.

Mr. Benidickson: I see the point and am glad of the explanation, but I want to understand what the result will be. Heretofore these articles in 438c and 438d have been subject to a duty on import of 25 per cent. Inasmuch as they are not presently made