

*Canada-U.S. Automotive Agreement*

**Right Hon. L. B. Pearson (Prime Minister):** Mr. Speaker, it was not a matter, as I understood it, which concerned the party in power. The matter concerned certain Members of this House, raising questions of privilege. This refers to information supplied to Members by certain other persons, and I do not think it is a matter of concern for the Government at all.

● (4:20 p.m.)

**SUPPLY**

The House resumed consideration of the motion of Mr. McIlraith for Committee of Supply, and the amendment thereto of Mr. Douglas.

**FAILURE TO PROVIDE PROTECTION UNDER CANADA-U.S. AUTOMOBILE AGREEMENT**

**Mr. H. E. Gray (Essex West):** Mr. Speaker, yesterday I was commenting upon the implications to the Government, to the Canadian people and to the auto industry of the fact that under this new agreement the same amounts of duty will not be collected on imports of vehicles and parts. I should like to suggest to this House that the increased revenue to the Government which will likely come from increased production in Canada as a result of this agreement will more than make up for the duty that it would have collected on imports, had this agreement not come into effect.

I should further like to point out to this House that in order to import duty free, a manufacturer must manufacture finished cars in Canada in the same ratio to sales in Canada as he did in the base year, and must maintain a certain Canadian content, or Canadian added value. And of course there is the increase in Canadian production to which Canadian manufacturers have committed themselves in writing, in those letters which have been tabled in this House. It is my understanding that, to the extent a manufacturer does not meet these requirements, he will be called upon to pay duty on his imports, so there is not a simple ability involved here on the part of a manufacturer to import cars and parts without paying duty.

Opposition Members have questioned the benefit of this agreement to the Canadian consumer. Certainly the price of cars to Canadians is an important factor and I think that this agreement will be the cause of bringing the price of cars to Canadians very close, if not exactly to the level of the price of cars in the United States, within a period of time which I hope will be as short as possible.

One must remember that lower prices will have meaning only if Canadian consumers have the money in their pockets to pay them. The Canadian consumer is also the Canadian worker, the Canadian businessman and the Canadian producer of goods and services. Opposition critics in discussing this agreement, referring as they do only to the aspect of duty free imports and of non-collection of tariff amounts, wear unfortunately narrow sets of blinkers. They overlook the benefit to the Canadian consumer of some \$38 million or more in increased production in Canada by 1968, and they overlook what this will mean in terms of additional jobs for Canadians. This will also mean more money for Canadians to spend. These are the major and primary aims of the agreement.

It is my understanding of the work force in Canada that at least one worker in every seven is employed in some activity linked with the auto industry, so we must not only consider the 80,000 people employed by the automobile manufacturers and the automobile parts manufacturers. For example, we must think as well of those employed in the paint, rubber, chemical, steel, aluminum and forest products industries. I suggest there is not a single part of this country not touched in some way by the automobile industry. We must strive for lower prices, but we must do so in a way which gives Canadian secondary industry not only a chance to survive, but also to adjust and expand while meeting changing trade conditions. This is the approach which I suggest has been followed by this agreement.

Some opposition Members I gather have felt that as soon as the agreement was signed there should have been an immediate decrease in car prices to Canadians to the United States level, but they forget that duty is only one factor in the higher price structure of Canadian vehicles. There is also involved the higher cost of production in Canada at this time, due to our smaller production lines, and so on. These methods of production in Canada and the costs resulting from them can certainly not be expected to change overnight, or even within a few months. Therefore the only way to have brought about an immediate decrease at the moment of signing the agreement, of Canadian car prices to U.S. levels, without any change in Canadian production methods, was simply to remove all the duties and permit manufacturers to bring in all the cars they want from the United States.

**Mr. Douglas:** Could I ask the hon. Member a question?