

CANADA MEETS WORLD COMPETITION AT HOME (Continued from P. 2)

Area Development Agency, working with provincial and municipal authorities, is administering tax exemptions and accelerated depreciation measures to assist those areas of the country having high unemployment and slow growth rates. Again, some significant pioneering steps have been taken to promote a greater volume of research and development work in Canada, through a system of grants and other financial incentives.

One of the main tasks ahead of the Department of Industry is to test and evaluate the results and effects of these measures. We want to examine how effective they really are, and whether they should be modified and expanded. We need to know what further measures might be helpful, to examine what impact taxation, combined legislation, the freight-rate structure and other factors may have on the competitive position of secondary industry.

This must be done within the framework of a detailed and comprehensive knowledge of Canadian secondary industry and its relative position *vis-à-vis* other countries. We shall need to examine how the revolutionary new concepts in manufacturing, marketing and management, such as automation and computer control, are affecting our productivity.

In addition, the Department of Industry has an important role to play in making it possible for individual industries to improve their operations so as to withstand pressures in the home market from foreign competitors and also to strengthen their ability to participate in markets abroad. I mentioned earlier that Canada will be participating in the negotiations at Geneva to obtain more favourable entry into the markets of GATT countries. If secondary industry is to be competitive at home and to capitalize on the wider access which will thus be given to world markets, we shall need the highest efficiency to maintain and expand our employment and investment levels.

HIGH-COST, UNECONOMIC INDUSTRY

We must all take note of the fact that much of Canadian secondary industry established in recent years has been to assemble or merely to finish and to serve domestic markets only. Also, much of the foreign investment in Canada has been prompted by a desire for representation in Canada, or to preempt a position in the local market. The result is that much of our secondary industry is high-cost, uneconomic or relatively inefficient by world standards. We must adjust our thinking towards establishing larger, more economic units in Canada designed to serve wider markets.

In instances where it is not feasible to produce for wider markets, an imaginative attack is needed

in the design and engineering of smaller multi-purpose equipment and plants more suited to the realities of short runs and variety in the home market.

The Department of Industry's approach to these problems will vary depending on the circumstances as we see them from our preliminary fact-finding work. In some cases, industry can best be assisted by specific measures within the context of the present industrial structure. For example, the Department is working with the furniture industry to foster improved design, production, distribution and marketing of furniture in Canada. Industrial missions consisting of representatives of the industry, sponsored jointly by the Department and the furniture industry, were sent to Europe and the United States to study the latest techniques and practices in equipment, production methods, material utilization, plant layout, design, merchandising, management and distribution. Following their return to Canada the mission members prepared detailed reports of their findings. These reports were published and made available to the industry. Subsequently, seminars to consider these findings were organized by the industry and provincial governments in Montreal, Winnipeg, Calgary, Vancouver and Moncton.

STIMULUS TO AUTOMOTIVE INDUSTRY

In another example, measures were introduced to help Canadian auto manufacturers gain access to larger markets outside Canada. They provided a strong stimulus to increase export shipments in order to earn duty-free entry for the great variety of parts which are imported. The programme also met another important criterion. It was a permissive approach; there was no direction by government. Each company was free to determine how it would participate in the programme to derive the greatest benefit to itself.

The automotive measures make it possible for a major Canadian industry to realize the economies resulting from greater volume and from specialization. The specific approach taken with the auto industry is not necessarily applicable elsewhere. Each industry has its own problems needing individually-tailored measures to solve them. But I would suggest that one of the more profitable exercises for you and for the Department of Industry will be to examine how we can eliminate more of the high-cost duplication of facilities which riddles our secondary manufacturing. We must constantly seek to realize the benefits of specialization, and to make maximum use of the advantages of lower-cost materials, superior design and unique technology. I can think of no other single approach which is likely to yield more rapid, practical and lasting improvement towards strengthening our position in our home markets and in export....