

The Budget—Mr. Pepin

information on the effect of the DISC program has been so slow in coming and remains inadequate. I was also reporting on the state of affairs in respect of the four major automobile companies in relation to DISC. I covered Ford and I now move to General Motors and Chrysler. These two companies in the United States have registered under DISC with the United States federal department, but so far have taken no decision to include shipments to Canada under the program.

• (2010)

Again, neither of these two companies expects that DISC will have any short-term effect on the level of production in Canada, although each was less certain that the benefits under DISC would not have a bearing on long-term investment plans for the industry in North America. American Motors have not registered under the DISC program nor, they say, have they any present plans to do so.

As hon. members are aware, the demand for motor vehicles this year is expected to be well ahead of last year. It is expected to be a record year. The Canadian companies report that sales in Canada are exceeding those of last year. As the market demand in the United States is also very strong, the level of our automotive trade, in both exports and imports, is expected to exceed that achieved last year. The growth in both markets is not expected to significantly alter the trade pattern that is being achieved this year between the two countries. So despite the differences we have had with the United States over the future shape of the automotive agreement, this arrangement continues to bring substantial benefits to both countries.

It is obvious that the budget which the government brought down on Monday has placed the automotive as well as other manufacturing and processing industries in a position to compete more effectively with producers abroad, including those countries which have adopted various tax measures directly to further their own exports without affecting their domestic position with respect to pricing or sales. We regard many of these measures, which are direct export subsidies, as being contrary to the principles and obligations of GATT and we have protested against them to the countries concerned. As my hon. friends know, a direct export subsidy is considered to be an unfair advantage.

The new budget provisions for fast depreciation on equipment, machinery and anti-pollution devices, as well as the lower corporate tax on manufacturing and processing, are not retaliation against the value-added tax systems, income tax holidays, tax deferrals on exports and other specific measures which have unfortunately proliferated in recent years. As the Minister of Finance (Mr. Turner) said on Monday, our new measures are designed to provide greater incentives for new investment in Canada and to strengthen the general ability of Canadian industry to compete with foreign manufacturers both here and abroad.

My hon. friends know that there is a difference between a direct subsidy and a general economic measure. Among their beneficial effects, these measures will put Canadian manufacturers and processors in general on an equal footing with producers in other countries. These measures

will strengthen the ability of manufacturers in Canada to adjust to the challenges of enlarged European markets and other international developments and opportunities.

Despite the improved situation of Canadian business brought about by the revision of the corporate tax system, it may be that in special circumstances a Canadian producer may still feel at some disadvantage compared with his foreign counterpart, either in his competitive position or in his investment prospects. If this should come about, the government will consider any further steps which may be warranted.

The government is also looking at ways to obtain better identification of imports to Canada at prices which reflect export subsidies. Our objective in this regard will be to assess more accurately the impact on Canadian producers which subsidies may have, so that appropriate steps may be taken. The government is confident that the improved corporate tax system which the Minister of Finance placed before the House will enable Canadian manufacturers to hold their own in the increasingly competitive international market and play their part in the development of Canada.

My second short report is on the automotive price differential. I have consulted the same major Canadian automotive producers on this particular matter. The main purpose of the 1965 automotive products agreement was to expand production and employment and improve efficiency in the Canadian automotive industry. The government had the further intent, and the confidence, that the differential between car prices in Canada and those in the United States would be progressively reduced.

Production and employment in Canada have expanded dramatically since the agreement was signed in 1965. Efficiency has risen steadily and large investments have taken place in this country. Figures showing this great progress are public, and consequently I do not propose to repeat them tonight. They are available. The cost savings made possible by this rationalization were translated into a continuous decrease in the price differential until May, 1970, which is the date of the floating of the Canadian dollar.

May I briefly trace the progress which was made toward reducing the price gap under this agreement. In doing so—and this is a very complex exercise; I am not hiding the fact—I will use weighted average prices at the manufacturer's level, that is, f.o.b. factory excluding sales taxes. I am sure that at least one hon. member understands the meaning of these words, because we have gone over these things a number of times. So I repeat, they are weighted average prices at the manufacturer's level. "Weighted" means that in establishing figures we took into account the number of automobiles sold in each model of car.

Mr. Stanfield: It does not mean it is weighted to suit yourself?

Mr. Pepin: I did not understand the remark: I would like to hear it later. It is at the manufacturer's level that the automotive pact influences the costs of production and resultant prices. Because of sales tax differences at the dealer level, manufacturer's prices must be used if a meaningful comparison is to be made between Canadian