

Mr. Longstaffe, if you would like to start with an opening statement or have one of your colleagues do so, it would be most satisfactory to the committee.

Mr. R. Longstaffe, Vice-Chairman, Electronic Industries Association Of Canada: Thank you very much, Mr. Chairman. Before discussing the details of our brief I would like to spend a few minutes talking about the Electronic Industries Association of Canada and the various problems currently confronting the Association.

The Electronic Industries Association of Canada is a trade association of Canadian manufacturers of electronic equipment and components. This industry is made up of three major segments.

Number one is the consumer products manufacturers who manufacture television sets, record players, tape recorders and other items of consumer products.

The second area is the electronic equipment manufacturers, who manufacture communications, broadcasting and navigational equipment, computers and various electronic systems.

The third group is the component manufacturers, who make such items as resistors, capacitors, transformers and integrated circuits. These provide the building blocks for the two other segments of the industry.

The electronics industry in Canada is rapidly growing and is now a substantial industry in this country. In 1969 our factory shipments were over \$1 billion. Of this, some \$300 million worth of our products were exported. This industry now employs approximately 65,000 people. Our industry will provide the equipment that will enable Canada to move from the industrial age to the post-industrial society of the future. It will provide the technology and equipment to create the "wired city" and, indeed, the "wired nation" for the benefit of all Canadians.

For example, the two prime contractors on the Telesat Canada program are both members of our Association. They are Northern Electric, who are building the ground stations and RCA building the satellite, or the bird.

However, our industry presently is faced with many problems which I would like to touch on briefly.

Number one is the continuing discriminatory 15 per cent excise tax on television sets, which favours

importers and makes it more difficult for our Canadian-made product to compete for the consumer dollar in the Canadian market.

Secondly is the unilateral reduction of tariffs under the Kennedy Round, which occurred in 1969. This made it more difficult for us to compete in our own Canadian market.

More recent developments include the unpegging of the dollar, which in addition to making foreign products cheaper in our market, has also resulted in serious problems for those companies currently holding export contracts priced in U.S. dollars.

An example of this is that the average profit after tax last year for our industry was approximately 3 per cent. Certainly a 5 per cent to 6 per cent increase in a value of the dollar will virtually wipe out any possibility of profit in the existing contracts.

Another area is the continuing freeze on radio relay licences, which has resulted in substantial layoffs of staff by our communications equipment manufacturers.

A continuing problem is the rising flood of low cost imports, which now accounts for some 40 per cent of total Canadian electronics consumption and is forcing Canadian manufacturers to reduce or close their operations.

A recent example of this is the decision made by the Canadian General Electric Company to close their facilities in Toronto for the manufacture of receiving tubes and colour picture tubes.

There is within our industry a continuing need for increased research and development funds to be spent in industry, rather than on Government facilities, in order to support the high rate of technological change and keep Canada in the front ranks of the industrial nations of the world.

These are some of the many problems concerning us. Any moves by the Government to provide further disincentives to our industry by the proposed tax changes is of great concern to us.

I would like to call upon the chairman of our tax committee, Mr. Dave Sheperd, to discuss the key points of our brief.

Mr. D. Sheperd, Chairman, Tax Committee, Electronic Industries Association of Canada: Mr. Chairman, in the preparation of our brief we have been