

*Customs Tariff Amendment Act, 1971*

changes being made are of a minor nature and not of any great significance, I feel that Bill C-261 is important in reflecting the failure of government policy to solve the problems of Canadian productivity. Instead of doing that, the government has introduced protective measures through a customs tariff change. I wish to refer to items 93902-3, 93902-42 and 93902-82 which deal with increasing the protection on plastics. If we look at some of these items in the bill, it is quite obvious what is happening in Canada. When discussing this matter in his opening remarks, the parliamentary secretary said something about bringing these items into line with other tariff items, but the effect is to increase the protection to an industry which, if it were properly organized, would not require this protection.

If we look at item 26910-1, while it is true the tariff for that particular section of feedstocks is being somewhat reduced from its previous level, nevertheless it seems rather inconsistent and certainly strange that in a country like Canada, with extensive mineral, oil and gas deposits, we should need any kind of protection at all on feedstocks. Some important feedstocks have arrived in the country at a low rate because they are the building blocks or primary materials used in the textile industry and other industries which give us our manufacturing base. To the extent that these raw materials are more expensive than they need be, it makes it more difficult for Canada to compete in the secondary manufacturing industry. Why is this so, Mr. Speaker? Why are we in this position when we have the raw materials? There is certainly an availability of capital. If anything, there has been too much capital poured into this industry rather than too little, yet we find ourselves in the position of requiring considerable protection for the products of the industry.

We have far too many plants serving the domestic market. There is considerable evidence to indicate that this is the case. The reason is that foreign ownership of this industry has, in many ways, aborted the possibility of this industry becoming efficient. Almost every major producer in the United States has established a branch plant in Canada of less than optimum size. This has split the market so badly that none can operate on any kind of an efficient scale.

An article by W. L. Dack in the August 21 edition of the *Financial Post*, headed "Trouble piles up for petrochemical firms", gives an example of the situation in Canada. I quote from this article:

For instance, the latest world-scale ethylene plants being built in the U.S. have a capacity of one billion pounds a year. But the entire Canadian ethylene market, which has just about reached that level, is being served by five domestic plants. All have unit costs running an estimated 205-25 per cent higher than those from these plants.

In the case of polyvinyl chloride monomer—the base material for one of the largest plastics groups—the unit cost of the world-scale plants can drop as much as 35-40 per cent below that of the smaller units.

"It's obvious that our big expansion splurge in petrochemicals was ill-timed."

Over the years there has been encouragement given by the Canadian government to bringing investment into Canada without any real concern or thought as to whether that investment would, in fact, benefit the country. The argument was, the more the better. While on the surface it

may have appeared we were providing competition by encouraging this multiplicity of plants, that kind of competition has, in fact, been of the worst kind. It has increased our costs away beyond what they should be and has prevented this country from effectively becoming a manufacturing nation on the scale it should be.

The argument is often used that one of the difficulties with our manufacturing industries in Canada is that we do not have access to larger markets, such as the United States for example, and that the problems in the petrochemical industry are related to the access to larger markets. As the article points out and other studies indicate, the Canadian market is more than adequate to have plants of a size and scale compared to the most efficient in the world, but we cannot afford the kind of splintering of the market that has taken place as the result of the numerous foreign owned plants being established in Canada. For over two years, the government has been conducting a study of the petrochemical industry to see what can be done to rationalize the industry. To date, no report has come from the government as to the results of that study.

While this has been going on, the industry is suffering, the consumer is suffering and the Canadian economy is suffering. We think the government has been remiss in trying to cover up its absence of policy by making tariff changes. While we are not opposed to these changes being made now, because we realize the industry does require an element of protection, we would not want to see a continuation of this approach. The government should be trying to face the issue in some more fundamental way. Unless we can eventually arrive at a point at which we can abolish all tariffs and institute free trade, the unity of this country is in jeopardy. For a long time we have heard rumblings of discontent from the west, from the prairie provinces and from British Columbia, directed against the level of tariffs afforded to the manufacturing and processing industries, while western producers must sell their products on a free market without protection. The ties of confederation have been strained considerably over the years because of our failure to make Canadian industry effective to the point at which it would not require tariff protection.

Those industries which remained largely under Canadian ownership were able to effect the transition from small plants to larger and more viable units of production, and to more satisfactory forms of organization suited to the Canadian economic climate, but where industry, particularly manufacturing industry, fell under foreign ownership this process did not take place. Many of the branch plants saw their first interest in serving the parent plant, the multinational corporation, rather than trying to effect re-organization within the Canadian economy.

When we talk about the ill effects of foreign ownership, it is not an emotional thing. It is the result of an analysis of what foreign ownership has done to large segments of the Canadian economy. Instead of increasing the wealth of Canada and improving the ability of this country to compete in international markets, foreign ownership, particularly in the chemical industry, has often led to a much lower standard of living than we have reason to expect. Therefore, while we see no alternative to supporting the tariff changes proposed by the government in the face of