

copy of the text, and would point out that Mr. Connor said:

The effect of these provisions will be to maintain and in fact increase the level of Canadian production.

I think we all agree with this, namely that the level of Canadian production is going to increase substantially, not only by the growth of the Canadian market but by a large, additional increment. Mr. Connor went on to say:

However, I do not expect that our own exports to Canada will drop as a result. On the contrary, I am satisfied that it is reasonable to project a continuing growth in the Canadian automotive market sufficient to absorb the projected increase in Canadian production without reducing our net favourable balance of trade with Canada.

The figure mentioned, in the American way, as the net favourable balance of trade with Canada, is \$500 million. It is unfortunate that over the past two years, there has been a tendency for the United States net favourable balance of trade in automotive products with Canada to increase by something like the rate of \$100 million a year. This has meant that as the Canadian market for cars grew, the—from our point of view—unfavourable balance of trade grew correspondingly, to some degree even faster. It is our expectation that this program will arrest the continuing growth of the unfavourable balance of trade and ensure that it is maintained at about the present level; that is, in absolute dollars, something in the order of \$500 million or \$550 million.

Mr. Connor is saying that the present level will not be exceeded. Talking in United States terms, he says that the present level will not be reduced; but this comes to the same thing. From our point of view we are avoiding what would have been a substantial and intractable increase in the unfavourable balance. As I pointed out earlier, the main purpose of this program is not to deal with the balance of payments situation. The main objective of the program is to increase substantially the production of automobiles and automobile parts in Canada for the next three years, leading as a consequence to a number of favourable results; one being a substantial increase in the number of jobs, another a holding action in relation to the unfavourable balance of payments in this sector, another a reduction in the cost of the production of cars and the consequent price advantage to the consumers of Canada; and finally the ability, as a consequence, to produce cars to compete effectively in the external market.

Canada-U.S. Automobile Agreement

I would hope that when we do have a debate on this topic, Mr. Speaker, the House would not have any serious difficulty in approving the resolution.

Mr. Olson: Mr. Speaker, I wonder if I may be permitted to ask the Minister of Industry a question. When he spoke of the \$260 million increase above the 1964 level that the car manufacturers had agreed to undertake by 1968, was this included in the 50 per cent or 60 per cent increase in the anticipated Canadian market; or was this \$260 million in addition to the Canadian manufacturers providing 60 per cent of the increase for the Canadian market?

Mr. Drury: Mr. Speaker, the growth in the Canadian market is a little difficult to forecast. Automobile production in 1964 was something in the order of \$720 million. One would expect that to continue. On top of that is this figure of \$260 million, and on top of that will be the growth, whatever it may be, in the Canadian market. Two hundred and sixty million dollars on top of \$720 million is something in the order of 30 or 35 per cent. Five per cent per annum, which is a reasonable figure for growth in the Canadian market in sales, or purchases by Canadian consumers—this is, in the domestic market—would be 15 per cent in three years. The two added together, 35 per cent arising out of \$260 million, plus 15 per cent—three times 5 per cent—come to 50 per cent, over the earlier level. So that the 50 per cent mentioned does include both the sure, or promised increment and, if you like, a forecast growth in the Canadian domestic market for sales of cars in the Canadian market at the rate of 5 per cent per year.

Mr. Olson: Mr. Speaker, I am grateful for this new information, but I asked the Minister a specific question. I asked whether the Canadian car manufacturers agreed to increase their production between now and 1968 at the rate of \$260 million per year above last year's level, plus 60 per cent of the increase in the Canadian market.

• (9:20 p.m.)

Mr. Drury: I am sorry, I thought the hon. Member said 50 per cent. They have agreed to increase their production by 60 per cent of domestic sales, at a rate of \$260 million per year.

Mr. Olson: One more question, if I may. Is it reasonable then to assume that our balance of payments position respecting auto-