

*Business of Supply*

tell the House today what is the strategy of his department regarding the rubber industry, and what he intends to do about providing jobs in that industry?

**Mr. Gillespie:** Mr. Chairman, the hon. member for Waterloo-Cambridge is perfectly correct when he says I do not believe it is possible to devise and tailor a great big blueprint which might be called an industrial strategy for Canada. Indeed, I believe, as the government does, that the right way is to deal with each industry on a case by case basis. Each industry has particular requirements, particular constraints, particular opportunities, particular weaknesses and particular strengths.

In respect of the tire industry, my department has already entered into discussions with Canadian tire manufacturers, which the hon. member was quite accurate in describing as being largely if not completely foreign controlled. These companies have in the past seen their strategy in terms of North American strategy. What we are anxious to do is work with them to develop a rationalization and a more modern industry that will operate in terms of an optimum scale rather than with some rather small plants as at the present time.

The present situation is the result of a number of factors, partly related to the automobile industry itself. That is to say, the industry is suffering a very significant depression at the present time. The present situation is partly related to the fact that the Canadian tire manufacturers have not moved as rapidly as their parent companies toward radial tires. At the present time I think some 75 per cent of all tires going on new commercial or passenger vehicles are radial. There is not a capacity for radial tires here at the present time. I am told that a number of manufacturers have already started quite significant investment plans to modernize or convert their plants to radial tires.

The other reason for unemployment is that there is a heavy inventory of non-radial tires, which has to be seen in conjunction with the condition of the automobile industry at the present time. I would hope that by putting this particular industry on an industrialized and rational basis we will be able to work out with them a more efficient industry which will have a Canadian perspective rather than the kind of perspective it has had in the past, which is part of the North American strategy and has a "made in U.S." label on it.

**Mr. Saltsman:** I hope the minister realizes the damning nature of some of the things he has said. He has said that, given the recession which is taking place and the change in demand now for radial tires, the bulk of the investment and the first production has been in the United States while Canadians are being asked to work off the inventories of non-radial tires. We are supposed to take the brunt of this technological change. I suggest this is the result of branch plant economy. I am not suggesting it is unnatural for the United States to behave in this way. Their first interest is in the United States just as our first interest is in Canada. They are naturally going to look after their problems in the United States before they look after our problems in Canada.

I am encouraged to some extent by what the minister has said in that it would indicate he is at least aware of

[Mr. Saltsman.]

the problem. Up until now there has been a tendency to laugh and suggest that we are always talking about foreign ownership, blowing its consequences out of all proportion. There has been a tendency to say this has nothing to do with our problems, and that the best solution is to rationalize on the basis of continentalism. Apparently now there is at least some awareness of the situation.

How is the minister going to enforce on foreign corporations his suggested program for rationalization in Canada? What specifically is the minister proposing to these companies, and what kind of assurances and protections are being looked into in order to see that this kind of thing does not happen again where, when there is a problem, the United States looks after itself first, and then we are used as the overflow to catch up if there is any kind of a shortfall in their production?

• (1550)

**Mr. Gillespie:** I think the first point which should be made is that nothing will happen in the industry unless the industry itself sees there is a problem; that is, unless the Canadian industry sees that it is losing out relative to the tire industry of other countries. That is the first point with which we must deal. The second point is that it must be in their interest to invest in Canada because there is no way I know that the government can force them to invest. Clearly it must be in their interest. They have to decide that the market is growing and that there is an opportunity for them.

I think the third point is to make them aware of the problems that are likely to be realized if the industry continues to have as many separate plants as it presently has. I think that with the degree of scale that is now required, for every tire manufactured we will probably require fewer rather than more tire manufacturing companies in Canada. I think very likely there may be incentive programs already within my department which could assist them in this rationalization. The fourth lever I would suggest to the hon. member is the moral suasion lever. I think sometimes this probably is underestimated. I think most of the individuals managing these companies in Canada want to see their industry developed in tune with Canada's needs.

**Mr. Saltsman:** Mr. Chairman, the minister is not a naive person. I do not accuse him of being one, but what he is saying is absolutely incredible. He is saying that the government is not directly interested in this matter beyond moral suasion, and will depend on the companies and on the instinct of this industry to do it.

I am not questioning the good instincts of businessmen or their desire to be good Canadians. I am sure that is true. What I am questioning is their ability. They are locked into an archaic system from which they cannot break out.

Unless the Canadian government is prepared to move in and do something, then nothing will be done. How do you expect people who are competing with each other internationally in the rubber and tire industry, suddenly to get together in Canada and work out a system which is in the national interest? Surely this is a time when, much as we may be concerned about the particular interest of a company, we must be far more concerned about the national