Customs Tariff which defines "class or kind", nor that of the order in council which was passed in 1936 pursuant to it, is bound under the GATT. Thus they can be amended so as to restore and confirm the former interpretation without any need to renegotiate existing international commitments. While the definition itself is not bound, a number of rates of duty that depend on the definition are bound. The volume of trade affected by these rates is substantial, and we would risk retaliation against our exports if we made changes in the definition without full regard to the interpretation of the provision which prevailed when the GATT was negotiated, that is, in 1947. This we do not propose to do.

As I have said, there has arisen in recent years a need to confirm the historic interpretation of "class or kind". This need arises with respect to two distinct classes of goods. One is what might be described as "custom made goods". Under the conditions which prevail in modern industry, it is increasingly the practice for installations of heavy production equipment, for example in pulp and paper mills, steel mills or power plants, to be in some respects custom made for each particular application. The basic machine may be of conventional type, but the ancillary equipment and controls are likely to differ in some respects from those of any previous installation made either in Canada or elsewhere. The question then arises in such cases, how can the concept of "made in Canada" or "not made in Canada" be applied? It seems to the government that in order to apply the concept in such cases one must have regard to whether or not there is in Canada the installed capacity and technical know-how to produce the unit in question, rather than to whether or not substantial quantities of identical units have been or—as under the existing definition—are being produced here. If one attempts to apply the latter test, the answer must in almost every case be "no"; yet this was surely not the intention of parliament. In the government's view it is desirable, accordingly, to clarify the meaning of the phrase in the former sense, and to vest in the Minister of National Revenue (Mr. Nowlan) both the authority and the responsibility for applying it. At the conclusion of my remarks I shall present a resolution proposing that in the case of goods custom made to specifications they shall be deemed to be of a class or kind made or produced in Canada if adequate facilities exist in Canada for the economic production of such goods within a reasonable period of time.

The other class of goods affected may be described as "shelf goods". In respect of these goods the trend of decisions has been to narrow the concept of "class or kind". The question is whether in making "class or kind" determinations the Department of National Revenue should have regard only to imported and domestic goods which are virtually identical, or whether account should be taken of somewhat broader classes or kinds of goods which are similar in nature and purpose. The amendment which I shall propose would have the effect of confirming the broader interpretation which, as I have said, is the historic one. It would do this by providing that goods other than custom made goods shall be deemed to be of a "class or kind" made or produced in Canada if goods of approximately the same class or kind are made or produced in Canada. I should add that in respect of such goods the proposed amendment would retain in effect, and for the first time would incorporate in the statute, what has come to be known as the 10 per cent rule.

This 10 per cent rule has been applied since 1936 pursuant to an order in council, P.C. 1618 of July 2, 1936, which states that articles shall not be deemed to be of a class or kind made or produced in Canada unless Canadian production thereof is sufficient to supply 10 per cent of the normal Canadian consumption.

Statistical data are not always available as a basis for determining the normal Canadian consumption of particular classes of goods. However, by drawing upon confidential information available to them, the Department or Minister of National Revenue should be able to make reasonable estimates in instances where published data are inadequate. It is proposed, accordingly, that with regard to the determination of the normal Canadian consumption any appeal from departmental determinations shall be to the minister, and that his decision shall be final. With regard to questions of law, and with regard to questions of fact susceptible to determination by them, appeals will continue to go to the tariff board.

SUMMARY AND CONCLUSION

The net effects on revenues of all the tax changes I have proposed will be to increase revenues in this fiscal year by about $14 million, and to decrease revenues in a full year by about $10 million. For the record I should like to place in *Hansard* a table showing the effects of these changes.