

*The Budget—Mr. A. W. A. White*

In today's issue of the *Globe and Mail* it is stated on the financial page that Dominion Woollens and Worsteds had a loss of \$361,166 in the last year.

Other hon. members who have spoken on this subject in this debate have constantly referred to the industry asking for an increase in the tariff. The Minister of Finance in his budget address also said that he did not think it would be wise to increase the tariff. I would like to point out that the industry in its submission to the tariff board did not ask that the tariff be increased, but only that the 50 cents per pound maximum be abolished because it no longer served the purpose for which it was established, and had become unrealistic and anomalous.

The tariff board found as a fact that since 1948 the 50 cents per pound maximum had become the governing rate of duty—in effect a specific duty—and there is no doubt in my mind, and I do not believe there was any doubt in minds of the members of the tariff board, that this very fact was one of the contributory factors leading to the present plight of the Canadian wool cloth industry, even though by itself, or per se, as it is said in the report, it cannot be considered the whole cause.

Another factor that the board said must be taken into consideration is the decline in the Canadian market. In this regard it is interesting to note that while the total decline in the market from 1948 to 1953 was 10 million yards, the share of the Canadian industry of the domestic market dropped by 10·7 per cent while during the same period British imports increased by 11 per cent. It is therefore quite obvious that while the total demand for wool fabrics has declined, the share of the Canadian mills of the available market has been reduced to a greater extent than the decline in the market itself.

Another hon. member, speaking in the debate on this subject, indicated that the industry was overexpanded and inefficient. I would like to point out to him that with full employment between 1945 and 1949, the Canadian wool cloth industry was able to supply only 68 per cent of the domestic market, and any statement that the industry is overexpanded is unfounded. In the post-war years the industry spent \$35 million on plant and equipment and have in operation 655 manual looms and 1,788 automatic looms, whereas in 1949 there were 1,404 manual looms and only 1,014 automatic looms. I think it will be readily admitted that the Canadian industry has modernized itself and is efficient.

The widening gap between wages paid in England and in Canada, which was accentuated by the devaluation of the pound, has

been a major factor contributing to the loss of the Canadian market to British imports. In 1935 wages in Canada were 29·7 cents per hour compared with 19·1 cents per hour in England, a difference of 10·6 cents per hour. In other words wages in Canada were 55 per cent higher than wages in England at that time. After devaluation of the pound this difference widened to 45·5 cents per hour in 1950, or 123 per cent. Today the difference is 61·8 cents per hour, or 151 per cent. The tariff board had this to say about wages at page 17 of its report:

It was suggested during the inquiry that in the years of profitable operations—1946-49—wool cloth manufacturers were too optimistic and raised the wages of their workers too much and that as a result, Canadian wool cloth cannot compete with wool cloth made in low wage countries. This is a difficulty that manufacturers in a high wage economy must meet if they are to continue in production. For industries where the cost of labour is a large proportion of total cost, such as the wool cloth industry, this is a serious problem for manufacturers. To compete in this market, production in this industry must be efficient. This means that manufacturers must not only give efficient management but must attract and keep skilled and industrious workers. To do this, the industry must pay wages which are about the same level as those offered in other industries.

The board also stated at page 46 of its report:

Manufacturers must now make finer cloths than in the pre-war years; indeed, finer than in the immediate post-war years. As finer cloths mean more labour, labour costs may well have become a higher proportion of total conversion costs, adding to the disadvantage of Canadian producers.

Since the cost of wool is fixed by world prices the difference in conversion costs, of which wages is a big factor, simply means that the British manufacturer can produce wool cloth, pay transportation, pay the 50 cents a pound maximum duty, and land his wool cloth in Canada at 50 to 60 cents a yard less than the cost of production in this country.

Many will undoubtedly say that it is an uneconomic industry and should change to something else or get out of business. I wonder how many of our industries could survive if they were faced with that kind of competition. I would like to ask the representatives from the western provinces if the wheat farmer could stand competition like that; and if he could not would they say it was an uneconomic industry? I do not think anyone would suggest that the average workingman is getting more wages than he needs to live and raise his family in this great country of ours, where we are enjoying the second highest standard of living in the world. Neither do I think anyone would say that we should lower our standard of living to meet competition from these other countries. That would be a retrograde step and