

Tariff Changes on Automotive Parts

The government has concluded that a provision similar to that for automatic transmissions should be made for engines, but there should be a limit on the number which can be imported by each company under these arrangements for refund of duties. Such a provision should be of particular benefit to the smaller companies, in that it will make possible a considerable easement of the duties which they now have to pay. It will also enable the larger companies to secure duty free entry of those types of engines which it is not economical for them to make in Canada, providing, of course, they export an equivalent value of Canadian automobile parts.

These provisions are being given effect by an order in council which comes into effect November 1, and which I should like permission to table. This order will replace the present order in council relating to automatic transmissions which, as I have said, expires October 31.

These two provisions are designed to offer a substantial inducement to the automobile companies and the parts manufacturers to achieve a better balance between exports and imports of automotive parts. They will encourage additional production and longer production runs in Canada by stimulating the manufacture of those parts and components which can most efficiently be made in Canada.

The encouragement of exports of this sort, as recommended by Dean Bladen, is better than trying to force the automobile companies to buy in Canada components which manifestly can more economically be imported. These measures will make clear to the Canadian automotive industry the determination of this government to reduce the imbalance in the automobile sector of our trade, and to do this by reducing costs through increasing production for export rather than by increasing protection at the expense of the Canadian consumer. These measures affecting the automotive industry are to be regarded as one step in the government's longer term program to bring our international trade and payments into better balance, and to provide more jobs and more production in Canadian industry.

Mr. Speaker: Has the minister the unanimous consent of the house to table the order in council as requested?

Some hon. Members: Agreed.

Hon. Paul Martin (Essex East): Mr. Speaker, we have listened with interest to the statement of the Minister of Finance, who makes an announcement two days before the order in council permitting the free entry of automatic transmissions either would have expired automatically or would have

had to receive some refinement through a declaration of policy in principle somewhat like that announced by the minister a few moments ago. There has been considerable discussion about the drain on our exchange fund and its effect on our balance of payments by the continuous importation of automatic transmissions from the United States during a limited period by way of free entry. The minister I think mentioned the figure of \$32 million.

Mr. Nowlan: A little bit more than that.

Mr. Martin (Essex East): I had understood that the drain would be something in the neighbourhood of \$40 million. In any event, it represents a very important sum of money in terms of the problem arising out of our balance of payments situation. The same statement applies, of course, to automobile engines. For some time, as the minister knows, there has been a strong public opinion suggesting that the automobile companies ought to collaborate in the manufacture in Canada of automatic transmissions. This would be a more permanent solution of the problem. Admittedly there are economic difficulties involved and there are complications arising out of the number of automatic transmission models which are made.

However, the minister has not made any reference to another proposal that was made, as to the desirability, in the absence of collaboration by the automobile companies themselves, of adopting the suggestion that if this could not be done through collective or individual corporate effort, the government could give consideration to the establishment of a crown corporation for the purpose.

Having in mind the fact that the automobile industry represents the second largest source of employment in our country and, by way of corollary, the second largest source of unemployment, the minister has made two interesting announcements, one with regard to automatic transmissions and the other with regard to automobile engines. One would wish to examine the full implications of these two announcements, which I presume have been made as a result of talks which the minister must have had with those who at this moment are concerned with the problem of automobile manufacture. However, there will be regret that although the report of the Bladen commission has been in the possession of the government now for over two years this announcement, apart from the first recommendation having to do with the removal of excise taxes, is the only real acknowledgement the government has made of the existence of the report itself. Professor Bladen proposed a form of integration which,