

Canada-U.S. Automobile Agreement

A number of hon. Members have mentioned a \$50 million gift by the Government to the Big Three. I would point out that under the present arrangements any motor vehicle manufacturer in Canada, not only the Big Three, may import finished cars and components duty free, and an assembler of components in Canada, a components parts manufacturer, may also import components duty free into Canada from the United States for further manufacture into components for incorporation into Canadian cars. This means that the right to duty free entry is not a present or bonus given entirely to the Big Three; some part of it is available to all manufacturers of motor cars or those manufacturing components on their behalf in Canada.

There has been some misconception about the \$50 million. This sum happens to be the level of duty paid by all the motor car manufacturing industry on imports into Canada in 1964 of components and finished motor cars. The entire industry contributed to the payment of this duty. Therefore, relief from this duty is distributed among the industry in the proportion in which the duty was previously contributed, or in accordance with the proportion which would have been contributed. I do not think one should regard customs duties in this field generally as a source of revenue to the taxpayers of Canada or, rather, as being a means of raising revenue. I think that in accordance with the present general economic philosophy tariffs are not principally a means of raising revenue although revenue is, of course, derived from them. They are thought of, rather, as being chiefly a device for changing the patterns of trade and manufacture, and the purpose of removing the duty in respect of imports of motor vehicles and original equipment parts on entry to Canada was not to change the revenue situation or to change the financial position of the companies involved but to alter the patterns of manufacture and trade within Canada.

That was the purpose of the removal of the duty. In return for enjoying these advantages the motor car manufacturers have undertaken, as I pointed out earlier—and this is a substantial and significant undertaking—to increase production in Canada of automobiles and automobile parts by some 50 per cent above 1964 levels, with all the advantages which must of necessity flow from this.

● (9:10 p.m.)

This undertaking to increase has been done in a way which, I suggest, does afford pro-
[Mr. Drury.]

tection, not only to labour because of the obviously substantially increased demand for labour, but it will give a lift to the component manufacturers, the parts manufacturers, because of the requirements insisted upon vis-à-vis the manufacturers that they observe certain practices, namely the ratio of manufacture to total sales, and the percentage of Canadian added value, plus the substantial increment in Canadian production. This finally, will lead to a decrease in costs with regard to manufacture in Canada, will have the result of lowered costs, and as a consequence a narrowing of the differential in the retail price of cars in the United States and in Canada.

Perhaps in respect of price, Mr. Speaker, I might point out that we in Canada would not be too realistic in assuming that cars in this country, even though they were to cost exactly the same to manufacture, would be retailed for the same price as cars in the United States. The reason for this is that we have a very large sales and distribution apparatus in motor car dealers who are spread all the way across Canada. These people have to operate in a very much thinner, less dense market than their counterparts in the United States. Because they have basically the same overhead expenses as their American counterparts, with a very much lower volume with which to write it off, the unit costs of distribution and sales are likely, for a long while to come, to be higher than in the United States.

Mr. Caouette: Your time is up.

Mr. Drury: Merci, monsieur. As a consequence, in this country, and given the same level of manufacturing costs as in the United States, with regard to retail costs one would expect to see them continue at a slightly higher level than in the United States. But it has nothing to do with the efficiency of manufacture or the cost of manufacture; it is the high cost of sales and distribution.

The pattern, of course, of the motor car manufacturers is to distribute nationally the costs of distribution, which means that the man in Windsor who is buying a car is to some degree helping the purchaser in Vancouver defray the substantial, additional costs of getting the car from the factory to Vancouver, over the cost of getting it from the factory to the retail outlet in Windsor.

Mr. Speaker, I might also comment on the evidence given by Mr. Connor before the Congressional Committee. I also have here a