

The Budget—Mr. A. W. A. White

The fact that many of our secondary industries are losing their home market is, in my opinion, borne out by the fact that while consumer expenditures for goods and services increased from \$15,100 million in 1953 to \$15,600 million in 1954, or slightly more than 3 per cent, there is still a slow-down in industrial employment in many branches of our secondary industries. Last year I attempted to draw the attention of this house to the dangerous position of the textile industry in Canada, particularly the wool cloth branch. The former minister of finance directed the tariff board to conduct an inquiry into tariff item 554b, which reads as follows:

Woven fabrics composed wholly or in part of yarns of wool or hair shall be subject to a specific duty of 20 per cent and an ad valorem duty of 12 cents per pound, but the sum of these two duties imposed by this item on imports under the British preferential tariff shall not be in excess of 50 cents per pound.

The tariff board conducted the inquiry as directed by the minister, and the report was tabled in this house earlier this year. The establishment of a maximum British preferential duty first appeared in 1935, at which time the duty under this item was fixed at 27.5 per cent specific duty and 17 cents per pound ad valorem, with a 65 cents per pound maximum. The recommendation that the sum of the two duties imposed under the British preferential tariff should not exceed a fixed maximum was the result of the tariff board finding at that time that cloths both woollen and worsted, selling in England at a price of \$2 or more per pound, were not within the range of economical Canadian manufacture. In other words the tariff board recommended that a ceiling be placed on the duty for high priced specialty fabrics such as those purchased by custom tailors, and in this way restrict Canadian production to a range in which it was most efficient.

This tariff item was changed in 1937 and again in 1948, when the present rates of duty were established. In 1935 the prices of raw materials and wages were very low, and imports under this item averaged only \$1.02 per pound. Therefore the duties imposed under this tariff were able to function as they were intended to do; but in 1953, due to the increase in the prices of raw materials and conversion costs, the average price of wool cloth imports was \$3.14 per pound; consequently the maximum duty could no longer function as it was intended. Instead of applying to only a special range of cloth which it was considered uneconomical to manufacture in Canada it has now actually replaced the specific and ad valorem duties,

with the result that virtually all woollen and worsted cloths imported under this item are subject to a duty of only 50 cents per pound.

That this is true is borne out by the tariff board at page 43 of their report, where they state that the 50 cent maximum had become the governing rate on a large proportion of imports of British wool cloth, in effect a specific duty. That this was the main purpose of the inquiry is established by the letter of the former minister of finance to the tariff board when he directed the hearing to be held. In it he said:

I have received numerous representations from the woollen industry in Canada to the effect that as a result of price changes the 50 cent maximum duty prescribed under the British preferential rate of tariff item 554b has become anomalous and unrealistic and that, as a consequence, the industry has suffered and is suffering serious injury. Indeed it has been claimed that the continued existence of the industry is in jeopardy.

I do not believe anyone could question that the tariff board found as a fact that the 50 cent maximum under this item has become the governing rate of duty on practically all imports of British wool cloth, and that the industry no longer had the protection of the 20 per cent specific duty and 12 cents per pound ad valorem as was intended when these rates of duty were first established.

There is no doubt in my mind, either, that the Canadian wool industry has suffered and is suffering serious injury from the loss of their domestic market to imported British cloth, and that the 50 cent maximum is one of the contributing factors. The closing of 17 mills, most of which were established before the war and in some cases before world war I, the reduction in the number of employees by 43 per cent between 1949 and June, 1954, with many of the remaining employees working only part time—facts that were established by the tariff board in their report—are a clear indication that the Canadian industry has suffered and is suffering serious injury. That the tariff board recognized that the continued existence of the industry is in jeopardy is established by their statement in the report at page 30, where they say:

Taking all these factors into consideration, there seems little doubt that the chief reason for the losses incurred in 1953 was the fact that to secure orders the mills had to sell a substantial part of their output at unsatisfactory prices. In many cases these sales were reported as having been made at prices to meet those quoted by their British competitors. That a substantial portion of the industry appears to be in serious difficulty is evidenced by the constancy of the over-all rate of absorption of capital resources.