

*Government Organization*

people who produce in the raw form—oil, mining companies and such like. In such a tax system there is no tax avoidance, as Mr. Carter pointed out in one of his speeches. What is tax avoidance for some becomes a tax penalty for others.

The gains that were accorded primary industry, the mining and oil industries in particular, were the costs that were imposed upon secondary industry in this country. This may not have been absolutely understood at the time this separation took place, but I think the feeling developed that if manufacturing were to come into its own in this country it needed its own minister, its own impetus. I like to think that this was the reason the department was created.

Our manufacturing industry in Canada has been sick for a long time, and I say that with very great regret. As long ago as 1957 it was pointed out in a report called "Canadian Secondary Manufacturing Industry, Royal Commission on Canada's Economic Prospects", not only that manufacturing industry was sick, but also the symptoms of the sickness. Some suggestions for its correction were also indicated.

I should like to read a short paragraph from page 160 of that report which was put out by D. H. Fullerton and H. A. Hampson;

—the problem of unspecialized production in Canadian secondary industry is due to many causes, including the excessive fragmentation of the Canadian market stemming from our importation of the American structure of industry. It is in part also due to the reluctance of domestic producers to specialize to the same extent as in the United States, and in some instances, to the less competitive nature of certain Canadian industries.

This report, as I say, was published in 1957. When the Third Annual Review of the Economic Council was published, the Canadian Trade Committee commented on the report. They said that the striking thing was that the increase of income per capita in Canada was the lowest of all the industrialized countries, and that the Economic Council did not expect this rank for Canada to alter in the period that is to come. Then, the Committee went on to say that Canada has a per capita income markedly lower than the United States, and also has benefited from a relatively greater shift of population from agriculture to other sections of the economy than the United States during the past ten years. Yet her experience, they point out, does not match what the simple inverse relationship between income and growth of

[Mr. Saltzman.]

income per capita, mentioned above, would seem to promise.

There have been all sorts of reports published pointing out that we have the highest level of capital investment per worker in the world; higher even than that of the United States. It is almost 30 per cent greater per worker in Canada than in the United States. Yet our productivity is some 20 to 30 per cent lower than that of the United States, an incredibly bad performance. This is not the result of the inability of Canadian workers or the reluctance of Canadian workers to work. In industries where rationalization has taken place we have not only matched the productivity of the United States but have exceeded that productivity. The combination governing the factors through which resources are brought together in this country is playing havoc with our ability to develop our manufacturing industries. The Fourth Annual Review of the Economic Council of Canada took up this matter on page 165 to the following effect:

● (9:40 p.m.)

There is accumulating evidence from various sources, including the special survey undertaken in this field on behalf of the Economic Council, that short production runs and a relatively large degree of product diversification is an important and pervasive phenomenon in Canadian manufacturing plants. The importance of this phenomenon stems from the fact that it tends to keep prices and costs relatively high and to hold down productivity.

The Watkins report pointed this out again. I read from page 404 of the report, where the following appears:

Without an appropriate set of industrial policies which create an efficient structure of industry in Canada, the benefits of foreign direct investment tend to be emasculated.

We have imported vast quantities of capital which has been virtually wasted because it has not been used properly. This factor must have influenced the government in 1963 in setting up the Department of Industry. They wanted to bring about greater productivity in our industry and greater rationalization in the Canadian economy. One instance of rationalization which is bad is the Canada-United States Automobile Agreement, a rationalization of the wrong kind because it tied us completely in with the United States market. Avenues of rationalization other than those leading to the surrender of our sovereignty are open to us. It is true that as the result of the Canada-United States Automobile Agreement, productivity in certain of our factories