

### CAR PRICES IN CANADA

The Minister of Industry, Mr. C.M. Drury, recently issued a statement concerning the influence on automobile prices in Canada of the Canada-U.S. Automobile Agreement announced in January, which read as follows:

...When the automotive programme was announced on January 15 this year, I made the following comment on the subject of car prices:

Of significance for the Canadian consumer is the fact that over several years the plan should progressively make possible increased efficiency and reduced costs. Indeed, this is one of the principal objectives of the entire programme. In line with the attainment of lower costs of production, it is to be anticipated, as the programme develops, that the forces of competition will gradually result in savings for Canadian consumers in the form of a narrowing differential between Canadian and United States prices for motor vehicles and components.

Part of the reduced costs referred to in that statement takes the form of savings in the payment of customs duties. But far more important are the reduced costs which should flow from increased efficiency as the programme gets under way and manufacturers of automobiles and parts organize their production to achieve greater specialization and longer production runs to serve North American and world markets. These more significant reduced costs can only be expected, however, over a longer period, and when the very large new investments currently being made in the automotive industry begin to bear fruit in the form of greater and more efficient production.

As these reductions in cost occur, other factors, such as higher wages, rising material costs and higher prices for machinery and equipment and for plant construction, will tend to push costs in the other direction. The question of whether, on balance, total production costs will go down, go up, or remain stable depends on the balance of these offsetting forces, which affect the costs of manufacturing cars in Canada.

One point, however, should be made crystal clear. On the fair assumption that labour and other costs move more or less together on both sides of the border, we should see a progressive narrowing of the differential in prices of automobiles between Canada and the United States during the next three years.

### THE RIGHT COMPARISON

The Government of Canada, of course, does not control prices and, indeed, has no authority to set prices in the automotive industry or any other manufacturing industry. Automobile prices are a very complicated matter. There are many different kinds of price. For example, there are retail list prices, cash-discount prices, trade-in prices, fleet prices, and manufacturers' prices to dealer f.o.b. plant. Comparing car prices becomes even more complicated when account is taken of federal and provincial sales taxes in Canada and federal and state taxes in the United States; and there is also the matter of the exchange rate. I believe that the meaningful comparison to be made is between prices for the identical

model in Canada and the United States at the factory, excluding sales and excise taxes and adjusted for the difference in exchange.

I believe that this is the right comparison to make for several reasons. First, prices at the manufacturers' level can be determined in a uniform and consistent way. Second, and much more important, the automotive programme, through its cost-saving impact, influences costs and hence prices at the manufacturers' level. It is not designed to, nor can it, influence the costs of distribution, federal and provincial taxes and other costs which are added after the car leaves the factory. The retail price will, of course, reflect the factory price charged to the dealer.

It will be of interest to all to learn that a comparison of prices at the factory for the standard popular model of all cars widely purchased in Canada and the United States, for the 1965 model year, discloses our average price differential of a little less than \$150. Looking at Canadian prices in relation to American prices for these popular cars, the differential is about 8 per cent for the 1965 models. I want to emphasize this figure of \$150, or 8 percent differential. We should be clear that what the automotive programme can do, and I am confident will do in time, is to remove the...differential now separating Canadian and American car prices at the factory.

I hope that, when car prices in Canada and in the United States for the 1966 model year are announced, we shall see a beginning of the narrowing of this differential.

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### STUDY ATLANTIC POWER

The Prime Minister announced recently that, in co-operation with the provinces of New Brunswick and Nova Scotia, the Federal Government had decided to undertake a detailed and comprehensive study of tidal power sites at Shepody Bay, Cumberland Basin and Minas Basin. For this purpose, an Atlantic Tidal Power Programming Board is to be established comprising representatives from the Federal Government and from the provinces of New Brunswick and Nova Scotia.

This decision follows directly from the broad policy of the Federal Government, being implemented by the Department of National Resources, to assess the hydro-electric power potential at various sites across the country, in collaboration with the provinces concerned, as part of its national water policy.

The Atlantic Development Board has already made preliminary studies on the underwater foundation conditions at the three locations mentioned above. It will be the responsibility of the new Board to propose, supervise and evaluate further studies in order to assess in detail the potential power, probable costs of development, and the markets for power.