

### Better Balance in Branch Plants Operations Needed

Another very important aspect of the effort to achieve a better balanced position concerns the operations of branch plants in this country. We have always wished to encourage development of U.S. branch plants, but in the face of our exchange problem today we suffer from the disadvantage that these plants are heavy importers of parts and materials which must be paid for in U.S. dollars while they are exporting to countries which find it difficult or impracticable to pay in dollars. It is therefore essential that such manufacturing industries should concentrate on the development of U.S. dollar sources of income with which to offset their U.S. dollar outlays. It should be possible, for example, for the Canadian automobile industry -- which produced large amounts of the cheapest and most efficient army transport during the war -- to produce automobile parts or models for sale in U.S. dollars to balance the large purchases of components and materials which they make in the United States.

### Program of Encouraging Efficient Development

The Government will make every feasible effort to encourage and to co-operate in the development of these plans. I should make it clear, however, that what the Government has in mind in this whole program is not the stimulation of uneconomic production, but rather the encouragement of more rapid development of our resources and industry in an efficient manner.

### Stimulation of Gold Production

Development along these lines must be pursued vigorously. It will take time to work out its concrete application and the need is pressing. Meanwhile, there is one Canadian industry in particular which should be able to effect a rapid and substantial increase in its production if some assistance is provided now. I refer to the gold mining industry, which has at the present time a large unutilized capacity, and which produces a commodity for which there is an unlimited dollar market. Increases in the costs of gold production which have occurred during the past few years have made much of our potential production unprofitable. This has reduced the output of certain existing mines and has slowed down prospecting for new properties.

The Government has come to the conclusion that, as part of its general program for dealing with the present exchange emergency, it should take additional steps to assist in removing the deterrent effect on production of rapidly rising costs combined with a fixed market price for the product. In considering the form of action, we must have regard not only for administrative considerations, but also for our obligations under the International Monetary Fund Agreement. The precise details will therefore not be made known until they are laid before Parliament but, in order to avert speculation in the interval, I will state now that it is the intention of the Government to defray for a three-year period, to be defined in the legislation, the costs of additional gold production over and above the amounts produced in the year ended June 30, 1947, to the extent of \$7 for each fine ounce of additional production.