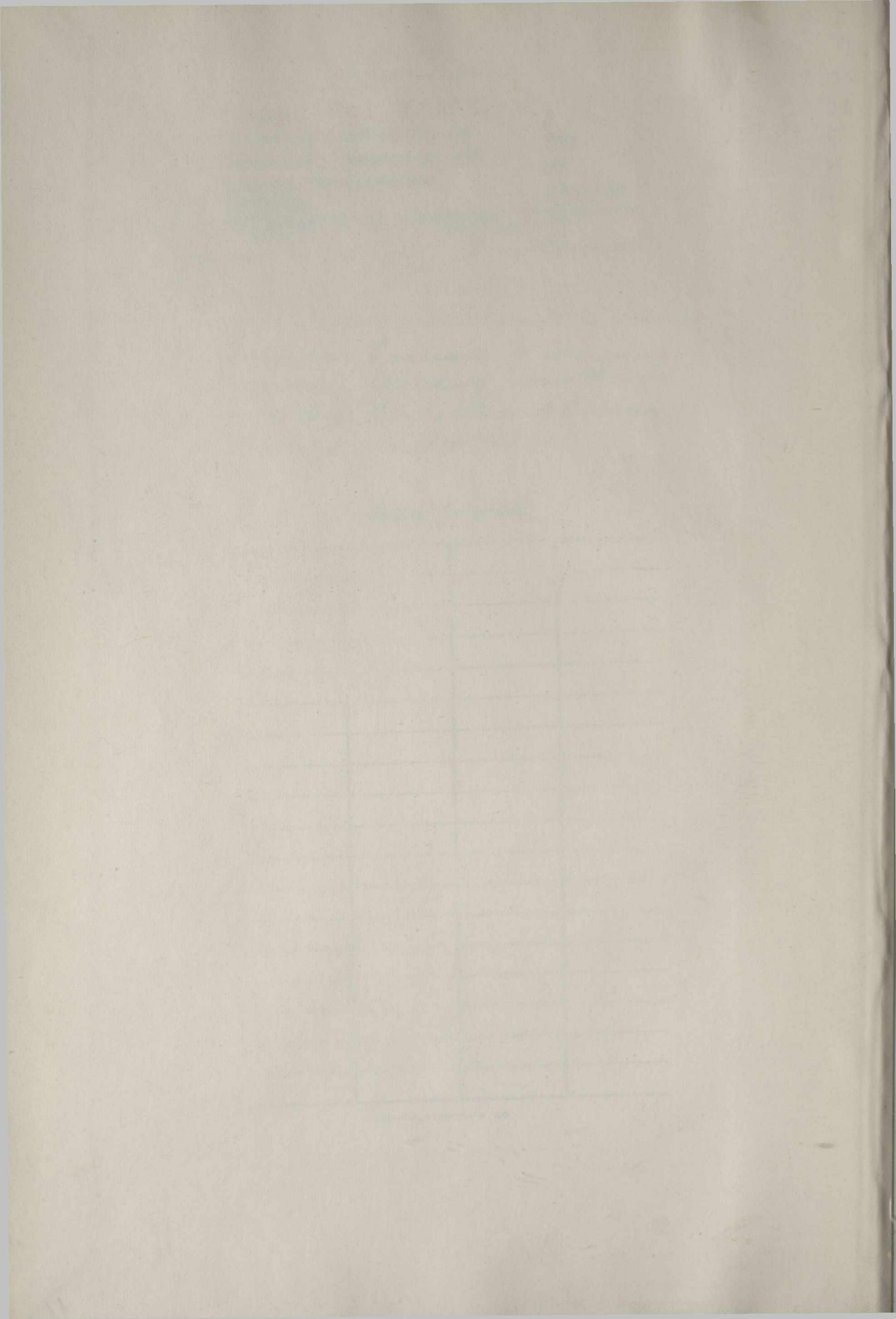


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Second Session of the 1954-55 Parliament
of India

STANDING COMMITTEE

INDUSTRY, RESEARCH AND ENERGY DEVELOPMENT

REPORT OF THE COMMITTEE

MINISTRY OF FINANCE AND INVESTMENT

No. 1

THIRUTHANIPURAM

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Including

Appendix A

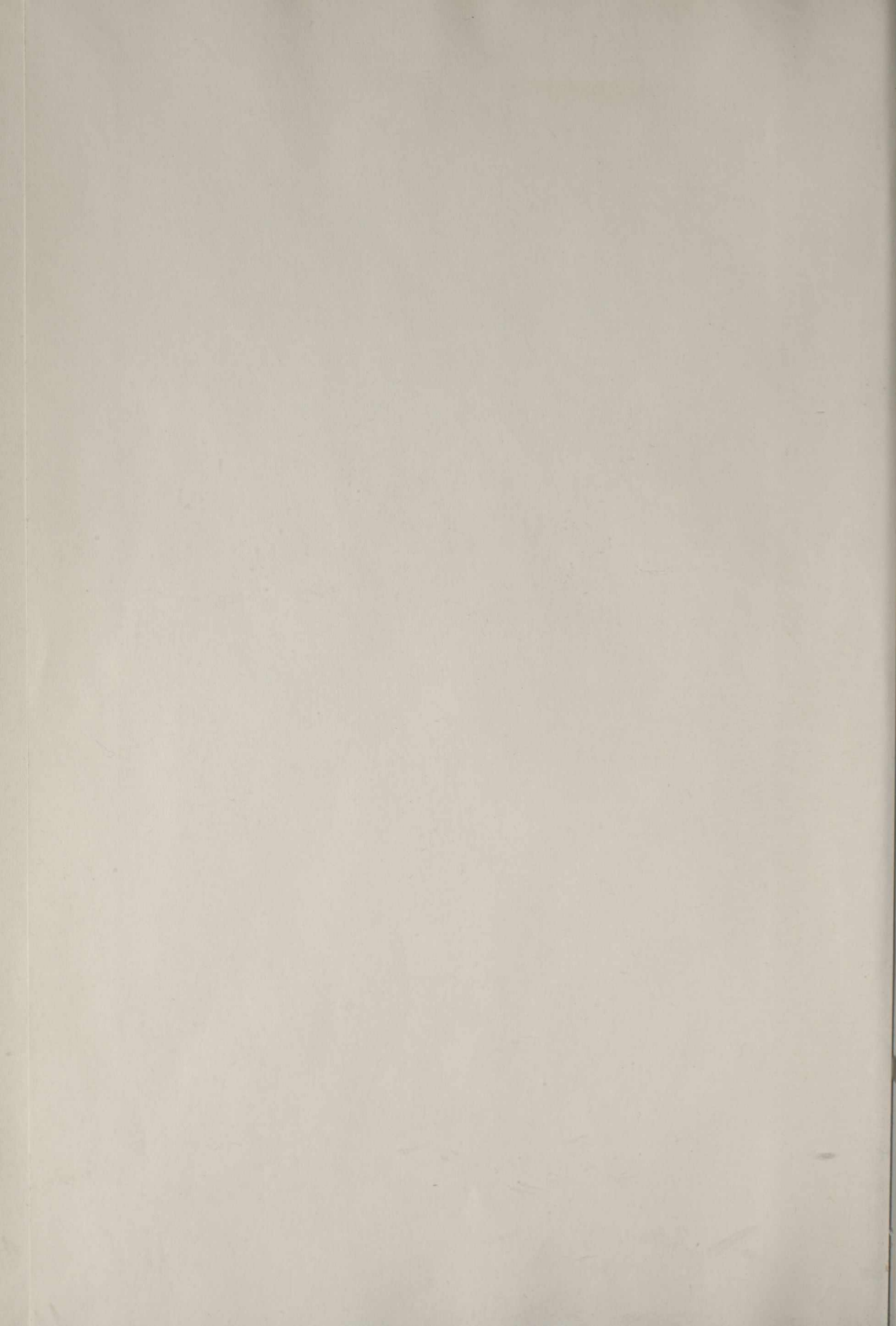
Main Committee Report, Department of Industry

Submitted

by

The Honourable C. M. Datta, Minister of Industry

Printed and Published by
GOVERNMENT OF INDIA, MINISTRY OF FINANCE



HOUSE OF COMMONS

Second Session—Twenty-seventh Parliament

1967

STANDING COMMITTEE

ON

**INDUSTRY, RESEARCH AND
ENERGY DEVELOPMENT**

Chairman: Mr. PATRICK T. ASSELIN

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 1

THURSDAY, JUNE 8, 1967

Respecting
Main Estimates (1967-68) of the Department of Industry

Including
Appendix A
Main Estimates 1967-68, Department of Industry

Statement
by
The Honourable C. M. Drury, Minister of Industry

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1967

HOUSE OF COMMONS
Second Session—Twenty-seventh Parliament
1967

STANDING COMMITTEE
ON

STANDING COMMITTEE
ON
INDUSTRY, RESEARCH AND ENERGY DEVELOPMENT

Chairman: Mr. Patrick T. Asselin

*Vice-Chairman: Mr. Leonard Hopkins

and

*Mr. Andras,	Mr. Goyer,	Mr. Peters,
Mr. Beaulieu,	Mr. Grafftey,	Mr. Reid,
Mr. Bower,	Mr. Hales,	Mr. Saltzman,
Mr. Cashin,	Mr. Hymmen,	Mr. Scott (<i>Victoria</i>
Mr. Davis,	Mr. Latulippe,	(<i>Ont.</i>)),
Mr. Faulkner,	Mr. Legault,	Mr. Sherman,
Mr. Forest,	Mr. Lind,	Mr. Wahn—24.
Mr. Fulton,	Mr. McCutcheon,	

(Quorum 13)

Hugh R. Stewart,
Clerk of the Committee.

* Replaced Messrs. Addison and Jamieson on June 7, 1967.

ORDERS OF REFERENCE

HOUSE OF COMMONS,

FRIDAY, May 19, 1967.

Resolved,—That the following Members do compose the Standing Committee on Industry, Research and Energy Development:

Messrs.

Addison,	Fulton,	Lind,
Asselin (<i>Richmond-Wolfe</i>),	Goyer,	McCutcheon,
Beaulieu,	Grafftey,	Peters,
Bower,	Hales,	Reid,
Cashin,	Hymmen,	Saltsman,
Davis,	Jamieson,	Scott (<i>Victoria (Ont.)</i>),
Faulkner,	Latulippe,	Sherman,
Forest,	Legault,	Wahn—(24).

THURSDAY, May 25, 1967.

Ordered,—That, saving always the powers of the Committee of Supply in relation to the voting of public monies, the items listed in the Main Estimates for 1967-68, relating to the Department of Industry be withdrawn from the Committee of Supply and referred to the Standing Committee on Industry, Research and Energy Development.

WEDNESDAY, June 7, 1967.

Ordered—That the names of Messrs. Andras and Hopkins be substituted for those of Messrs. Addison and Jamieson on the Standing Committee on Industry, Research and Energy Development.

Attest.

LÉON-J. RAYMOND,

The Clerk of the House of Commons.

REPORT TO THE HOUSE

THURSDAY, June 8, 1967.

The Standing Committee on Industry, Research and Energy Development has the honour to present its

FIRST REPORT

Your Committee recommends that its quorum be reduced from 13 to 9 members.

Respectfully submitted,

Patrick T. Asselin,
Chairman.

MINUTES OF PROCEEDINGS

THURSDAY, June 8, 1967.

(1)

The Standing Committee on Industry, Research and Energy Development met at 10:10 a.m. this day, for purposes of organization.

Members present: Messrs. Asselin (*Richmond-Wolfe*), Bower, Cashin, Forest, Goyer, Hales, Hopkins, Hymmen, Latulippe, Legault, Lind, Peters, Reid, Scott (*Victoria (Ont.)*), Sherman and Wahn. (16).

In attendance: From the Department of Industry: Honourable C. M. Drury, Minister and Mr. S. S. Reisman, Deputy Minister.

The Committee Clerk attending, and having called for nominations, Mr. Lind moved, seconded by Mr. Reid, that Mr. Asselin (*Richmond-Wolfe*) do take the Chair of this Committee as Chairman.

On motion of Mr. Forest, seconded by Mr. Hales,
Resolved—That nominations be closed.

Mr. Patrick Asselin having been declared duly elected thereupon took the Chair and thanked the members for electing him as Chairman.

Mr. Reid moved, seconded by Mr. Cashin, that Mr. Hopkins be elected Vice-Chairman of this Committee.

On motion of Mr. Forest, seconded by Mr. Scott (*Victoria (Ont.)*),
Resolved—That nominations be closed.

The Chairman declared Mr. Hopkins elected as Vice-Chairman.

On motion of Mr. Wahn, seconded by Mr. Cashin,
Resolved—That the Chairman and four members appointed by the Chairman do compose the Subcommittee on Agenda and Procedure.

On motion of Mr. Legault, seconded by Mr. Reid,
Resolved—That the Committee print from day to day 750 copies in English and 300 copies in French of its Minutes of Proceedings and Evidence.

On motion of Mr. Cashin, seconded by Mr. Hales,
Resolved—That the items listed in the Main Estimates for 1967-68 relating to the Department of Industry be printed as an appendix in Issue No. 1 of the Minutes of Proceedings and Evidence of this Committee (*See Appendix A*).

On motion of Mr. Cashin, seconded by Mr. Wahn,
Resolved, on division—That the Committee recommend to the House that its quorum be reduced from 13 to 9 members.

The Chairman read the Committee's Order of Reference dated Thursday, May 25, 1967 and he called the first item of the estimates of the Department of Industry:

Item 1 Departmental Administration etc. \$10,568,300.

The Committee agreed to hear an opening statement by the Minister of Industry. The Chairman introduced the Honourable C. M. Drury, Minister of Industry who read a statement, copies of which were distributed to the members. The statement referred to items in the Main Estimates 1967-68 of the Department of Industry (See Appendix A). The Chairman, on behalf of the members, thanked the Minister for his opening remarks.

Two of the members made suggestions concerning the scheduling of future meetings, with a view to accommodating members and witnesses, and concerning the possibility of visits to departmental facilities in the Ottawa area. The Chairman will refer these suggestions to the Subcommittee on Agenda and Procedure for its recommendations.

At 11:05 a.m., the Committee adjourned to the call of the Chair.

Hugh R. Stewart,
Clerk of the Committee.

EVIDENCE

(Recorded by Electronic Apparatus)

Thursday, June 8, 1967.

The Chairman: Gentlemen, as I mentioned before, the order of reference was the estimates of the Department of Industry. We have the Minister of Industry with us today who would like to make a statement and, therefore, I shall formally call Item No. 1 of the estimates of the Department of Industry and introduce to you the Minister of Industry.

Hon. C. M. Drury (Minister of Industry): Thank you, Mr. Chairman. I understand that the sitting this morning of this Committee has to be relatively short. I have quite a long statement to make with respect to the Department of Industry which I think it would be useful for the Committee members to have. There are additional copies of it. Perhaps, Mr. Chairman, you would like to circulate this statement some time before the minutes appear. Would you like to do that?

The Chairman: Yes.

Mr. Drury: Because of the time element I will read this statement perhaps rather more with speed than with eloquence and I will do it, with the forbearance of the Committee, all in English.

Mr. Chairman:

This is the first occasion that your Committee has had before it the Estimates of the Department of Industry. I welcome the opportunity to be able to provide more information concerning the functions and activities of my Department than is possible when Estimates are in the Committee of Supply. While you will recall that your Committee has looked into the Industrial Research and Development Incentives Act and has also studied the Area Development Program, I believe that this present meeting will permit me to answer questions on the whole range of work carried out by my Department. I know from the discussions that have taken place in the House, as well as from my previous appearances before you, that there is an interest on the part of this Committee in gaining a full appreciation of the activities of my Department and the

impact they are having on the Canadian economy. With your permission, Mr. Chairman, I thought it might be appropriate if I made an opening statement on the functions of my Department and outlined some of the many programs in which we are engaged. I would also hope to be given the opportunity to comment on some of the new projects which we are undertaking and which are reflected in the Estimates before you. I would be pleased to go into as much detail as you may wish on any of the activities of my Department. To help in this, I have with me today my Deputy Minister, Mr. Simon Reisman, and several other senior officials.

Last May, when the Estimates of my Department were last considered by the House, I made a statement then that "we must place a high premium on improving productivity." I went on to say that "to the extent that we can achieve an improvement in productivity we will also be able to achieve our other economic goals such as stable prices and a viable balance of payments."

Since that time, there has been a great deal of public discussion on the importance of productivity improvement and the respective roles of industry, labour and government in achieving it. You will recall that in his Annual Report for 1966, the Governor of the Bank of Canada stated that "diverging movements in costs and productivity such as we have been seeing recently cannot go on for long without seriously affecting the Canadian economy and in particular its international competitive position."

The Economic Council has highlighted the importance of productivity growth to the economic well-being of Canada in each of its three Annual Reviews. Its overall position in this matter is well summarized in its Second Annual Review in which they say: "Continuing improvements in productivity are an essential basis for the satisfactory achievement of all our social and economic goals. Rising productivity, is at one and the same time, the indispensable condition for the achievement of rising standards of life and a powerful factor in the circumstances required to ease

the possible strains and conflicts among the various aims and purposes of our increasingly complex society. In addition to enlarging incomes, improvements in productivity are important for increasing profitability and competitiveness of Canadian industry, for better interregional balance, for providing growing resources for special purposes, and for maintaining a viable balance of payments."

The Minister of Finance, in his recent Budget Speech, gave a most lucid expression of the Government's concern for the need to improve our productivity when he stated that "we Canadians have not taken to heart the obvious point that increases in our incomes must be founded upon increases in our productivity if we are to avoid self-defeating and inflationary efforts to profit at one another's expense."

(Translation)

Mr. Latulippe, have you the French version?

Mr. Latulippe: No, I have not.

Mr. Drury: There is a French version, if you want it.

The Chairman: Yes, Mr. Latulippe, we have a French version. I have it here. You will be better able to follow with it. Excuse me; I should have given you a copy before the meeting began.

• (10:30 a.m.)

(English)

Mr. Drury: These three key economic factors all focus on the same central theme—the importance of productivity growth to expansion of output, price stability, reduced costs and higher real incomes.

I think at this point it might be useful if I defined productivity. In the broadest terms, productivity means the output or value added per unit of input per period of time. Since productivity relates output to inputs, it is a measure of the efficiency with which we use our resources, including labour and capital.

As an economic department of government with particular responsibility for promoting the establishment and growth of manufacturing and processing industries in Canada on an efficient and competitive basis, the Department of Industry has as its principal mission the enhancement of the productivity performance of Canada's industrial economy.

In our form of economic system, the role of government in the industrial development

field has traditionally been limited to the application of broad economic policies of a commercial, fiscal or monetary nature. More recently, Canada has recognized the need for industry and government to work more closely together in focusing on specific economic and technological problems and in formulating mutually acceptable solutions which are beneficial to the economy as a whole. With the establishment of the Department of Industry, the Government has created an instrument which can contribute directly to the attainment of this objective. With its mandate from Parliament to acquire a detailed knowledge of manufacturing industries in Canada, and to develop and carry out programs to promote the establishment, growth efficiency and improvement of these industries, my Department has recruited and developed a group of professionals to formulate and implement imaginative programs to bring about constructive changes in Canadian industrial thinking and practice.

Our initial years of operation were characterized by recruitment of staff, policy and program formulation and the implementation and initial operation of a few important programs. The Estimates for fiscal year 1967-68 reflect the maturing of several programs and their growing utilization by the Canadian industrial community. In addition, the Estimates reflect the consolidation within the Department of Industry of existing government industrial development programs. Of the total increase in our Estimates for the fiscal year 67-68 over the fiscal year 66-67 of \$96.2 million, almost \$70 million of this amount is accounted for by transferred programs, while \$27 million covers the requirement for increases in existing programs.

These amounts of money, while large, should not be regarded merely as expenditures. Rather, they should be looked upon as investments, of both time and money, in upgrading the productivity and competitive position of our industries. It is from this source, it should be remembered, that will come the improvements in wages and salaries, profits and tax revenues for all levels of government required to pay for all those things in the private and public sectors which Canadians have come to expect from our society.

In examining the Estimates of the Department of Industry, it may be helpful for the Committee to see them in the context of the Department's mission and the basic approach it has developed for carrying it out.

My approach and the approach of my Departmental managers is to test each and every proposal which come before us from outside or from within the Department with one fundamental question. Is it likely to contribute to improved performance for Canadian industry with a high benefit cost yield? I would hope that the Committee would apply a similar test in examining our various programs and activities.

When it comes to specific actions, of course, there is no magic formula, no royal road to improved industrial performance. We must work on many fronts—some modest and others rather ambitious. Some will be quick to take effect—others will be much more gradual in their impact. Our work embraces such diverse measures as the rationalization and restructuring of an entire industry, the gathering and dissemination of valuable industrial information, the stimulation of research and development, the improvement of industrial design, the fuller utilization of human and natural resources in underemployed regions, the provision of adjustment assistance of both a financial and technical nature, missions abroad to learn from others, the formulation of more and better industrial standards, informed inputs in the formulation of economic policies generally to ensure that the effects on our industrial performance is fully recognized—and in many other areas.

The Estimates before you are intended to finance activities in each of these varied fields. These represent only the beginning of the Department's work. I intend that each year we will come forward with new programs—some of which at least will be of major significance. The test that I will apply—and I hope that you will accept it as the right test—is the degree to which they contribute to the expansion of efficient production and the improved productivity performance of the Canadian economy.

Before commenting on each of the items listed in the Estimates, I think it might be helpful if I outlined briefly the major areas of our work in order to give the members of this Committee an over-all view of departmental operations.

First, the Department has formulated and is now administering a number of major programs designed to improve the overall economic performance of particular manufacturing industries. These activities include the Automotive Program and the Shipbuilding Program. The formulation of programs to deal with particular problems and to create new

opportunities for efficient expansion is well advanced in a number of other important industries. In addition, the Department has programs of general application to industry, such as those to stimulate technological innovation and to improve our industrial design capability.

The second major area of departmental activity relates to the provision of information and assistance to individual firms, industry associations and others, for the purpose of aiding sound economic development. This assistance includes the undertaking of special import studies relating to specific manufacturing opportunities, as well as the provision of technical advice and information on laws, regulations and other matters affecting the conduct of business in Canada.

The third major area of departmental activity is concerned with those elements of domestic and international economic policy which are primarily the responsibility of other government departments and agencies and which have a bearing on the growth and efficiency of manufacturing and processing industries in Canada. The Department serves to ensure that the implications for Canadian industry of governmental policies and programs are brought forward and taken carefully into account. The Department takes an active interest in such matters as taxation, trade and tariff policy, restrictive trade practices, manpower planning, transportation, energy, and the financing of Canadian industry, since the development of policy in these diverse fields has a direct impact on the prospects for Canadian industry.

In these areas of public policy, the principal concern of the Department is to encourage a general climate which will help to bring about productivity increases, greater specialization and larger scale production, and thereby improve the competitive position of our industry.

The achievement of an expanding, more productive and more competitive manufacturing sector will require substantial changes in the structure and performance in many sectors of Canadian industry. Tasks of this magnitude will take time and will involve fundamental adjustments, for both workers and firms, during a transitional period. The Department is particularly concerned with easing the problems of adjustment to enable industry to take full advantage of new opportunities for growth.

As an example, the Department provides the financial resources and the staff support

for the Adjustment Assistance Board, which was established to provide transitional assistance requirements arising out of the Automotive Program. The purpose of this form of assistance goes beyond the concept of compensation. It has the positive purpose of facilitating adaptation to change required to secure economic benefits for the country as a whole. This approach to economic change is gaining wide acceptance in many countries and in Canada has received strong support from the Economic Council of Canada.

I would now like to deal specifically with each of the items listed in the Estimates. The major item in Vote 1 (Administration) is the cost of salaries and wages. It is interesting to note, however, that this portion of the Administration Vote is declining in relation to the other factors that make up this Vote. Other objects of expenditure, such as those related to our promotional efforts to upgrade productivity, are increasing in importance. The major reason for the increase in salaries and wages is accounted for by the transfer of 97 positions from the Department of Defence Production to the Department of Industry to carry out administrative functions. I would like to emphasize that, in both absolute terms as well as in relation to the size of its mission and the programs which are now operational, the Department is small. I intend that it will have not a single staff member more than is absolutely necessary to fulfill the mandate which Parliament gave it.

You will see from our Estimates that we attach a good deal of importance to providing the business community with current information on the opportunities available to them for improving their performance. This activity includes co-sponsoring research studies, the publication of reports on a wide range of technological, commercial, financial and market problems, and the sponsorship of technical missions, conferences and seminars to increase knowledge of current practice at home and in other countries.

The Department is continuing its efforts to assist Canadian business in improving the design of Canadian products through a variety of projects. Its programs include: scholarships and grants to provide financial assistance to students of industrial design for advanced study in Canada and abroad, and maintenance of the Canadian Design Index and the Register of Designers which provide data on products of Canadian designers, design and information to industry on designers and design services.

The Department maintains a Design Centre in Toronto to focus the attention of manufacturers, distributors, buyers and the general public on the need for well-designed products. The Department and the National Design Council will establish a second national design centre in Montreal in the near future.

● (10:40 a.m.)

The Department continues to co-operate with manufacturers' associations and professional groups in co-sponsoring a series of design award programs. Such programs have already been carried out in the field of structural steel, wood products, electrical appliances and steel products.

While these projects involve an element of direct cost, their major cost impact is for the salaries and wages of personnel who plan and organize them. I believe that the results we have had to date from this activity justify the costs incurred. I am confident that our proposed expenditures for 1967-68 will be no less successful.

A major element in the Department's work program relates to the provision of financial assistance to Canadian firms to upgrade their technological capability in order to improve their productivity and competitive position.

Section 72 of the Federal Income Tax Act allows a taxpayer to deduct from income all his expenditures of a current nature for scientific research and all his expenditures of a capital nature (for the acquisition of property other than land) for scientific research in the year in which they are incurred. In 1962, a special incentive was introduced under Section 72A of the Act, which permitted a corporation to deduct an additional allowance equal to fifty per cent of the increase in such expenditures in Canada over those in the last taxation year of the corporation ending before April 11, 1962. This incentive was applicable in each taxation year from 1962 to 1966 inclusive, and was administered by the Department of National Revenue.

As a result of the favourable experience with the income tax incentive, the Government decided to continue to provide a general incentive for scientific research and development after 1966 when the tax incentive expired. Accordingly, the Industrial Research and Development Incentives Act was enacted in March 1967 "to provide general incentives to industry for the expansion of scientific research and development in Canada." The Act incorporates several features designed to broaden the availability of the incentive to

make it more effective than the previous tax incentive.

The new incentive provides for Canadian corporations to receive cash grants or credits against federal income tax liabilities equal to 25 per cent of:

- (a) all capital expenditures (by acquiring property other than land) for scientific research or development in Canada; and
- (b) the increase in current expenditures in Canada for scientific research and development over the average of such expenditures in the preceding five years.

To qualify for a grant, expenditures must be for scientific research and development which, if successful, is likely to lead to or facilitate an extension of the business of the corporation. Accordingly, corporations must undertake to exploit the results of the research and development in Canada, unless according to sound business judgment it would be uneconomic to do so. Furthermore, corporations must normally be free to export products resulting from the research and development to all countries of the world.

Grants made under the Act are not subject to federal income tax and are in addition to the normal 100 per cent deduction of all expenditures for scientific research and development permitted under Section 72 of the Income Tax Act.

By making the new incentive available as a cash grant, and not just a tax allowance, corporations in lower tax brackets, as well as corporations with no taxable income, are able to enjoy the same benefits as corporations subject to income tax at a rate of 50 per cent. Furthermore, by segregating and allowing all capital expenditures for scientific research and development to qualify for the 25 per cent bonus, corporations are able to take advantage of the new incentive to invest in facilities and equipment for research and development without prejudicing their ability to qualify for the incentive with respect to their increases in current expenditures for research and development.

For expenditures made on scientific research and development in calendar year 1966, corporations may elect to take the benefit available under Section 72A of the Income Tax Act, or the benefits provided under the Industrial Research and Development Incentives Act.

The Program for the Advancement of Industrial Technology (PAIT) was established

by the Department of Industry in July 1965. It is designed to stimulate industrial growth by the application of science and technology to the development of new or improved products and processes for the commercial market. The 1967-68 Estimates provide \$13 million for this program.

The basic aim of the program is to help industry upgrade its technology and expand its innovation activity by underwriting specific development projects which involve a significant advance in technology and which, if successful, offer good prospects for commercial exploitation. Assistance under the program is available to individual Canadian companies or groups of Canadian companies for development projects to be carried out and exploited in Canada.

Companies are normally expected to have the capacity to undertake the development work and also to provide for the manufacture and marketing of the resulting product or use the resulting process. However, companies may sub-contract portions of the development work to other companies, research institutes, universities or consultants where this is desirable.

Support is concentrated on the development of new products and processes which serve to enhance productivity and contribute to economic growth. Wherever appropriate, emphasis is shared on the fuller use of Canada's natural resources, skills and environmental advantages to establish a unique capability or technical leadership.

The initiative in choice of development projects and the responsibility for their direction and execution rest entirely with industry. Applications from companies for assistance under the program are appraised by the Department as to the technical and commercial feasibility of the project, and the capabilities, facilities and other resources of the company to carry it out.

The Department contributes up to 50 per cent of the total cost of approved development projects, including the cost of special equipment and prototypes required to achieve and demonstrate the technical objectives. However, it is not the purpose of the program to finance the establishment of a business, or the acquisition of general purpose capital facilities, or to cover the costs of setting up production.

When the project meets with commercial success the company is required to repay the Department's contribution with interest. The

rate of repayment is negotiated, and is related to the commercial utilization of the product or process having regard for the market expectations. It is calculated in such a way as to provide for the Department to recover its contribution, together with interest, within a period not exceeding ten years from the date of the first commercial sale or use by the company. If the project is not successful or the results are not put into commercial use, the company is not required to repay the Department's contribution.

Normally, the company's share of the development costs and its repayments of the Crown's contribution are deductible from income under the Federal Income Tax Act and may be included in applying for a grant under the Industrial Research and Development Incentives Act.

In order to ensure expeditious and effective exploitation of the results of development projects, title to patents, designs, information and equipment resulting from the project are held by the company. However, companies are required to give an undertaking that, if the project is successful, they will exploit the results in Canada within a reasonable period of time, and will not transfer the results to persons outside of Canada for the purposes of production without the prior consent of the Minister.

To March 31, 1967, 74 development projects estimated to cost in total more than \$30 million had been approved under the program. Individual projects range in cost from \$23,000 to several million dollars. It is estimated that total expenditures in fiscal year 1967-68 for these approved projects and for new projects initiated in fiscal year 1967-68 will be \$13.0 million and that total commitments for these projects during fiscal year 1967-68 and subsequent fiscal years will amount to \$40.0 million.

Vote 5 provides funds for departmental activity to sustain technological capability in Canadian industry by sharing the cost of selected defence development projects. In some cases project costs are shared with the United States and other allied governments. \$25 million has been requested for expenditure in 1967-68. Experience indicates that this level of government assistance will provide upwards of \$55 million worth of research and development activity in industry per year.

Since the inception of the program, 109 development projects have been supported from the Vote. Expenditures to date amount to \$103 million. Of the projects supported, 53

costing \$53 million have been completed and/or are achieving sales. The values of sales to date related to these projects is \$658 million.

One of the more serious limitations on the expansion of innovation activity in Canadian industry is the shortage of professional manpower and the lack of suitable laboratory facilities for this purpose. It is estimated that over 85 per cent of our manufacturing firms are too small, in terms of size and financial resources, to sustain an independent research or development effort. At the same time, there exists within our universities a substantial reservoir of scientific talent and equipment which might be brought to bear on this problem, given suitable institutional arrangements. In the United States, contract research institutes associated with universities have made a significant contribution to the advancement of industrial technology in the post-war era.

● (10:50 a.m.)

The department has a new Industrial Research Institute program whose purpose it is to provide financial assistance to Canadian universities to help them establish industrial research institutes as a framework within which they may undertake contract research on behalf of industry. By tapping the latent potential of the universities' staffs and facilities, the program should alleviate, in part, the shortage of technical resources available to industry to expand their innovation activities and to solve scientific problems for industries too small to support their own research staff. This program is also expected to foster closer relationships between industry and the universities and to serve the dual purpose of bringing the universities into closer contact with industry needs, and, at the same time, acquainting industry with the latest advances in science and technology. While the basic objective of the program is to provide scientific services to industry, it is hoped that institutes will also be able to provide supplementary educational services for industry in the form of specialist training, refresher courses and technical seminars.

To qualify for assistance under the program, industrial research institutes must be wholly-owned by a Canadian university and utilize the facilities of the university. The Department's contribution normally takes the form of a grant to cover the costs of administering the institute, including the salaries of managerial and administrative staffs rental of offices, costs of office supplies, and similar

administrative expenses, during the initial years. The Department does not contribute to the direct costs of conducting research on behalf of industrial customers. Institutes are expected to become self-supporting in the longer term.

In 1964 the Defence Industry Modernization Program was initiated to stimulate defence exports and thereby assist in the maintenance of the Canadian industrial defence base. The two main aspects of the program are:

- (i) to assist industry in acquiring capital items to upgrade manufacturing capability;
- (ii) establishment of Canadian sources by:
 - (a) assisting with pre-production engineering and special tooling costs required to produce defence exports items,
 - (b) assisting with non-capital costs required to establish a qualified source of components or equipment.

The assistance was initially provided through Vote 5 (Department of Defence Production) but on April 1, 1967, the responsibility for the administration of the Defence Industry Modernization Program was transferred to the Department of Industry, and accordingly Vote 20 (Department of Industry) replaces Vote 5 (Department of Defence Production)

Since the program is directed to the Defence industry sector, the bulk of expenditures (approximately 80 per cent in fiscal year 1966-67) have been made in the aircraft and electronics industries.

Vote 15 of the Department of Industry provides for the subsidy program for commercial new ship construction. This program provides a subsidy rate of 25 per cent for vessels, other than fishing trawlers, for the period 1966-69, after which time it will be reduced by 2 per cent each year until a subsidy rate of 17 per cent is reached in 1972. The current subsidy rate of 50 per cent for fishing trawlers is being continued. Since its reinstatement in 1966, over 100 ships have received a subsidy under this program.

I would now like to say just a few words about two other major programs of the Department of Industry—the Automotive Program and the Area Development Program.

Since the purpose and terms of the Automotive Program have been outlined to you on many occasions, I do not propose taking up your time with a detailed review of the

Program. I would like, however, to use this opportunity to bring you up to date on the results which have been achieved.

Already the program and the automotive measures adopted earlier by the Government in November 1963, have had substantial beneficial effects. To date, the industry announced the expansion of, or concrete plans for expansion of, 168 plants. In addition, it has announced the establishment of 91 new plants in Canada, making a total of 259 plant expansions or new plants. This expansion includes assembly facilities for cars, production and assembly facilities for trucks and buses, technologically advanced engine plants, a large new trim plant, new installations for commercial vehicle frames, stamping plants and other facilities to manufacture efficiently many other automotive products.

Many of these new and enlarged facilities are being designed to service not only the Canadian market but the United States and other markets as well. Expansions are also taking place in the materials supplying and service industries which rely upon the automotive industry as one of their major customers.

Production during the first year of the Automotive Program totalled over 855,000 motor vehicles, a 28 per cent increase over 1964 and a 35 per cent increase over 1963. The value of shipments of motor vehicle parts and accessories for model year 1966, the latest complete production year, shows a 73 per cent increase over model year 1963, which was the last model year prior to the introduction of the automotive measures in the fall of 1963.

During 1966, the average number of workers in the automotive industries increased by 15,900 persons, a growth of 23 per cent over 1964. More than 8,500 of these additional jobs are in the auto parts industry.

Exports of Canadian automotive products have been expanding rapidly under the Program. During 1966, exports to all countries amounted to more than \$1 billion, an increase of 437 per cent over the same period in 1964, and 176 per cent greater than in 1965. Imports, on the other hand, increased by 41 per cent in calendar year 1966 over the same period in 1965. Exports to the United States during 1966 increased to \$845 million, compared with \$233 million during 1965 and only \$99 million in 1964. This represents annual increases of 263 per cent (1966 over 1965) and 134 per cent (1965 over 1964); over the two-year period there was a 750 per cent increase.

This substantial increase in Canadian exports has contributed favourably to Canada's balance of payments and trade. For many years, Canada has had a large and growing adverse balance of trade in motor vehicles and parts. The very substantial increase in exports has reversed this trend and in the last year has actually reduced the trade imbalance in this sector.

There is one further point I would like to make regarding the Automotive Program. During the past few months, there has been a great deal of discussion as to what the situation would have been in the industry as a consequence of the downturn in demand for automobiles if we did not have the Automotive Program. I think you will be interested to learn that for the first nine months of model year 1967, motor vehicle production in the United States was 14 per cent less than in the same period in 1966. By contrast, Canadian motor vehicle production was off by only 4 per cent.

The Automotive Program is intended to bring about expansion and increased efficiency in the Canadian automotive industries. However, some parts producers may find it necessary to dispose of, or convert, existing equipment and develop new lines; others may have opportunities to expand their facilities to handle an increased volume.

In order to ensure that no legitimate need for capital is unfulfilled, a special fund has been voted by Parliament each year since June 1965, from which loans are made to parts makers, material suppliers and tooling manufacturers to the automotive industry, who must re-equip their facilities because of the Automotive Program but who are unable to do so through lack of financing. These loans carry an interest rate of 6 per cent and are repayable over not more than 20 years for land and buildings and 10 years for machinery, equipment, and working capital. Included in the loans, Investments and Advances portion of the Estimates for the fiscal year 1967-68 is a fund of \$30 million for this purpose.

The administration of this fund is the responsibility of the Adjustment Assistance Board, under the chairmanship of Professor Vincent Bladen and composed of the Deputy Minister of Industry, Finance, Trade and Commerce, Labour and National Revenue. To date, the Board has processed 38 loans totalling approximately \$29 million. At the present time, 8 applications are being investigated for an additional possible loan total of \$9.5 million.

The Board has been assigned the responsibility of examining applications for tariff remission for production machinery and equipment not available in Canada, when used in the manufacture of original equipment automotive parts and accessories, or when used in the manufacture of tooling used in the production of such parts and accessories and to advise the Minister of Industry whether remission of tariffs should be recommended. Remissions of up to 99 per cent of duty and the sales tax paid on the duty may be granted under Section 22 of the Financial Administration Act. To date, the Board has processed 34 claims and has proposed that remission amounting to \$284,900 be granted. The Board has 19 applications for remission under review.

● (11:00 a.m.)

Since earlier this year, the Committee has already considered in detail the Area Development Program. I do not propose to make specific reference to it unless that is your wish.

Mr. Chairman, I have attempted to provide you and your Committee with an insight into the basic philosophy and the major programs of my Department. The improvement of the productivity of a major sector of our economy is a very exciting challenge. No one can dispute the difficulties in obtaining positive results. And yet, it is a task which must succeed. My Department has accepted this challenge and I believe it has introduced bold and imaginative measures designed to help fulfill its mission. A number of new programs are almost ready for implementation and others are in an advanced stage of formulation. I hope to be able to say more about these when my next Estimates are before you.

If there are any questions, gentlemen—I hope I have finished within the time span—I shall be glad to deal with them.

The Chairman: Thank you very much, Mr. Drury, for that very interesting and very informative statement. It was agreed, of course, that we would finish this meeting by 11 o'clock. In order to make sure that all the Committee members can absorb this statement I would suggest that we adjourn this meeting at the call of the Chair. Everybody will be notified when the next meeting will take place. I will contact the Minister to find out when he will be able to come back and also the coordinator of committees to schedule another time.

Mr. Cashin: Mr. Chairman, I was wondering if some effort might be made through the steering committee to find out something about the schedule of members during the next month because in the last session—and I think this was the experience of all the committees—about one third were here just about all the time; about a third were here intermittently and about a third we seldom saw. I was wondering if the steering committee could get some idea of the days the members—Tuesdays and Thursdays—that all the present 24 members on this Committee could be available so that you would have some idea in advance of the schedule. It may be that some members are on a lot of committees that are sitting now, whereas other members at the present time may not have many active committees. Perhaps we may be able to find a couple of additional people to attend our meetings.

The Chairman: Perhaps you would allow me to discuss this with the co-ordinator of committees, Mr. Deachman, and I will be able

to try to work out a time schedule where the least number of members have other commitments. Is that agreeable to you?

Mr. Peters: Would you also enquire as to what the time table is going to be before the recess so that we know whether or not witnesses could be called and what the operations of this Committee should be. Also, would it be possible for the Committee to visit some of the facilities that are in the Ottawa area with a view to seeing what the department does. It is a new department and I do not think most of the members are familiar with the physical operation. I think many of us learned something from visiting the National Research Council last year. We are in a better position to talk about some of the physical facilities—

The Chairman: I would suggest that we could bring this up in the steering committee and report back on both questions.

Gentlemen, if there are no further questions the meeting is adjourned.

INDUSTRY

MAIN ESTIMATES, 1967-68

INDUSTRY

Vote	Description	1967-68	
		1967-68	1966-67
182,752,000	182,752,000	182,752,000	182,752,000
26,717,000	26,717,000	26,717,000	26,717,000
48,035,000	48,035,000	48,035,000	48,035,000
182,752,000	182,752,000	182,752,000	182,752,000
APPENDIX A			
182,752,000	182,752,000	182,752,000	182,752,000
26,717,000	26,717,000	26,717,000	26,717,000
48,035,000	48,035,000	48,035,000	48,035,000
182,752,000	182,752,000	182,752,000	182,752,000
INDUSTRY			
MAIN ESTIMATES, 1967-68			
182,752,000	182,752,000	182,752,000	182,752,000
26,717,000	26,717,000	26,717,000	26,717,000
48,035,000	48,035,000	48,035,000	48,035,000
182,752,000	182,752,000	182,752,000	182,752,000

INDUSTRY

No. of Vote	Service	1967-68	1966-67	Change	
				Increase	Decrease
		\$	\$	\$	\$
(S)	Minister of Industry—Salary and Motor Car Allowance (Details, page 239).....	17,000	17,000		
1	Departmental Administration, including grants as detailed in the Estimates (Details, page 239).....	10,568,300	7,195,400	3,372,900	
5	To sustain technological capability in Canadian industry by supporting selected defence development programs, on terms and conditions approved by the Treasury Board, and to authorize, notwithstanding section 30 of the Financial Administration Act, total commitments of \$60,000,000 for the foregoing purposes during the current and subsequent fiscal years (Details, page 241).....	25,000,000	25,000,000		
10	To advance the technological capability of Canadian manufacturing industry by supporting selected civil (non-defence) development projects, on terms and conditions approved by the Treasury Board, and to authorize, notwithstanding section 30 of the Financial Administration Act, total commitments of \$40,000,000 for the foregoing purposes during the current and subsequent fiscal years (Details, page 241).....	13,000,000	8,770,000	4,230,000	
15	Capital subsidies for the construction of commercial and fishing vessels in accordance with regulations of the Governor in Council (formerly under Canadian Maritime Commission) (Details, page 241).....	30,000,000		30,000,000	
20	Payments, subject to the approval of the Treasury Board, for certain programs to assist defence manufacturers:				
	(a) with defence plant modernization, by paying one-half the cost of acquisition of new equipment; and				
	(b) in the establishment of production capacity and qualified sources for production of component parts and materials (Details, page 241).....	12,000,000		12,000,000	
(S)	Incentives for the development of industrial employment opportunities in designated areas in Canada (Details, page 241).....	29,000,000	10,000,000	19,000,000	
—	Appropriation not required for 1967-68 (Details, page 242).....			1	1
(S)	General incentives to industry for the expansion of scientific research and development in Canada (Details, page 242).....	27,200,000		27,200,000	
		146,768,300	50,965,401	95,802,899	
SUMMARY					
	To be voted.....	90,568,300	40,965,401	49,602,899	
	Authorized by Statute.....	56,217,000	10,017,000	46,200,000	
		146,785,300	50,982,401	95,802,899	

Positions (man-years)		Details of Services	Amount	
1967-68	1966-67		1967-68	1966-67
			\$	\$
Approximate value of Major Services not included in these Estimates				
		Accommodation (provided by the Department of Public Works).....	380,000	262,000
		Accounting and cheque issue services (Comptroller of the Treasury).....	30,800	26,200
		Contributions to Superannuation Account (Treasury Board).....	413,000	207,800
		Contributions to Canada Pension Plan Account and Quebec Pension Plan Account (Treasury Board)....	36,000	42,100
		Employee surgical-medical insurance premiums (Treasury Board).....	26,300	18,000
		Advisory and Administrative Services (Department of Defence Production).....	1,150,000	868,000
		Employee compensation payments (Department of Labour).....	100	
		Carrying of franked mail (Post Office Department)....	31,700	4,900
			2,067,900	1,429,000
Statutory—Minister of Industry—Salary and Motor Car Allowance				
		Salary.....(1)	15,000	15,000
		Motor Car Allowance.....(2)	2,000	2,000
			17,000	17,000
Vote 1—Departmental Administration, including grants as detailed in the Estimates				
Salaried Positions:				
Executive, Scientific and Professional:				
	1	Deputy Minister (\$27,000)		
1	1	Commissioner, Area Development Agency (\$22,680)		
3	3	Senior Officer 3 (\$20,500-\$24,750)		
10	7	Senior Officer 2 (\$18,500-\$22,750)		
15	14	Senior Officer 1 (\$16,500-\$20,500)		
1	1	(\$18,000-\$20,000)		
7		(\$16,000-\$18,000)		
13	18	(\$14,000-\$16,000)		
1	2	(\$12,000-\$14,000)		
	1	(\$10,000-\$12,000)		
Administrative and Foreign Service:				
53		(\$16,000-\$18,000)		
268	39	(\$14,000-\$16,000)		
16	95	(\$12,000-\$14,000)		
13	139	(\$10,000-\$12,000)		
8	20	(\$8,000-\$10,000)		
	1	(\$6,000-\$8,000)		
Technical, Operational and Service:				
5		(\$12,000-\$14,000)		
6		(\$10,000-\$12,000)		
4	10	(\$8,000-\$10,000)		
15	3	(\$6,000-\$8,000)		
	4	(\$4,000-\$6,000)		

Positions (man-years)		Details of Services	Amount	
1967-68	1966-67		1967-68	1966-67
			\$	\$
		Vote 1 (Continued)		
		Salaried Positions: (Continued)		
		Administrative Support:		
		(\$6,000-\$8,000)		
149	1	(\$4,000-\$6,000)		
177	224	(Under \$4,000)		
8	41			
774	625	Continuing Establishment.....	6,440,000	4,660,000
(774)	(625)	Casuals and Others.....	60,000	40,000
(9)	(10)			
(783)	(635)	Salaries and Wages (including \$400,000 allotted during 1966-67 from the Finance Contingencies)		
		Vote for increases in rates of pay).....(1)	6,500,000	4,700,000
		Living Allowances.....(2)	18,000	30,600
		Professional and Special Services.....(4)	1,139,000	730,800
		Travelling and Removal Expenses.....(5)	580,000	425,000
		Freight, Express and Cartage.....(6)	32,000	10,000
		Postage.....(7)	8,500	6,400
		Telephones and Telegrams.....(8)	86,100	96,600
		Publication of Departmental Reports and Other Material.....(9)	248,600	149,500
		Exhibits, Displays, Advertising, Visual Aids.....(10)	638,500	412,000
		Office Stationery, Supplies, Equipment and Furnishings.....(11)	384,100	178,000
		Materials and Supplies.....(12)	38,500	28,000
		Grants, scholarships, bursaries and awards, as approved by Treasury Board to promote industrial design.....(20)	143,000	121,000
		Grants to universities and regional development associations, as approved by Treasury Board, to promote area development.....(20)	12,000	30,000
		Research grants and contributions to universities, technical societies, trade associations and other organizations to finance technical conferences and seminars and technical publications, as approved by Treasury Board.....(20)	51,000	20,000
		Grant to Canadian Standards Association.....(20)	30,000
		Grant to assist in establishing a national standards organization.....(20)	150,000	
		Grants to universities, as approved by Treasury Board, to assist in establishing and maintaining industrial research institutes.....(20)	90,000	
		Grants, as approved by Treasury Board, to promote improvements in the manufacture of rapeseed products.....(20)	180,000	
		Expenses of industrial missions, conferences and seminars, and sundries.....(22)	269,000	227,500
		Expenditure	10,568,300	7,195,400
		1964-65.....	\$ 3,271,581	
		1965-66.....	4,958,151	
		1966-67 (estimated).....	6,700,000	

Positions (man-years)		Details of Services	Amount	
1967-68	1966-67		1967-68	1966-67
			\$	\$
		Vote 5—To sustain technological capability in Canadian industry by supporting selected defence development programs, on terms and conditions approved by the Treasury Board, and to authorize, notwithstanding section 30 of the Financial Administration Act, total commitments of \$60,000,000 for the foregoing purposes during the current and subsequent fiscal years.....(20)	25,000,000	25,000,000
		Expenditure		
		1964-65.....	\$ 20,500,000	
		1965-66.....	25,000,000	
		1966-67 (estimated).....	25,000,000	
		Vote 10—To advance the technological capability of Canadian manufacturing industry by supporting selected civil (non-defence) development projects on terms and conditions approved by the Treasury Board, and to authorize, notwithstanding section 30 of the Financial Administration Act, total commitments of \$40,000,000 for the foregoing purposes during the current and subsequent fiscal years.....(20)	13,000,000	8,770,000
		Expenditure		
		1964-65.....	\$.....	
		1965-66.....	428,218	
		1966-67 (estimated).....	6,000,000	
		Vote 15—Capital subsidies for the construction of commercial and fishing vessels in accordance with regulations of the Governor in Council.....(20)	30,000,000	
		Expenditure		
		1964-65.....	\$ 32,000,000	
		1965-66.....	40,512,684	
		1966-67 (estimated).....	36,000,000	
		Vote 20—Payments, subject to the approval of the Treasury Board, for certain programs to assist defence manufacturers:		
		(a) with defence plant modernization, by paying one-half the cost of acquisition of new equipment; and		
		(b) in the establishment of production capacity and qualified sources for production of component parts and materials.....(20)	12,000,000	
		Statutory—Incentives for the development of industrial employment opportunities in designated areas in Canada (Chap. 12 Statutes of 1965 and Industry Vote 15e 1965-66)..(20)	29,000,000	10,000,000

Positions (man-years)		Details of Services	Amount	
1967-68	1966-67		1967-68	1966-67
			\$	\$
		Statutory—Incentives (Continued)		
		Expenditure		
		1964-65.....	\$.....	
		1965-66.....	125,000	
		1966-67 (estimated).....	1,900,000	
		Appropriation not required for 1967-68		
		To authorize, notwithstanding section 30 of the Financial Administration Act, an increase to \$125,000,000 in the total amount of commitments in the current and subsequent fiscal years for development grants under the Area Development Incentives Act.....(20)		1
		Statutory—General incentives to industry for the expansion of scientific research and development in Canada.....(20)	27,200,000	

No. of Vote	Service	1967-68	1966-67	Change	
				Increase	Decrease
		\$	\$	\$	\$
INDUSTRY					
L60	Loans, in the current and subsequent fiscal years and in accordance with terms and conditions prescribed by the Governor in Council, to assist manufacturers of automotive products in Canada, including materials suppliers and tooling manufacturers, affected by the Canada-United States Agreement on Automotive Products to adjust and expand their production; such loans to be made for the purpose of acquisition, construction, installation, modernization, development, conversion or expansion of land, buildings, equipment, facilities or machinery and for working capital; and to authorize, notwithstanding section 30 of the Financial Administration Act, total commitments of \$60,000,000 for the foregoing purposes during the current and subsequent fiscal years.	30,000,000	15,000,000	15,000,000	
L65	Advances, subject to the approval of the Treasury Board, to assist defence manufacturers with defence plant modernization in amounts not to exceed one-half of the cost of the acquisition of new equipment, such advances to be recovered on sale of the equipment to the defence manufacturers.....	12,000,000	12,000,000	
		42,000,000	15,000,000	27,000,000	

The Honourable C. M. D'Arcy, Minister of Industry

WITNESSED

From the Department of Industry: Mr. S. J. Nelson, Deputy Minister; Mr. W. J. Lavigne, Commissioner, Area Development Agency; Mr. B. G. Barrow, Assistant Deputy Minister (Operations) and Mr. J. L. Orr, Industrial Research Adviser.

**OFFICIAL REPORT OF MINUTES
OF
PROCEEDINGS AND EVIDENCE**

**This edition contains the English deliberations
and/or a translation into English of the French.**

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public by subscription to the Queen's Printer.
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**Translated by the General Bureau for Trans-
lation, Secretary of State.**

**LÉON-J. RAYMOND,
*The Clerk of the House.***

HOUSE OF COMMONS

Second Session—Twenty-seventh Parliament

1967

STANDING COMMITTEE

ON

**INDUSTRY, RESEARCH AND
ENERGY DEVELOPMENT**

Chairman: Mr. PATRICK T. ASSELIN

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 2

TUESDAY, JUNE 13, 1967

Respecting
Main Estimates (1967-68) of the Department of Industry

The Honourable C. M. Drury, Minister of Industry
and

WITNESSES:

From the Department of Industry: Mr. S. S. Reisman, Deputy Minister;
Mr. W. J. Lavigne, Commissioner, Area Development Agency; Mr.
B. G. Barrow, Assistant Deputy Minister (Operations) and Mr. J.
L. Orr, Industrial Research Adviser.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1967

STANDING COMMITTEE

ON

INDUSTRY, RESEARCH AND ENERGY DEVELOPMENT

Chairman: Mr. Patrick T. Asselin

Vice-Chairman: Mr. Leonard Hopkins

and

- | | | |
|---------------|-----------------|---------------------|
| Mr. Andras, | Mr. Goyer, | Mr. Peters, |
| Mr. Beaulieu, | Mr. Grafftey, | Mr. Reid, |
| Mr. Bower, | Mr. Hales, | Mr. Saltsman, |
| Mr. Cashin, | Mr. Hymmen, | Mr. Scott (Victoria |
| Mr. Davis, | Mr. Latulippe, | (Ont.)), |
| Mr. Faulkner, | Mr. Legault, | Mr. Sherman, |
| Mr. Forest, | Mr. Lind, | Mr. Wahn—24. |
| Mr. Fulton, | Mr. McCutcheon, | |

(Quorum 9)

Hugh R. Stewart,
Clerk of the Committee.

The Honourable C. M. Druy, Minister of Industry

and

WITNESSES:

From the Department of Industry: Mr. S. S. Reisman, Deputy Minister;
Mr. W. J. Lavigne, Commissioner, Area Development Agency; Mr.
B. G. Barrow, Assistant Deputy Minister (Operations) and Mr. J.
I. Orr, Industrial Research Advisor.

MINUTES OF PROCEEDINGS

ORDER OF REFERENCE

HOUSE OF COMMONS, Tuesday, June 13, 1967.

Ordered,—That the quorum of the Standing Committee on Industry, Research and Energy Development be reduced from 13 to 9 members.

Attest

LEON-J. RAYMOND,

The Clerk of the House of Commons.

Continuing under Item 1 of the Main Estimates of the Department of Industry, 1967-68, the Chairman introduced the Honorable C. M. Drury who was present for discussion concerning his opening remarks on Thursday, June 8, 1967, and to answer questions.

Several members questioned the Minister and departmental officials on various subjects related to the operations of the Department of Industry. Then the Chairman thanked Mr. Drury and the Committee was advised that the Minister would return when final discussions are held, under Item 1 of the Main Estimates.

It was agreed that Item 1 of the Main Estimates 1967-68 relating to the Department of Industry be sent over for further consideration until after the other items have been agreed to by the Committee.

The Committee adjourned at 11:35 a.m. until Thursday, June 15, 1967 at 9:30 a.m.

Hugh B. Stewart,

Clerk of the Committee.

ORDER OF REFERENCE

House of Commons, Tuesday, June 13, 1967.
Ordered--That the quorum of the Standing Committee on Industry, Research and Energy Development be reduced from 12 to 9 members.

Attest: TEMPOLEVA YORINE AND COMPANY, TRUSTEES

Witness my hand and the seal of the House of Commons this 13th day of June, 1967.
LEON J. RAYMOND,
The Clerk of the House of Commons.

- | | | |
|---------|---------|---------|
| Mr. ... | Mr. ... | Mr. ... |
| Mr. ... | Mr. ... | Mr. ... |
| Mr. ... | Mr. ... | Mr. ... |
| Mr. ... | Mr. ... | Mr. ... |
| Mr. ... | Mr. ... | Mr. ... |
| Mr. ... | Mr. ... | Mr. ... |
| Mr. ... | Mr. ... | Mr. ... |
| Mr. ... | Mr. ... | Mr. ... |
| Mr. ... | Mr. ... | Mr. ... |

(Continued)

Page 11
Committee on Industry, Research and Energy Development

MINUTES OF PROCEEDINGS

TUESDAY, June 13, 1967.

(2)

The Standing Committee on Industry, Research and Energy Development met at 9.45 a.m. this day. The Chairman, Mr. Patrick T. Asselin presided.

Members present: Messrs. Andras, Asselin (*Richmond-Wolfe*), Bower, Davis, Forest, Goyer, Hymmen, Legault, Lind, McCutcheon, Peters, Reid and Mr. Scott (*Victoria (Ont.)*)—(13).

In attendance: From the Department of Industry: Honourable C. M. Drury, Minister; Mr. S. S. Reisman, Deputy Minister; Mr. W. J. Lavigne, Commissioner, Area Development Agency; Mr. B. G. Barrow, Assistant Deputy Minister (Operations) and Mr. J. L. Orr, Industrial Research Adviser.

Continuing under Item 1 of the Main Estimates of the Department of Industry, 1967-68, the Chairman introduced the Honourable C. M. Drury who was present for discussion concerning his opening remarks on Thursday, June 8, 1967, and to answer questions.

Several members questioned the Minister and departmental officials on various subjects related to the operations of the Department of Industry. Then the Chairman thanked Mr. Drury and the Committee was advised that the Minister could return when final discussions are held, under Item 1 of the Main Estimates.

It was agreed that Item 1 of the Main Estimates 1967-68 relating to the Department of Industry be stood over for further consideration until after the other items have been agreed to by the Committee.

The Committee adjourned at 11.05 a.m., until Thursday, June 15, 1967 at 9.30 a.m.

Hugh R. Stewart,
Clerk of the Committee.

MINUTES OF PROCEEDINGS

Tuesday, June 18, 1957

(2)

The Standing Committee on Industry, Research and Energy Development met at 9:45 a.m. this day. The Chairman, Mr. Patrick T. Asselin presided.

Members present: Messrs. Asselin (Richardson-Walsh), Bowen, Davis, Forest, Gayer, Hyman, Lague, Lind, McCutcheon, Peters, Reid and Mr. Scott (Victoria (Ont.))—(13).

In attendance: From the Department of Industry: Honourable C. M. Druy, Minister; Mr. S. S. Reisman, Deputy Minister; Mr. W. J. Lavigne, Commissioner, Area Development Agency; Mr. H. G. Parrow, Assistant Deputy Minister (Operations) and Mr. J. E. Orr, Industrial Research Advisor.

Continuing under Item 1 of the Main Estimates of the Department of Industry, 1957-58, the Chairman introduced the Honourable C. M. Druy who was present for discussion concerning his opening remarks on Thursday, June 13, 1957, and to answer questions.

Several members questioned the Minister and departmental officials on various subjects related to the operations of the Department of Industry. The Chairman thanked Mr. Druy and the Committee was advised that the Minister could return when final discussions are held under Item 1 of the Main Estimates.

It was agreed that Item 1 of the Main Estimates 1957-58 relating to the Department of Industry be stood over for further consideration until after the other items have been agreed to by the Committee.

The Committee adjourned at 11:05 a.m. until Thursday, June 18, 1957 at 9:30 a.m.

Hugh R. Stewart
Clerk of the Committee.

EVIDENCE

(Recorded by Electronic Apparatus)

Tuesday, June 13, 1967.

The Chairman: I would like to start right away by welcoming back the Minister of Industry. I apologize for our late start and I would like to recommend to Members of the Committee that, in future, we try to start on time and thus avoid having to keep the Minister or witnesses waiting.

As you all know, the Minister made a full statement last week. Today, on Item 1, we will proceed with questions from the Committee to the Minister, if there are any. I will try to restrict the time to approximately 10 to 15 minutes per Member to allow everybody to have an opportunity to question the Minister. After this period, I will put the names of Members down at the bottom of the list, if they have not finished. I will start with Mr. Reid.

DEPARTMENT OF INDUSTRY

1. Departmental Administration, including grants as detailed in the Estimates, 10,568,300.

Mr. Reid: Mr. Minister, perhaps this is outside the statement you made the other day, but over the week-end there were a series of notices concerning the Area Development Program and new areas which were designated. The newspaper reports indicated that there was some revision in the criteria used. I wonder if you could explain to the Committee just what these new criteria are, how they differ from the previous criteria and what effect this is going to have on the nature of the program.

Hon. C. M. Drury (Minister of Industry): Mr. Chairman, I think the Members of the Committee will recollect that during a series of meetings we had here and also in the House, it was indicated that representations had been made that not enough emphasis was placed on the situation of a community or an area which had unemployment in some degree, but whose basic problem was, rather, so-called "slow growth" or "economic stagnation", leading to a situation where there was a fair amount of out-migration, with the result that population was either stagnant, was maintained at a continuing level or was even

declining, particularly a decline in the numbers of young people entering the labour force. This tends to result in non-economic growth, with the possibility that at some date in the future this would then become an area of high chronic unemployment and be designated at that time.

We were asked to look at the program to see whether it would be possible to shift the emphasis, to some degree, to pay more attention to this problem of slow economic growth. With this in mind, the criteria were recently altered. I do not have copies of these for the Members, but there is a question on the order paper now which will be answered and will place the criteria in *Hansard*. I will read the criteria and indicate where the changes were made. The criteria read as follows:

A Canadian Manpower Centre area in which for the most recent five years the unemployment rate is at least 200 per cent of the national average;

This is unchanged.

The unemployment rate is at least 150 per cent of the national average and the rate of employment growth is less than one-half of the national average rate.

This is a combination of 150 per cent unemployment and less than one-half of the national average rate. This has now been changed to read:

Less than two-thirds.

This means that areas which previously had 150 per cent of the national rate of unemployment but whose rate of growth was only one-half the national average will qualify by raising them to a rather faster rate of growth from one-half to two-thirds of the national average. This will have the result of bringing in some additional areas where the problem has been basically slow economic growth.

The next criterion is:

A CMC area in which for the most recent five years there has been a decline of 10 per cent per year in the level of employment.

• (9.50 a.m.)

That meant there had to be a decline in the level of employment of 10 per cent per year

for five years or a 50 per cent decline in employment during the past five years. This has been changed to read:

A CMC area in which for the most recent five years there has been a decline in the level of employment.

So, instead of limiting the qualification to an area where there has been a 50 per cent decline in employment, it is now any decline at all over the five-year period. This, again, opens up the possibilities of designation to areas or communities where there has been a slight decline in employment over the past five years but not of the rather severe or drastic order of 50 per cent.

Those, Mr. Chairman, were, I think, the significant changes. As a consequence of this, a number of additional areas were designated following advice to the provinces, one after the other, and the conclusions of the review were announced starting, I think, in late March, was it not?

Mr. W. J. Lavigne (Commissioner, Area Development Agency): It was in March.

Mr. Drury: The final announcement was made a couple of days ago. I suppose everyone is aware of the additions that have been made, so I will not list them. Does that answer your question?

Mr. Reid: Yes, it does. In the history of the program, what has been the proportion of new investment, say, in Ontario and Quebec, which has gone into designated areas? Of all the new investment flowing into, say, Ontario and Quebec, what would have been the proportion of this investment flowing into areas which are designated?

Mr. Drury: I might ask Mr. Lavigne if he has those precise figures. I recollect some time ago noting that of the total investment in Canada since the beginning of the program up until the end of 1966, I think, about 15 per cent of the total investment in Canada went into designated areas. How this breaks down by provinces, I do not know.

Mr. Reid: Would it be possible to have those figures?

Mr. Drury: We have the figures for investment under this program, but I am not sure whether DBS has the figures for total investment in Canada by provinces. They should have.

Mr. Lavigne: That is right. I think before we give any undertaking as to what we can

supply to the Committee, we had better look back at the original data. My impression is that you cannot get good figures on the breakdown of new investment by provinces. If we had those figures, I think we would still have some difficulty in getting the relationship to the designated area investment. However, we will have a look at this, sir, and whatever is available will be made available to the Committee.

Mr. Reid: That is fine.

My other question is, of the areas which have been designated to date, what would be the percentage or proportion which has received new industry or new investment?

Mr. Drury: Do you have those?

Mr. Lavigne: There were only ten, sir, out of a previous 81 which had not obtained any investment or development.

Mr. Drury: That is 71 out of 81.

Mr. Reid: Was the evolving of this new program done in consultation with the provinces?

Mr. Drury: It was.

Mr. Reid: It seems now that with the new criteria and the changes you have made, there is a change in emphasis, in that you are participating with the provinces, more or less, in a program of regional development, or attempting to stimulate economic growth in certain areas.

Mr. Drury: No; the change was made, as I indicated, to try to anticipate degeneration of an area or community into a condition of chronic unemployment. This continues to be a program based on unemployment—registered, unregistered or, to some degree, anticipated. The emphasis we made is to try to anticipate, but it is not a program of regional economic development as such, particularly within a province. This would become a joint program and would be conceived and administered quite differently.

Mr. Reid: Are there negotiations under way with any of the provinces for a joint federal-provincial program of regional development, say, along the lines that exist in the Maritimes under the Atlantic Development Board?

Mr. Drury: Apart from the Atlantic Development Board, there are none of which I have knowledge. There has been some consideration given by certain of the Prairie Provinces' governments to forming a regional

economic group which would function a bit like the Atlantic Provinces Economic Council to try to seek joint solutions to their economic problems. That is all the information I have.

Mr. Reid: That is all; I will pass.

The Chairman: Thank you, Mr. Reid. Is there anybody else who would like to ask questions?

Mr. McCutcheon: I have a supplementary question to Mr. Reid's question for the Minister. Are we still using the description of a designated area as being the boundaries formed by the area served by unemployment offices?

Mr. Drury: Manpower Service Centre areas.

Mr. McCutcheon: Has any thought been given to a further breakdown analysis or delineation? I am thinking of situations where one part of an area has a pretty good employment record and pretty good development, while another part of it, removed maybe 25 or 30 miles, has definitely slow growth. Has there been any thought of a change of looking after situations of this nature or is this not practical?

Mr. Drury: Of course, one of the problems throughout the program has been to try and find the ideal building block for constructing a program of this kind. The great virtue in what used to be the N.E.S. area, and which are now the Manpower Service Centre areas, was that statistics were available for these areas covering a five-year period and longer. There were no statistical breakdowns of areas smaller than these, or segments of them, except in particular cases. However, generally speaking there were none. The officials of the Area Development Agency since the inception of the program have been trying, without success so far, to find a better building block than the Manpower Service Centre area. The problem is partly statistical.

By definition the Manpower Service Centre area is now supposed to be a labour market. Over the years the size and shape of these N.E.S. areas has obviously become really quite different from a single labour market. The Department of Manpower is now in the process of reviewing the delineation of their service centre areas with a view to re-establishing a pattern which will be true labour markets for each area. This is quite a big job. How long will it take to complete?

Mr. Lavigne: It will probably take a couple of years. There are over 200 areas to be examined.

Mr. Drury: If in fact these are labour markets, then I think they will be the ideal instrument for the purposes of this unemployment program because you are concerned in this program with unemployment within a labour market. Within a labour market there should not be unemployment in one sector and overemployment in another. This does not answer the problems that I think some people have in mind; the problems of community development, municipal finance and all these other matters. That is not the purpose of this program. I suggest this is primarily a problem for the provincial rather than the federal government.

The Chairman: Are there any further questions, Mr. McCutcheon?

Mr. McCutcheon: I think the Minister is fully aware of the situation to which I am referring because the area that I have the honour of representing is one of the early designated areas and there has been some fantastic development in one segment of it. Referring to the section that was not covered by the Manpower Service Centre area, several communities felt pretty strongly that the area which was used should have been more a geographic area. I think the Minister is fully aware what I was asking about as he is quite familiar with the country down there. This is why I asked if there was a study being made because I am quite sure that many of the communities in the east side of my constituency are concerned about development.

I have nothing further to say, Mr. Chairman, except that at the start of this session you reminded me of the minister who lectured the people who attend church on time. It is those people who are not present who should have received the benefit of your remarks.

The Chairman: I was hoping, Mr. McCutcheon, that you would pass on my very nice remarks to those who did not attend.

Mr. Davis: Mr. Minister, the Economic Council has been emphasizing the need for improved productivity in Canada and certainly the Minister of Finance underlined this need in his last budget. I noticed from your remarks at the first meeting of this Committee that you were also underlining the need for productivity. As I recall the reports of the Economic Council of Canada, and particularly the last two, they have been advocating that

we should make our resources more mobile in this country. It seems to me that some of the paragraphs of that report have been aimed at what I might loosely refer to as the Area Development Agency of the Department of Industry, and suggesting that we not overdo this matter of resisting economic forces and keeping people rooted at certain locations but that we let them be more mobile.

We now have the Department of Manpower doing its best to search out new areas of opportunity in respect of employment and telling people where new job opportunities are situated and where the better paid job opportunities are located. In other words, this department is trying to pull them away from areas of slow growth, whereas the Department of Industry is increasingly devoting its energies to keeping people rooted to the spot.

As a representative of an area which has high growth and pays high wages, partly because of high costs, I suggest this program is aimed at keeping people away from the west coast of Canada. I wonder first, Mr. Minister, what the reception is among the governments of the provinces of western Canada to a program which certainly tends to favour—in rather remarkable ways—the maritime provinces and the slow growth areas of Ontario and Quebec?

Mr. Drury: I suppose the west begins at the Ontario/Manitoba border. The government of Manitoba encourages and approves this program. They are very much in favour of it. The same is true of the government of Saskatchewan. The Province of Alberta, which now has no designated areas to the south and a limited area in the north, has not exhibited much interest in the program one way or another. The government of British Columbia professes not to understand it and the Premier of that province, who represents the government, describes it as not a very satisfactory program, but not for the reasons that you have enunciated. I think he would like to see the program used for purposes of small community development and resource development rather than directed towards areas where there is high, chronic, measurable unemployment.

It is quite true that in a sense there appears to be a conflict between this type of program and the labour mobility program. The purpose of this program is directed to areas where, if for one reason or another—and there are a variety of reasons—people do not seem to be mobile and move out, then I think probably one should do what one can to try to produce

job opportunities for them when, for one reason or another, they wish to stay. By using a combination of this and the Department of Manpower program a choice of alternatives is offered to the labour force, and I do not suggest that they are necessarily self-contradictory.

Mr. Davis: May I have your comments on another aspect of the program. Initially the criteria was one of employment and unemployment; in effect, the counting of heads. Then after a relatively short interval of time, a year or a year and a half, the concept of income per capital account was also introduced. As you well know, there are very different levels of income in different provinces and regions across the country and there are also different costs; the outlying parts of the country have some costs that are higher than the central manufacturing areas. Is there any possibility of our getting back to a straight employment—unemployment criteria?

• (10.10 a.m.)

Mr. Drury: As I tried to outline to the Committee the purpose of introducing the income concept was not to try to convert the program into one of raising income, but that this was the best instrument we could devise for measuring unregistered unemployment.

Mr. Davis: Under-employment, in a sense?

Mr. Drury: Either under-employment or unregistered unemployment. In the urban manpower centre areas where a man is relatively close to the administrative office and where there is a labour turnover and opportunities for employment, obviously it will be in his interest—and he will so conceive it—and it will be possible for him to register and continue taking an interest. In some of the Manpower Service areas the administrative centre is a long way removed—this applies more in the rural areas than it does in the urban areas—from the residence of the individual or the family. There has not been much in the way of labour turnover and employment opportunities, so they just do not bother registering.

Now, how does one measure the level or the extent of this? One way—it is an imperfect way, I grant you that, and perhaps an inaccurate way—is to assume that if in a non-farm family there is a very low level of family income there must be either unemployment or under-employment in this family, even though it is not registered. The purpose in introducing this income criterion was to try and measure to some degree, particularly in

the rural areas, unregistered unemployment or under-employment.

Mr. Davis: I have one or two questions on the automotive program and the shipbuilding program, but presumably those subjects will come up with individual votes or at some other stage.

The Chairman: Mr. Davis, you can ask any question of the Minister you want under Item 1 concerning policy. I wanted to mention to the Committee that I intend to thank the Minister at the end of this meeting, stand Item 1 and then go on to the other items under the estimates. Then towards the end, if we could make arrangements to have the Minister here again, to possibly finish Item 1 if we have reached that stage.

Mr. Davis: Those are my general questions.

The Chairman: I will proceed, Mr. Davis, and I will put you back on the list to ask questions later on if that is all right.

Mr. Lind: Mr. Minister, there is some concern in the furniture manufacturing areas in Southwestern Ontario over the Kennedy Round of tariff cuts. I am referring to the Wingham, Palmerston and Durham area of Ontario, the central part of Southwestern Ontario, where we have a heavy concentration of people engaged in woodworking, principally furniture manufacture. Could you enlighten us on their future? This area made application to become a designated area. What has taken place in this regard?

Mr. Drury: You say they made application. I read out the criteria and if that particular area meets the criteria it is designated; if not, it does not become designated. It has nothing to do with an application at all.

Mr. Lind: Well, I guess I should have used the word "representation" because they sent a delegation to this Committee last fall.

Mr. Drury: At the present time that particular Manpower Service Centre area does not meet the criteria and consequently it is not designated.

• (10.20 a.m.)

As far as the Kennedy Round is concerned, I think these people in the furniture industry, as well as others, will have to exercise patience until the end of the month, when the results of the negotiations at Geneva in respect of not only the furniture industry but

all others will be announced. The furniture industry has been occupying the attention of the Department of Industry for some time now. It has the characteristics of being a relatively high hourly wage industry, with fragmentation or a great number of small units catering to a very large degree to the domestic market only.

We have been having discussions with the industrial associations with a view to examining the possibilities of introducing into the industry co-operative efforts or approaches in respect of research and the introduction of new technology in the manufacture and improvement in design of domestically produced furniture with a view to being able to tap, on the basis of good design—I am referring not only to aesthetic but also engineering design—the export market.

As long as the Canadian furniture industry limits its vision to the domestic market and nothing else, it is not likely in the foreseeable future, when trade barriers are going to be progressively lower, to be in as healthy a condition as we think it should be. I suggest the key to this is more co-operative effort among a number of very small units to improve technology and design.

Mr. Hymmen: Mr. Chairman, I had a related question on design which I was going to ask before the Minister introduced it. I understand that there are some in the industry who favour modern design and are against, say, conventional or period design.

I personally feel that there would be just as much demand for conventional or period furniture, provided it is well constructed, as there is for strictly modern furniture. There are a number of furniture manufacturers in my area. I saw an article somewhere that the association had some views in this connection and I just wondered if the Minister had any comments on this?

Mr. Drury: I may say, in response to an earlier question, that in respect of the furniture industry, arrangements have recently been made with the governments of Ontario and Quebec to provide special vocational training courses for upgrading and producing greater skills in the furniture manufacturing industry. We feel this is a progressive step. I might ask Mr. Reisman, who is on the National Design Council, to comment further.

Mr. Simon Reisman (Deputy Minister, Department of Industry): This question of period and contemporary furniture design is a subject that has occupied the attention of the

Design Council during a large number of their sessions and I believe that a satisfactory conclusion has emerged from those discussions.

The council concluded that good design need not depend on whether the article, in this case furniture, is of a contemporary design or of a more traditional design. Indeed, the one Design Centre that we have in Toronto—a second one is about to be opened in Montreal—has in fact been displaying furniture designs of both a period and a contemporary character, and it is well recognized now by the Design Council, and hence by the juries and committees that select good design, that you can have good design even though it is made up of articles that have been manufactured in accordance with traditional tastes and traditional modes of manufacture.

So I think that the furniture associations are now reasonably satisfied with the position that has been reached in this regard.

The Chairman: Do you have a question, Mr. Lind?

Mr. Lind: Is the emphasis in manufacturing still on quality rather than on quantity? I know that in production runs, quality, on occasion, is decreased somewhat.

Mr. Drury: I suppose there are two types of market. One is the mass market where purchase tends to be based on price, and the other is the rather more limited market where the basis of purchase is style rather than price.

In the case of the mass market, obviously the emphasis should be on price rather than on style, although we would hope to see as much style as possible in both. However, the problem of balancing the economies of scale with the quality of production is something that faces every entrepreneur almost on a day to day basis. This is, in a sense, the name of the game, and to the extent that he is successful in achieving the right balance and keeping it he will be economically successful. If he is continuously wrong he probably will not survive long in the game.

The Chairman: Is that all, Mr. Lind?

Mr. Lind: Yes, thank you.

Mr. Legault: Mr. Chairman, I have a supplementary.

The Chairman: Mr. Legault, if you would permit, I think Mr. Peters has a question.

Mr. Legault: This is a supplementary.

The Chairman: All right.

Mr. Legault: I have a very short question. In promoting these things, could not a bit of incentive be given to the primary use of our Canadian products?

Most of the woods used today in the furniture industry are imported. I am thinking of teak, mahogany, walnut and so on. Could not some device be developed to encourage the use of Canadian woods such as elm, oak, maple and white birch to offset the trend that has been set? Could we not develop our own Canadian products and our own style? Could an incentive not be given to promote our own products?

Mr. Drury: Of course the design council is interested in promoting and is engaged in the acceptability and, consequently, use of Canadian manufactured products. There are a number of Canadian materials, in the furniture business particularly, which are treated specially to resemble imported products, particularly in the case of wood. Through a variety of printing and staining techniques, you can take poplar and make it into almost anything you want, and this is done. However, I do not know the extent to which there is a deliberate campaign to promote, say, Canadian birch or birdseye maple, in the way the Vermonters have. Mr. Barrow will speak on that.

Mr. B. G. Barrow (Assistant Deputy Minister, Operations, Department of Industry): Sir, there is an increasing amount of birch being used, as you know, particularly in the colonial type of furniture. It is used as birch, the birch finish is retained, and this has become a very popular item. In addition, as Mr. Drury has mentioned, of course birch and some of the other hardwoods are stained to resemble the exotic woods that come from tropical countries. Someone mentioned the maple a moment ago, and one of our problems is that we do not have large stands of native maple left. Unfortunately we have to import maple and some of the walnut that we need for flooring and furniture. Of course, the furniture manufacturers are looking for new stands and new sources wherever they can find them and the problem seems to be, in the case of maple, to find the existing native stands.

Mr. Legault: In recent years cull lumber has been developed commercially. Knotty pine is used extensively now and gives a beautiful appearance. However, at one time it was treated as scrap. I know of one company which has developed a finish for white birch,

which I think is very acceptable, but the general public seems to have a mentality for just buying something that is imported. I think there should be some incentive given to use our own particular types of wood. We should promote the use of our own woods and finishes.

Mr. Drury: I think you would agree that the promotion, can most effectively be done by the manufacturers themselves. One of the things to which we are directing our attention, in our discussions with these associations, is to encourage them, as an industry, to promote the same line.

Mr. Legault: This is exactly the point, Mr. Minister. I suggest that more incentive be given to the promotion of our own production.

Mr. Drury: Well, if it is one worthwhile considering, we will.

Mr. Legault: Thank you, Mr. Drury.

Mr. Peters: The Minister mentioned the Kennedy Round of negotiations and, coming from a non-manufacturing area, I am wondering whether or not prices of imported cars are going to come down. I want to buy a new Volvo and I do not know whether or not it is going to cost me less money.

Mr. Drury: The Volvo is manufactured in Canada.

Mr. Peters: I was thinking of the parts. I notice the price is up about \$500.

Mr. Drury: They import the parts free, too.

An hon. Member: Are those automobiles?

Mr. Peters: They are very good cars. Mr. Chairman, coming from one of those areas that has received designation now, we are very pleased that this has taken place, and I presume it behooves those that represent that area to make it a success. We will certainly work toward that end.

It seems to me that the committee and the Minister should keep in mind the situation that has developed in Nova Scotia. To an outsider, at any rate, it appears to have had considerable success and for the first time it has offered those people a chance for a future of their own built in their own area, rather than their moving out.

• (10.30 a.m.)

As I see it, the difficulty with the Area Development Program and the Manpower Mobility Program is that they are working at

cross purposes. There is no doubt some advantage in mobility and the retraining for that Mobility Program, but at the same time this will tend to create other problems so far as the government is concerned which, in the long run, will be as great as the problems we correct.

Therefore, I would like to say that we are very happy in Northern Ontario to have most of the area designated and we are pleased by the fact that it was done on a fairly broad scale, because fortunately our Unemployment Insurance Offices are in a very large area. It takes away the problem Mr. Lind talked of in the Committee where an area designated close by seemed to be a liability rather than an asset for the associated areas. We are quite pleased that this development has taken place and we hope we can take some advantage of it.

I represent most of the gold mining areas and I would have been pleased if the Minister had sat down with the Department of Mines and had used some of the money now being paid for emergency gold mine assistance for the development of this program instead. Obviously it did not produce what was intended in the beginning and we hope that this program will do what that program was intended to achieve but failed to do 15 years ago.

Mr. Drury: I think you will appreciate that the success or failure of this program will depend on the initiative and energy of the local community. If they do nothing, nothing will happen. If they organize themselves to take advantage of these incentives, the results will be beneficial.

In Nova Scotia there are a number of very active institutions looking towards the introduction and development of secondary manufacturing industries in that area. It is because of this that the results, I think, have been very satisfactory indeed. But where the local representatives do not display initiative and energy, not very much happens.

Mr. Peters: Obviously the province plays some role in this and in Ontario we have changed without much outward sign. We have changed from the development associations, all of which were fitted originally into a federal plan. It was a federal plan which broke the country into about 90 districts for economic development many years ago. I forget who developed the plan, but Ontario has used this to a limited extent in developing its associations which were municipal and provincial

corporation groups but which have now been changed to councils actually subsidized by the province under the control of the Department of Economics in Ontario. What is the relationship between the Department of Industry and that section of the Department of Economics in Ontario which is handling this? I am interested not only in my own area, but in the relationship in southeastern Ontario and other areas. Obviously there is a difference in cooperation in a given area.

Mr. Drury: Well, the Department of Industry has a continuing working relationship with the Department of Economics in Queen's Park. As you point out, the development associations or development councils in Ontario are instruments partly representing local initiative and partly representing Ontario government policy. The Department of Industry has no direct relationship with these councils or area development associations, although we do get representations from them. I would hesitate to try to enunciate the policy of the government of Ontario in respect of regional development within the province.

Mr. Peters: Is there a good possibility that it will be increased? I understand it is a fairly loose-working arrangement in Ontario, but I gather that the same type of relationship is not used in the Maritimes. The Atlantic advisory body, this body of businessmen and others who got together—

Mr. Drury: The Atlantic provinces have an economic council.

Mr. Peters: Yes, and this is a very strong and active body. The relationship between it and the Department of Industry must be different than it is between the Department and the fairly loose organizations in Ontario. Would you agree with this?

Mr. Drury: No, the Department of Industry has a close liaison with the Atlantic Development Board, but not with the Atlantic Provinces Economic Council.

Mr. Reisman: We know them and we attend their meetings, but there is not this formal relationship.

Mr. Drury: That is right.

Mr. Peters: It seems to me that one of the problems we will have in my particular area is that the E. B. Eddy Company is going to have to make some decision before very long about a pulp mill. This is not only their decision or a provincial decision, but really it is an international decision in terms of pulp and paper markets. The Ontario government is

pushing the E. B. Eddy Company to build a pulp mill while statements are being made that there is a surplus of pulp. Therefore, it becomes an international complication. I am wondering whether there can be a closer relationship, or is there an intention of developing a closer relationship?

Perhaps I could use a better example. Obviously the Renault company would deal with the Canadian government first if they were thinking of putting a plant in Canada. Then there becomes a relationship between the Canadian government and that company. There has to be a location and if Quebec were decided on then obviously Quebec must get involved in it and decide where in Quebec would be the most suitable place. I am wondering if this kind of formal arrangement is being extended?

Mr. Drury: Do you mean, is the federal government trying to decide the location of the new E. B. Eddy Company plant? The answer is "no".

Mr. Peters: No, no; I agree they cannot do this. Perhaps that was a bad example, because it has to go to a specific area, owing to the availability of the basic product. We are interested not only in pulp but in other things. As a member of Parliament, I am not in a position to know whether Germany wants to put a plant in Canada or not. You cannot make a bid for it, because you do not know whether they have any interest, but the Department of Industry should know this and there must be some arrangement where they give advice concerning the feasibility of location and that sort of thing.

Mr. Drury: On the feasibility of location, the federal government can offer an investor in manufacturing in Canada a number of aids—if I can put it this way—to the best of my knowledge all of which are unrelated to geographical location except the incentive, the capital grant in respect of the area development agency program.

The only bias exerted by the federal government in respect of location is towards setting up in a designated area, wherever it may be in Canada, from the east coast to the west coast. That is the extent of the federal government's influence in respect of geographical location.

Each provincial administration also has further assorted programs of assistance and incentives to attract manufacturing industries to its province. These programs and the incentives vary from province to province.

Some provincial governments, perhaps, try to indicate an area within their province where they prefer this to be set up in preference to another; some do not. I would hesitate to try to delineate to you the policies and activities of each of the provincial governments in this respect.

Mr. Peters: Could I ask a general question? Do you have a branch or department that actively looks for new international industry? I am thinking of the type of industry that Japan obviously has gone after where they have RCA Victor, Marconi and, in fact, almost all the radio manufacturers building in their country rather than in the United States. Do we have a department that looks for this type of operation, not branch office operation but even more primary development?

Mr. Drury: There is no specific branch engaged in this operation, but both the Department of Industry and the Trade Commissioner Service of the Department of Trade and Commerce are continuously engaged in promotional activities of this kind to try to interest investors in setting up manufacturing plants in Canada. Judging by the volume of industrial investment in this country over the past few years, I would say this has been very successful.

The Chairman: Thank you very much, Mr. Peters.

Before I ask Mr. Goyer to proceed, I would like to mention that we have simultaneous translation into French and if Mr. Goyer is going to ask questions in French, I suggest that all members who are not bilingual use their earphones.

Mr. Goyer, you may proceed.

● (10.34 a.m.)

(Translation)

Mr. Goyer: Mr. Minister, in your statement you spoke of the necessary specialization of our industry and last year when we asked questions of the Director of the National Research Council in connection with research in Canada, whether it tended to become more specialized, he gave us a very vague answer. But without giving any examples...

Mr. Drury: Yes, it is very clear.

Mr. Goyer: Yes, but you must admit, Mr. Minister, that this is very vague. But we have realized, especially during the last few weeks, that some important scientists or researchers

thought that Canada was carrying on its research program in a rather haphazard way and was trying to compete with the United States in all fields. We are not as strong as the United States and we must necessarily specialize.

With regard to these remarks, once again, the Director of the National Research Council was very vague and he did not give us any striking examples to the effect that research in Canada did specialize and did not tend to overlap. I am looking forward to hearing the Director of the National Research Council, because this year we must go further afield in the field of research to see whether we are specializing because when you say that your Department tends to specialize in industry, I think this is futile if our research is not specialized beforehand. In this field has a lot been done by your Department? I understand that yours is not the only Department responsible for research but has anything been done to cause our research to become specialized and to apply what you mention on page 11 of the French report, that is:

"Encourage research in co-operation with other fields, that is with industry, with universities and special programs undertaken by the Government".

Mr. Drury: This is a very vast subject, but I will have to be vague also.

Mr. Goyer: You are stating general principles, Mr. Minister.

● (10.48 a.m.)

Mr. Drury: In the field of specialized research we have just called a meeting of the Scientific Council of Canada whose purpose is first to determine priorities in research, that is the ways of specializing in research in Canada; and the Scientific Council has not yet given its report. It has not had time to do so but we are waiting for it, so that we may find out in what fields Canada has the best opportunity of carrying on specialized research projects and when this report has been received and the recommendations of the Scientific Council have been given, we will be more specific than we have been hitherto.

There are a great number of projects in the Department of Industry which deal especially with specialized projects, and I have with me here Mr. Orr who is the Scientific Adviser of

the Department, and he could for example describe some of the programs for you. In order to encourage universities to relate their industrial research to industry itself, we have established in two universities industrial research institutes: the University of Windsor is one of them, and the Technological Institute in Halifax is the other.

There is a program called "PAIT". This program is being carried on for the advancement of industrial research, the objective of which is to specialize in manufacturing industry in Canada.

If Mr. Orr has understood what I have just said, has he anything to add?

(English)

Mr. J. L. Orr (Industrial Research Adviser, Department of Industry): Industrial Research Institutes.

First of all, if I may comment, Mr. Chairman, PAIT is designed to assist industries to undertake research or development projects which they themselves select as being profitable areas for specialization; so I would say that our program is essentially responsive to the needs of industry. In other words, we rely upon industry to select those areas which are best suited for specialization and then we are able to assist them financially to undertake such projects.

Naturally, in appraising such projects we look at those which offer the best prospects for increased productivity, for economic return, for export potential, and so on, in determining where we will place our support; so that there is an element of selectivity which is exercised in response to projects identified by industry.

Mr. Goyer: Before speaking of the specific role of universities in the field of technology, has your Department direct authority over the work carried on at the National Research Council?

Mr. Drury: No, the Research Council is a Crown Corporation which is under the jurisdiction of the Privy Council Committee of Scientific Research, and therefore, it is just a coincidence that the same Minister is president of the Committee of Privy Council of Scientific Research and the Minister of Industry at the same time. There is a definite co-operation between the National Research Council and the Department of Industry.

Mr. Goyer: I know that your department advertises that there will be more mobility in specialized research, that is, between universities and industry. But do you not think that a minister responsible for the National Research Council should have more to say in the general policy and the tendency towards specialization and research without interfering directly in the administration and employment of the National Research Council, but in the definite orientation of projects in the National Research Council?

Mr. Drury: Before being in a position to give wise and definite directives to the National Research Council I think we should await the recommendations of the Scientific Council of Canada. Once we have these, at that time, there will be no problem, in my opinion, in defining clearly the policy of the National Research Council.

Mr. Goyer: Are you expecting this report in the rather near future?

Mr. Drury: In the near future, yes.

Mr. Goyer: Is this a question of months or weeks.

Mr. Drury: Not weeks, no.

The Chairman: Have you any other questions, Mr. Goyer?

(Translation)

Mr. Goyer: Yes. On page 13 of your statement in the French version, you mentioned incentives in Section 72A of the Act. In the past, what has been the cost to the Canadian Government of this incentive mentioned in Section 72A? What is the amount of money which has been disbursed?

That is from 1962 to 1966.

● (10.55 a.m.)

(English)

Mr. S. S. Reisman (Deputy Minister, Department of Industry): May I make a comment, Mr. Chairman?

The Chairman: Yes, Mr. Reisman.

Mr. Reisman: The Income Tax Act, section 72 (a), provided incentives for the expansion of research and development activities of Canadian industry. This program, as you know, sir, has now been replaced by a program administered by the Department of Industry known as IRDIA. It will be much easier under the present program to give you

precise answers on the amounts of money disbursed under this incentive program.

In respect of the Income Tax Act incentive one can make estimates of the tax savings enjoyed by Canadian companies in taking advantage of it. Our estimate is that in the last full year, which is the year 1966, the incentive was worth between \$20 million and \$25 million, and we believe that the first full year of the IRDIA incentive will also be of that order of magnitude, or perhaps a little higher—probably more like \$30 million; and it is likely to grow over the next number of years.

(Translation)

Mr. Goyer: Would this mean that it will be easier to know in future how much Canada is spending directly in the field of research?

Mr. Drury: Yes.

Mr. Goyer: This was rather hard to define in the past.

Mr. Drury: Yes.

Mr. Goyer: When the judicial committee . . . , I am sorry, this is directly related to the question of research, and that is why it is difficult to speak of general policy on research in Canada because it depends on so many independent agencies and departments, and finally we do not know what department to call on.

However, we have questioned the managers of automobile industries and we note that there was practically nothing being done in research in the automobile industry, but they very candidly mentioned that they used Canadian roads because they were good and they did not pay taxes to the province of Ontario for the use of these roads. The directors of industries told us that they were in favour of the establishment of research centres in Canada.

Did the directors of industries say that they were going to do something definite? Has the Government asked the automobile industry to do something concrete with regard to the possibility?

Mr. Drury: We are trying to encourage them but the results have not been too good. We are exerting as much pressure and giving as much encouragement as possible.

Mr. Goyer: Would the Committee on Industry be more useful if it sat in Windsor?

Mr. Drury: I might say, that in industry and not in the car manufacture itself, but in spare

parts manufacture a start in research has been made in Canada, in spark plugs, for instance.

The Chairman: Mr. Goyer, may I point out that we must leave this room before 11 o'clock and I am sorry to have to interrupt you but Mr. McCutcheon has just one question to ask.

Therefore I will have to ask you if you could keep your questions for the next meeting. I had suggested a while ago that the next meeting of this Committee would take place in this room, Thursday morning at 9.30. The Minister will not be here, but we will have senior officials and we will go on with the next item, and towards the end of the meeting I hope that the estimates will be finished and I think that the Minister will be able to come back for another meeting and would be agreeable to my permitting Mr. McCutcheon to ask the one question?

(English)

The Chairman: Mr. McCutcheon, do you have one further question before we adjourn?

Mr. McCutcheon: Thank you very much. I will be very brief. On page 240 there is mention of a

Grant to assist in establishing a national standards organization.

Just briefly, what is this? What are we doing here?

Mr. Drury: At the present time, Mr. Chairman, there is in Canada a body known as the Canadian Standards Association to which the government makes a relatively small grant to assist them in recovering their administrative expenses. It is largely financed, however, by private industry. The Canadian Standards Association does not cover the whole spectrum of manufacturing, but has concentrated largely in a relatively few industries, particularly the electrical appliance industry. For the purpose of enlarging the scope of its activities and making it more effective there have been discussions with the Canadian Standards Association extending over a period of more than a year now, designed to produce a larger framework with greater government support and with, I hope, greater effectiveness over a wider range of standards than is now the case.

Mr. McCutcheon: Will there be any duplication with the new department of consumer affairs that we are in the process of setting up?

Mr. Drury: I suggest that there will be no duplication. This new department, however, will have an interest in the work of the standards body. Quite obviously a standards body must represent, within itself, the consumer, the distributor, the manufacturer and those governmental bodies responsible for considerations of health, safety, non-fraud and so forth. If, as suggested, the new department is going to represent consumer interests then it obviously will have a considerable interest in the work of the standards body.

Mr. McCutcheon: Thank you, Mr. Drury, and thank you, Mr. Chairman. I apologize for asking two questions.

The Chairman: Not at all, Mr. McCutcheon; and thank you. I would also like to thank the Minister.

It is understood that this meeting is being adjourned until Thursday morning at 9.30, when we will proceed with the next item in

the estimates of the Department of Industry. Item one will be adjourned.

Mr. McCutcheon: Mr. Chairman, may I ask if the Minister will be back. I understand Mr. Davis wishes to ask about the automobile business—at least he inferred as much—and I, too, would like to get some answers on it.

The Chairman: Yes. Perhaps we could just stand item one now and proceed with the other items. Towards the end of the estimates we can return to item one and I will then negotiate with the Minister to find out when it would be convenient for him to appear.

Mr. McCutcheon: Negotiate?

Mr. Drury: "Subpoena" is his own word!

The Chairman: I did not want to use the word "subpoena".

Item 1 stood.

HOUSE OF COMMONS

Second Session—Twenty-eighth Parliament

1957

STANDING COMMITTEE

ON

INDUSTRY, RESEARCH AND
ENERGY DEVELOPMENT
PROCEEDINGS AND EVIDENCE

The evidence given at the English deliberations
and or a translation into English of the French

Copies and complete sets are available to the
public by subscription to the Queen's Printer
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Translated by the General Bureau for Trans-
lation, Secretary of State

LEON J. RAYMOND,

The Clerk of the House

RESPECTING

Main Estimates (1957-58) of the Department of Industry

WITNESSED

From the Department of Industry: Mr. W. J. Lawrence, Director, Armaments Development Agency; Mr. E. G. Barron, Director, Energy Ministry (Operations); Mr. D. E. Harvey, Assistant Director, Energy Ministry (Research) and Mr. J. L. Orr, Industrial Research

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OFFICIAL REPORT OF MINUTES
OF
PROCEEDINGS AND EVIDENCE

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lation, Secretary of State.

LÉON-J. RAYMOND,
The Clerk of the House.

HOUSE OF COMMONS

Second Session—Twenty-seventh Parliament

1967

STANDING COMMITTEE

ON

**INDUSTRY, RESEARCH AND
ENERGY DEVELOPMENT**

Chairman: Mr. PATRICK T. ASSELIN

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 3

TUESDAY, JUNE 20, 1967

RESPECTING

Main Estimates (1967-68) of the Department of Industry

WITNESSES:

From the Department of Industry: Mr. W. J. Lavigne, Commissioner, Area Development Agency; Mr. B. G. Barrow, Assistant Deputy Minister (Operations); Mr. D. B. Mundy, Assistant Deputy Minister (Operations) and Mr. J. L. Orr, Industrial Research Adviser.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1967

HOUSE OF COMMONS
Second Session—Twenty-seventh Parliament
1967

STANDING COMMITTEE
ON
INDUSTRY, RESEARCH AND ENERGY DEVELOPMENT

Chairman: Mr. Patrick T. Asselin

Vice-Chairman: Mr. Leonard Hopkins

and

Mr. Beaulieu,	Mr. Hales,	Mr. Reid,
Mr. Bower,	Mr. Latulippe,	Mr. Saltsman,
² Mr. Caron,	Mr. Legault,	Mr. Scott (Victoria (Ont.)),
³ Mr. Chatwood,	Mr. Lind,	Mr. Sherman,
Mr. Forest,	Mr. McCutcheon,	¹ Mr. Tremblay
Mr. Fulton,	² Mr. Noël,	(Richelieu-Verchères),
Mr. Goyer,	² Mr. Ouellet	Mr. Wahn—24.
Mr. Graftey,	Mr. Peters,	

(Quorum 9)

Hugh R. Stewart,
Clerk of the Committee.

¹ Replaced Mr. Andras on June 14, 1967

² Replaced Messrs. Cashin, Davis and Faulkner on June 19, 1967

³ Replaced Mr. Hymmen on June 20, 1967

ORDERS OF REFERENCE

HOUSE OF COMMONS,
WEDNESDAY, June 14, 1967.

Ordered,—That the name of Mr. Tremblay (*Richelieu-Verchères*) be substituted for that of Mr. Andras on the Standing Committee on Industry, Research and Energy Development.

MONDAY, June 19, 1967.

Ordered,—That the names of Messrs. Caron, Noël and Ouellet be substituted for those of Messrs. Faulkner, Davis and Cashin on the Standing Committee on Industry, Research and Energy Development.

TUESDAY, June 20, 1967.

Ordered,—That the name of Mr. Chatwood be substituted for that of Mr. Hymmen on the Standing Committee on Industry, Research and Energy Development.

Attest.

LÉON-J. RAYMOND,
The Clerk of the House of Commons.

ORDERS OF REFERENCE

House of Commons,
Wednesday, June 14, 1967.

Ordered—That the name of Mr. Tremblay (Richelieu-Verchères) be substituted for that of Mr. Andrews on the Standing Committee on Industry, Research and Energy Development.

Monday, June 19, 1967.

Ordered—That the names of Messrs. Caron, Noël and Ouellet be substituted for those of Messrs. Taulner, Davis and Cassin on the Standing Committee on Industry, Research and Energy Development.

Thursday, June 29, 1967.

Ordered—That the name of Mr. Galtwood be substituted for that of Mr. Hyman on the Standing Committee on Industry, Research and Energy Development.

LEON J. RAYMOND,
The Clerk of the House of Commons.

THOMAS B. CLAY,
Secretary of the House.

MINUTES OF PROCEEDINGS

THURSDAY, June 15, 1967.

The Standing Committee on Industry, Research and Energy Development having been duly called to meet at 9.30 a.m., the following members were present: Messrs. Hales, Hopkins and Mr. Peters (3).

In attendance: From the Department of Industry: Mr. B. G. Barrow, Mr. D. B. Mundy, Assistant Deputy Ministers (Operations) and Mr. W. J. Lavigne, Commissioner, Area Development Agency.

At 9.50 a.m., there being no quorum, the next meeting will be at the call of the Chair.

TUESDAY, June 20, 1967.

(3)

The Standing Committee on Industry, Research and Energy Development met at 9.45 a.m. this day, with the Chairman, Mr. Patrick T. Asselin, presiding.

Members present: Messrs. Asselin (*Richmond-Wolfe*), Bower, Forest, Goyer, Hales, Hopkins, Hymmen, Latulippe, Legault, McCutcheon, Noël, Ouellet and Mr. Tremblay (*Richelieu-Verchères*) (13).

In attendance: From the Department of Industry: Mr. B. G. Barrow and Mr. D. B. Mundy, Assistant Deputy Ministers (Operations); Mr. W. J. Lavigne, Commissioner, Area Development Agency; and Mr. J. L. Orr, Industrial Research Adviser.

The Chairman called *Item 5 of the Main Estimates of the Department of Industry, 1967-68:*

Item 5 To sustain technological capability in Canadian industry by supporting selected defence development programs, etc., \$25,000,000.

There were no questions concerning *Item 15*, which *was carried*.

The Chairman called *Item 10* of the Estimates:

Item 10 To advance the technological capability of Canadian manufacturing industry by supporting selected civil (non-defence) development projects, etc., \$13,000,000.

Mr. Goyer questioned the departmental officials on subjects related to *Item 10*, followed by Mr. Latulippe and Mr. Hales. Messrs. Barrow, Mundy, Lavigne and Orr answered questions put by these members.

At 10.50 a.m., with the questioning under *Item 10* continuing, the Committee adjourned to the call of the Chair.

Hugh R. Stewart,
Clerk of the Committee.

MINUTES OF PROCEEDINGS

Tuesday, June 15, 1967

The Standing Committee on Industry, Research and Energy Development having been duly called to meet at 9:30 a.m., the following members were present: Messrs. Hales, Hopkins and Mr. Peters (3).

In attendance: From the Department of Industry: Mr. E. G. Barrow, Mr. D. B. Mundy, Assistant Deputy Minister (Operations) and Mr. W. J. Lavigne, Commissioner, Area Development Agency.

At 9:30 a.m., there being no quorum, the next meeting will be at the call of the Chair.

Tuesday, June 20, 1967
(3)

The Standing Committee on Industry, Research and Energy Development met at 9:45 a.m. this day with the Chairman, Mr. Patrick T. Asselin, presiding.

Members present: Messrs. Asselin (Richardson-Walker), Power, Foran, Goyer, Hales, Hopkins, Hyman, Lalonde, Levesque, Macdonald, Noël, Quilley and Mr. Tremblay (Richardson-Walker) (12).

In attendance: From the Department of Industry: Mr. E. G. Barrow and Mr. D. B. Mundy, Assistant Deputy Minister (Operations); Mr. W. J. Lavigne, Commissioner, Area Development Agency; and Mr. J. E. Orr, Industrial Research Advisor.

The Chairman called Item 5 of the Main Estimates of the Department of Industry, 1967-68:

Item 5: To sustain technological capability in Canadian industry by supporting selected defence development programs, etc. \$25,000,000.

There were no questions concerning Item 5, which was carried.

The Chairman called Item 10 of the Estimates:

Item 10: To advance the technological capability of Canadian manufacturing industry by supporting selected civil (non-defence) development projects, etc. \$18,000,000.

Mr. Goyer questioned the departmental officials on subjects related to Item 10, followed by Mr. Lalonde and Mr. Hales. Messrs. Barrow, Mundy, Lavigne and Orr answered questions put by these members.

At 10:50 a.m., with the questioning under Item 10 continuing, the Committee adjourned to the call of the Chair.

Hugh H. Stewart
Clerk of the Committee

EVIDENCE

(Recorded by Electronic Apparatus)

Tuesday, June 20, 1967.

(English)

The Chairman: Gentlemen, I see a quorum. Today we are on Item No. 5.

Mr. Orr: The negotiations are still in progress. The first project was approved last December.

5. To sustain technological capability in Canadian industry by supporting selected defence development programs, on terms and conditions approved by the Treasury Board, and to authorize, notwithstanding section 30 of the Financial Administration Act, total commitments of \$60,000,000 for the foregoing purposes during the current and subsequent fiscal years, \$25,000,000.

(Translation):

Mr. Goyer: When do you anticipate final ratification of the project?

(English)

Mr. Orr: We are waiting now. It depends on the university.

(Translation)

Mr. Goyer: In what way does it depend on the universities?

We have with us the Assistant Deputy Ministers of Industry and other officials. If there are any questions that you would like to ask, I will recognize any member now.

The Chairman: Mr. Goyer, please let me remind you that we are studying Item No. 5 which has no connection at all with the questions you are asking. In my opinion, the questions you are asking are relevant to Item No. 10.

• (9.45 a.m.)

(Translation)

The Chairman: Mr. Goyer.

Mr. Goyer: Mr. Chairman, I ask nothing better than to be called to order, but no one mentioned that we were dealing with Item No. 5.

Mr. Goyer: Regarding plans for the university research programs for the development of technology, do you know the names of universities participating in these programs and the amounts which these universities have spent on the programs?

The Chairman: Then excuse me. In that case it is my mistake. Then, if you have no further questions to ask on Item No. 5 we shall go on to—

(English)

Is the item carried?

The Chairman: Can you answer that? Yes, you may answer in English.

Item No. 5 agreed to.

Mr. J. L. Orr (Industrial Research Adviser, Department of Industry): We have approved two such programs for the establishment of necessary research institutes one at the University of Windsor and the second one at the Nova Scotia Technical College. We are negotiating at present with two other universities, Laval University and the University of Waterloo.

(English)

The Chairman: All right, then. Item No. 5 is carried and we come to Item 10.

(Translation)

Mr. Goyer: If I remember rightly, about six months ago I asked you the same question and at that time you replied that you were in the process of negotiating with Laval University. Is there a deadlock in the negotiations? Is any progress being made at present in this direction?

10 To advance the technological capability of Canadian manufacturing industry by supporting selected civil (non-defence) development projects, on terms and conditions approved by the Treasury Board, and to authorize, notwithstanding section 30 of the Financial Administration Act, total commitments of \$40,000,000 for the foregoing purposes during the current and subsequent fiscal years, \$13,000,000.

(Translation)

Mr. Goyer: Well, now that it is in order to do so, I shall repeat my question. Still,

I hope that what was said earlier remains on record.

The Chairman: Certainly.

(Translation)

Mr. Goyer: Then, I shall repeat my question. What precisely is the matter? What, in particular, is preventing the universities from ratifying this program offered by the government through your Department?

(English)

Mr. Orr: I do not believe there is any delay. I think it is just the time required to put forward a proposal.

(Translation)

Mr. Goyer: When were negotiations with Laval University begun?

(English)

Mr. Orr: There were some informal discussions about three months ago, I believe.

(Translation)

Mr. Goyer: But last time you came to give evidence, you spoke to us about negotiations being well advanced. What kind of negotiations were you referring to at that time?

(English)

Mr. Orr: I correct my previous statement. The negotiations and discussions became serious only about that time.

(Translation)

Mr. Goyer: When did this joint program with the universities come into existence?

(English)

Mr. Orr: In December of last year at the University of Windsor.

(Translation)

Mr. Goyer: And how long has the federal program as such been in existence?

(English)

Mr. Orr: Since December.

(Translation)

Mr. Goyer: Then this means that it began with the University of Windsor? Was it anticipated that much money would be spent on this program? How much money was originally expected to be spent?

(English)

Mr. Orr: In the first year, about a hundred thousand dollars. It is quite modest. It is an experiment.

(Translation)

Mr. Goyer: And how much money has actually been spent?

(English)

Mr. Orr: About half of the total sum.

(Translation)

Mr. Goyer: Is your Department proceeding with other negotiations at the present time, with universities other than those of Laval and Waterloo as you did already mention, I believe?

(English)

Mr. Orr: Not at the present time.

(Translation)

Mr. Goyer: And what amount do you estimate for this budget item?

(English)

Mr. Orr: There is \$90,000 in the present budget.

• (9.50 a.m.)

(Translation)

Mr. Goyer: How is it that we cannot obtain more co-operation on the part of the universities? You seem to be throwing the blame exclusively on the universities. Do you know why the greatest research programs with the universities are not taken up? In my opinion, a research program in which the federal government is involved to the tune of about \$100,000 or \$90,000 strikes me as being almost bound to fail. Indeed, if it is only to amount to \$90,000, it is better to apply the efforts elsewhere than in this specific program. Don't you also agree with that?

(English)

Mr. Orr: I explained earlier that this was an experiment and it is an attempt to introduce Canadian universities to the performance on contract research on behalf of Canadian industry. This is something in which universities have been reluctant to become engaged in the past; nevertheless, it does seem to be a useful way to cope with the problems of the smaller industries. In other words, there are very many small manufacturing industries in Canada whose business is

too small to support a research organization of their own.

Therefore it seemed logical to try to encourage the universities to come to their aid and make their skills and facilities available. There is, I believe, a pool of talent within the universities which could be used for this purpose. Also, of course, the universities do have substantial facilities for scientific research which have been paid for out of public funds and are not used throughout the year. This seemed to be a reasonable arrangement.

I might add also that one of the significant developments in the structure of research in the United States in the post-war years has been the emergence of large research institutions associated with the universities. I am thinking of the Massachusetts Institute of Technology, Stanford Research Institute, and the California Institute of Technology.

We felt, therefore, as an experiment and to serve the requirements which I mentioned earlier, that perhaps we should try to encourage the evolution of a similar type of institution in Canada. I do not believe it is going slowly. I think it is progressing about as rapidly as it can and should progress. It is still an experiment.

(Translation)

Mr. Goyer: Do you work directly or indirectly with small industries to carry out this program?

(English)

Mr. Orr: No. We have been conscious of the needs of the small industry but we have, of course, been working with the universities which provide the instrument.

(Translation)

Mr. Goyer: Are there several research programs ready to be handed over to the universities?

(English)

Mr. Orr: No. We expect that the specific projects will be proposed by the industries themselves and we are able to support such projects through our other programs, namely PAIT.

(Translation)

Mr. Goyer: Precisely. How do you explain the process? If you are not in direct contact with the industries for them to be able to explain their problems to you, and so on in cases where research is necessary, how can you explain that the government, through

your Department, does not know exactly what research projects are to be undertaken? It then becomes a vicious circle. If you are not in contact with the industries, there is no means of knowing what is going on, and if you do not know at the outset what researches you need to undertake, then you cannot make any progress. Universities will not carry out research in a vacuum.

• (9.55 a.m.)

(English)

Mr. Orr: The success of these institutes will depend upon their ability to attract contracts from industry. It will be industry which determines what they want to have done and we feel it will be up to the university to respond to that need.

(Translation)

Mr. Goyer: Yes, but do you not think we are really trying too hard to copy what is being done in the United States? In the United States, the universities are already very highly organized, structurally speaking. The universities can meet representatives of small industries, talk over their problems, and undertake research projects to help them. But do you not think that in Canada the universities are neither sufficiently prepared nor adequately organized, and that they lack sufficient personnel to be able to go and discuss problems with small industries and take the time to draw up a research project and then carry it out? Do you not think that the government is, to a certain extent, washing its hands of the matter when it says: "Here. Money is being made available to you, so try to do something." This attitude seems to be characteristic in all fields of research in Canada.

(English)

The Chairman: Mr. Orr, if you will permit me to interrupt, I believe your neighbour would like to answer.

(Translation)

Mr. W. J. Lavigne (Commissioner, Area Development Agency): May I give the answer, Mr. Chairman?

The Chairman: Yes, by all means.

Mr. Lavigne: To start with, there are two points which should be emphasized. First, it should not be said that we are not in contact with industry because branches throughout the Department are in contact with industry. To my way of thinking the fault lies in the

fact that Universities, in Canada, are not recognized as industrial research centres. The Department is attempting to create a particular climate in industry and to encourage the universities to make the necessary preparations for undertaking the research.

Therefore, Mr. Orr is trying to explain that a small sum of money has been made available to certain universities to initiate a research program and to inform industry that possibilities do exist in those universities for carrying out research. The branches of the Department will then be able to inform industry in general of the possibilities available at the universities of either Laval, Waterloo, or Windsor. It is a program which is actually being tried out at the present time.

The Chairman: Thank you, Mr. Lavigne.

Mr. Goyer: Do you not think it is rather a waste of energy at the outset to embark upon such research programs and attempts which may in themselves be of value? The National Research Council performs a more or less identical function. We shall have an opportunity to discuss the National Research Council on another occasion—I understand that it does not come directly under the jurisdiction of your Department—but *a priori* would it not be correct to say that the National Research Council is going to be split up and that, instead, our research is going to be conducted on a large scale in our universities and not by starting with a \$90,000 program? Do you think you are going to be able to raise much interest in the universities and in small industry which is very difficult to seek out and contact? The task then becomes more onerous by granting \$90,000 to the universities under the heading of research.

(English)

Mr. Orr: First, I should say that \$90,000 does not represent the cost of the research which will be performed by these institutes. This is merely the administrative cost of setting up a group within the university which will concentrate on interesting industry in utilizing the universities' resources. I agree with you. I think it is a very modest sum and I hope in future years, if the initial results are promising, that this sum will grow, and grow at a rate the demand dictates.

(Translation)

Mr. Legault: May I ask a supplementary question?

The Chairman: Mr. Legault wishes to ask a supplementary question.

Mr. Legault: If I understand correctly, the research is to be paid for by the industry requesting it, and the amount of \$90,000 is established simply to cover the cost of operation and administration?

(English)

Mr. Orr: That is right.

(Translation)

Mr. Goyer: Can you inform me of what exactly is the Departments' purpose in carrying out this experiment? What is its main purpose, not the purpose which might be of interest to us outside of research in Canada but rather that of research as carried out in the United States to see what we in Canada can do ourselves to compare. What is the purpose being directly pursued by your Department in Canada as opposed to research as a whole? Is it to diversify our research? Is it to make a serious effort at developing research laboratories in the universities and so decentralize the research which is carried out mainly in the National Research Council or is it simply to multiply still further research projects which, to my mind, already cover too wide a range?

(English)

Mr. Orr: It is designed, first and foremost, to serve the needs of the small industries.

It is designed to increase the total amount of effort available for the performance of industrial research, and this is the limiting factor on expansion of research in Canada. It is designed to bring together the university and industry.

There have been criticisms in the past that on the one hand the universities are too academic, that they do not pay attention to the problems of industry, and that on the other hand, industry is not familiar or concerned with new developments in science. In our estimation, the best way to bring the two together is to have them working on common problems. These are our objectives.

(Translation)

Mr. Goyer: Up to the present time, where was this research carried out, even if it was not entirely satisfactory? Where was it carried out?

(English)

Mr. Orr: In the universities. Well, it probably would not get done at all.

(Translation)

Mr. Goyer: Did the National Research Council not grant certain facilities to industry?

(English)

Mr. Orr: The National Research Council can and does make a contribution to industry, but it by no means serves the total needs of industry. And in particular, it concerns itself with the more scientific type of programs. Perhaps the National Research Council should answer this question themselves. Basically, these are specific problems of particular industries.

The Chairman: Mr. Orr, Mr. Barrow would like to answer Mr. Goyer.

Mr. B. G. Barrow (Assistant Deputy Minister, (Operations) Department of Industry): Mr. Orr, I will just supplement your comments.

There are really two programs in the Department of Industry to assist Canadian industry in research and development. In fact, there are more than two, but one program is the PAIT, which is the program for the Advancement of Industrial Technology. In that program when a firm wants to do some development work—let us say they want to produce a better product or a better process—that firm can come to the Department of Industry and ask for financial assistance in the form of a loan. Those firms are usually large enough that they have a number of research people on their own staff, and they are large enough that they can hire facilities from a research organization.

In addition to that group of firms there are many firms which are really too small to have even three or four research people on their staff. To give you a specific example, in the Windsor area, there are many, many small automotive parts makers who need to do product development work—process development work—and yet they may have only 20 or 25 people on their entire staff. They are too small to hire two or three researchers and the thought here is that there is probably a need on the part of 30, 40 or 50 firms in the Windsor area to have research done, and yet each one is too small to do it on its own. Therefore, the concept is that by working with the University of Windsor, which does have scientific and engineering people on its staff, and by giving them a small grant to start with, these little firms are encouraged to go to the university, which is very handy to

them. They can get in their cars and go 10 or 15 miles to talk about their development or research problems with the university staff. In this way we are bringing research to the doorstep of the small firms who need to develop a better product, if they are going to be competitive with the big industries in both Canada and the United States against which they have to compete. I hope this is helpful to you.

(Translation)

Mr. Goyer: I understand quite well the direct goals sought after by the Department with this research program but it brings up a serious problem. In point of fact, scientists today—and you read the papers as well as I—are repeatedly stating that there are too many research programs in Canada, that the situation is chaotic, that they no longer know where they are going, that money is being spent left and right without guidelines to follow, that people are not sufficiently well informed on what is happening elsewhere and that our research is not specialized. Now another research program is being introduced which is to have an operational budget of \$100,000. If you have one specific goal in mind, to be able to combine all research under one single system, organize it better, and make it more flexible and decentralized, good! But if you are not following a specific goal, it is another instance of wasted energy and, eventually, we shall waste even more money in Canada in the field of research.

(English)

Mr. Orr: The point is that there are two serious shortcomings in the Canadian research picture. One is that less than 40 per cent of our total effort is in industry. Now I make the assumption—and I think this is accepted—that the reason the public supports expenditures for scientific research is in the expectation of either economic or a social return eventually. The mechanism whereby your scientific research, if you like, is eventually translated into an economic or a social benefit is through industry. In other words, you produce a product, a service or a process. This means that you must have a proper balance between your basic research effort, your applied research effort and your development.

At the present time the situation in Canada is that we are very seriously deficient in our developmental effort in the extent of our effort in industry. We are not, in fact, putting sufficient effort into the developmental side of

the picture to realize the benefits of our basic and applied research. This is reflected in the fact that according to the 1965 data, which is the most recent we have available, we are still spending, I believe, of the order of less than 40 per cent for development, and this is not adequate by any standard.

By the same token, in industry, our total expenditure—and I am talking now about the performance of work, and it is always in industry where the exploitation must take place. I believe our spending in 1965 amounted to only about 45 per cent in industry. This contrasts with 60 to 70 per cent in industry in other industrialized nations. Therefore, what we are trying to do in the Department of Industry—and we are not concerned with the totality of the National Research effort, that being the concern of other departments—is to correct the imbalance on the industrial side of the picture.

The Chairman: I believe Mr. Mundy would like to make a few comments on that, and then I will have a few comments to make.

Mr. D. B. Mundy (Assistant Deputy Minister (Operations) Department of Industry): Thank you, Mr. Chairman. I think one of the questions which is of concern here is the question of specialization, as a matter of policy, with respect to the direction of our effort in Canada in research and development. Specialization is a general objective of all our programs of assistance to Canadian industry. What we do is to try and concentrate on the fields of technology which are most appropriate to the Canadian environment. In fact, we try to choose projects which fulfil several criteria, one of which is that they are suited to the industrial capability in Canada. As you are well aware, the field of technology is so broad that we obviously cannot cover the full spectrum. Therefore, as one of the criteria, we have to choose an area which has some suitability to the industrial capability of Canadian industry.

Another criteria we use generally in trying to encourage research and development is that there are good prospects for sale abroad. Obviously, if you have a policy of specialization, because of the rather small requirements of the domestic market in Canada, in order to get the real benefit from this, you have to have access to world markets to make the policy of specialization pay off. So we do, in fact, try to choose programs which seem to lend themselves generally to the possibility of sales abroad.

Another criteria, in the case of our military assistance program, which covers about five items in the Estimates, is that we try to choose a program which, even though it may be directed to a military development, has some commercial spin-off, as we call it. In other words, the technology is an area which seems to lend itself, at some time in the future when the state of the art requirements of the commercial world catch up with the military, to the general commercial research and development structure of Canadian industry.

Another criteria that we use in this policy of specialization is to try to choose projects which are suited to the physical environment of Canada. I think an obvious example which we can give is communications, which is related to the fact that Canada being such a vast country with such a limited population has always had a special problem in developing communications which can handle this particular aspect of our environment. Therefore, communication is, in fact, an area which, if you look through our various development assistance programs, has been hit pretty hard and we think this is going to pay off on that account.

Another area is short takeoff and landing aircraft and this is related to our bush pilot experience and the limited size of our aerodromes in the North. De Havilland is an example of a company which we have supported through our development assistance program, because they have developed a range of short takeoff and landing aircraft which are suited both to the military requirement and to the commercial requirement.

Another point that we follow with respect to the policy of specialization is to seek to exploit in industry anything coming out of government in-house research. I think this is a very important point, because our in-house research in Canada is fairly extensive, bearing in mind the size of our resources. This includes the National Research Council, the Defence Research Board and so forth. Here we have had a number of examples of picking up the research which has taken place within a government facility and exploiting it in industry. I think a typical example is the tumbling air foil concept which came out of research at the National Research Council. The Canadian Patents and Development Limited gave an exclusive licence to Leigh Instruments Ltd., a small firm in Carleton Place, for the exploitation of this research. In fact, this company has since received development vote assistance from us to develop

models which do work of the concept in relation to their product which is a crash position indicator. They have been rather successful to date. They have received a number of contracts, mainly in the military field so far, but they are also coming into the commercial area as well for crash position indicators. These contracts include quite a large portfolio of foreign contracts mainly in the military sphere.

I would therefore like to assure you that this policy of specialization is in fact generally being carried out. As members are obviously very much aware, it is desirable that we do try to channel this effort in a concentrated area where it is really going to pay off and this definitely is one of our objectives.

• (10:15 a.m.)

(Translation)

Mr. Goyer: To conclude, I should like to ask one single brief question, Mr. Chairman. Have you been able to set up a specific time limit for obtaining a little more control over the direction of our research in the field of specialization, thus re-establishing the equilibrium between pure and industrial research? Is it a very long-term, long-term, or comparatively short-term plan?

(English)

Mr. Orr: I think this will take several years to accomplish, clearly; one does not make such large changes overnight, but certainly we are attempting now to recognize and to identify our problems and we are working toward correcting this imbalance. It is the responsibility of the Department of Industry in particular to concern itself with applied research development, and the involvement of industry in the total effort.

(Translation)

Mr. Goyer: Mr. Chairman: I should like to ask one last question.

How many patents does Canada export compared with the number imported?

(English)

Mr. Orr: I am sorry, but I cannot answer that question directly. Clearly we import a great deal more technology—if I may use that term—than we export.

(Translation)

Mr. Goyer: Is it possible to obtain figures in this field?

(English)

Mr. Orr: Well, I think there are imbalances. I was going to hazard a guess, but perhaps I should not do so. We do not have Canadian figures available on this subject.

(Translation)

The Chairman: If you do not mind my interrupting you, Mr. Goyer, you have been asking questions for 25 minutes already and there are two or three other persons who have also asked to do so.

Mr. Goyer: As I said, this is my last question. I simply want to establish clearly that there are countries, and several countries, which do have those figures at their disposal. Is it possible for Canada to obtain them or is it considered preferable not to make the effort for fear of the results?

(English)

Mr. Orr: Perhaps I could answer your question in another way. I will say that only 5 per cent of patents issued in Canada are issued to Canadian residents, which will give you an indication of the levels.

Mr. Mundy: Mr. Chairman, as a supplemental answer to that I think it is true to say that the balance between the number of patents which are arising out of unique Canadian and foreign research and development certainly is moving in our favour. I would think fairly rapidly, too.

The Chairman: Thank you, Mr. Mundy.

(Translation)

The Chairman: I would simply like to raise the matter, without referring directly to our friend, Mr. Goyer. At the opening of the last meeting, we mentioned that the procedure established was intended to limit the period of time allotted to each member to 10 or 12 minutes. I allowed you to continue, Mr. Goyer, because last time you did not have long enough to finish asking your question. Secondly, as regards Item No. 10, in view of the kind of question you are asking, you could probably direct it to the Minister when he is here, during our study of Item No. 10. I had not properly understood Item No. 10. I would like to remind the Committee that we are studying Item No. 10.

(English)

...page 238 of the blue book, and I would request that members restrict their questions to this item if possible. I have on my list Mr.

Latulippe and Mr. Hales, who have requested permission to ask questions.

(Translation)

The Chairman: Mr. Latulippe, would you care to ask your questions?

• (10:20 a.m.)

Mr. Latulippe: Mr. Chairman, we are talking about research and, on this subject, does the Government mean to intensify the research? Up to the present, I know that not much has been done for research because not enough energy has been put into it and because not enough capital has been spent on research. In my opinion, if there is one place in which we ought to spend money and energy and do some work, it is here in the field of research. If we compare the research which we have done or which we are doing in Canada with that of other countries, we are far behind. Now, I would like to know whether the National Research Council or the universities intend to undertake a vast research campaign to help small industries somewhat. Major industries are in a more privileged position than the small industries. But great things grow from small beginnings. I know several small industries which are experiencing many difficulties and which obtain no co-operation and no aid from the government from the research point of view. Small industries pay taxes just as the large ones do.

Small industries have difficulty in surviving and when they wish to develop something, they are obliged to expend fabulous sums and extraordinary energies to successfully attain their goal. For example, I wonder whether, in the field of research, it would be possible for you to find men with the desired training and whether you could, on the request of small industries, send your technicians into the small industries to study their problems.

From that aspect, I believe you could be of considerable assistance to small industries. Thus, technicians could help small industries on the administrative side, for example, where serious weaknesses exist. It is very difficult for many small industries to enjoy efficient administration, since it is such a complicated task today. But we have men capable from the administrative point of view of helping them to conduct their organization better through their good advice and the knowledge which we have today.

To my mind, the universities or research institutes could render great service to small industries from this aspect. If it is not possible, or if you do not have sufficient personnel

to send men to the aid of small industries, you could perhaps receive representatives of small industries, citizens, its employees. The industry could send its employees to university to receive counselling. In my opinion, we would be entering a field which would aid both the small- and medium-sized industries, for the medium-sized industries cannot benefit from your research nor from the advantages which the governments make available to large industries.

The Chairman: Mr. Latulippe, allow me to interrupt you. The question which you are now asking is something similar to that asked by Mr. Goyer. We have had several replies to that question. Perhaps you will allow me to interrupt you and ask Mr. Orr to give you two or three examples of the kind of research which the Department is carrying out at the moment. It might perhaps provide a satisfactory reply to your question. Will you allow me to do so, Mr. Latulippe?

(English)

Mr. Orr: Mr. Chairman, I think the first thing I would say is that we have about four definite activities or programs which are all aimed at satisfying the questions which have been raised by Mr. Latulippe.

The first and most general program which we have is the new Industrial Research and Development Incentives Act which makes grants available to all firms, large and small, for the performance of research. The details will be familiar to members of this Committee, since this Committee considered that bill earlier this year. It provides essentially for a 25 per cent grant, a grant equivalent to 25 per cent of all expenditures for equipment, plus 25 per cent of the expansion or growth in current expenditure over a base period. In its first full year of operation, we expect this program will provide close to \$30 million worth of support for research by all industries and it is available as a grant. Therefore, small industries can benefit to the same extent as larger industries.

The second program we have is what we call PAIT, Program for the Advancement of Industrial Technology. Here we are providing risk capital. We are sharing with the firm the risks of developing new products or new processes, on a 50-50 basis. It is if you like, a form of insurance. We now have, I think, over 80 projects in this program, and the total developmental effort which this represents is in excess of \$30 million. I would say that well over half, I think

close to two-thirds of the support has gone to small firms. These are the people who have the problem you mentioned of finding the risk capital to invest in new innovation. I would also say that the majority of firms which have taken advantage of this program have been Canadian and I might add further that several firms have been formed specifically for the purpose of exploiting new projects with the support of this program.

In response to Mr. Goyer's questions, we have already mentioned the industrial research institutes at universities, which are also designed to serve the needs of small industry.

The final point which I would mention is something which has been encouraged by the Department of Industry, but which is being undertaken by the Science Secretariat, and that is the study of the dissemination of scientific and technical information to industry at large. Of course, this is a very important factor in order to avoid unnecessary duplication of effort and also to make sure that Canadian industry is aware of all the latest developments in that particular field. We expect this report will be received within the next year and when it is received, I expect it will make recommendations for a substantial improvement in our means of disseminating technical information to firms in a form in which they can use it.

The Chairman: Thank you, Mr. Orr.

(Translation)

Chairman: Does that answer your question, Mr. Latulippe?

Mr. Latulippe: I should still like to ask a few questions. I should like to ask the Research Institute if research is also being carried out in the field of housing, because as far as housing is concerned there is certainly need of research. From all kinds of viewpoints housing is not perfect; for example, from the point of view of heating, and if much research was done in that field, I believe that it would be a saving enabling the construction of buildings or inexpensive residences.

(English)

Mr. Barrow: I would like to answer that, sir, if I may. We do have another program which we call the BEAM program which is intended to help the construction industry to increase its productivity and to develop new and better products. Under that program, if a

firm wishes to do research, let us say into a better heating system or a better air conditioning system, it can apply for a PAIT grant or a loan and in that way the Department of Industry will share the risk capital required for such a project. We are developing this program at the present time and working very closely with the construction industry. We have formed a number of committees consisting of people from the construction industry who are working with our departmental officials in the development of useful research and development programs to help them to be more efficient and moneys will be available, either under the IRDIA, which Mr. Orr has mentioned, or under the PAIT program, to assist them in their projects.

Mr. Hales: Mr. Chairman, I should like to make two observations before I proceed with my questions.

First, we do not have a quorum and secondly, if we hope to have a quorum at this Committee we must not allow one member to take three quarters of a hour at a time to ask questions. I think we are here to ask questions and to get answers and not to repeat over and over again matters already discussed. We are simply wasting our time this way. We are busy people and I think we have to get down to the business of the Estimates and ask straightforward questions. We are here to talk about money and what it was spent for. This is the purpose of this meeting. We have to go over the programs that we have which have been outlined to us by the Minister. We went over this in our introduction and we have gone over it all again. However, I do not wish to be critical. It is just an observation.

The Chairman: It is well taken, Mr. Hales.

Mr. Hales: The point was made by my honourable friend about overlapping. I am very much concerned about this. I have a feeling that the Department of Industry is overlapping right, left and centre. We spoke about the construction industry. I think the Forest Products have a lab that does a great deal of research. However, I must ask questions. I must not criticize if I am not asking questions.

The Chairman: You may make observations.

Mr. Hales: We have the National Research Council. The Department of Agriculture has a research branch; every department has a research branch, and I want to know what the

Department of Industry is doing in the field of research when it is already being done. Let us get down to some concrete examples. We have talked in highfalutin terms about technology and research and productivity. I want to get down to the layman's language. Last year under PAIT at Vote 10 we spent \$8,770,000. What industries did we help? What product did they produce? How many applications did you have under PAIT? How many did you process? How many did you reject? How many fell through the boards? How was the money spent? Where did the money go? Let us have some concrete examples. I want to know the products that have been developed. I want to know if they were put on the market. Have they been exported? Have they meant dollars and cents to Canada? Those are my questions.

The Chairman: Mr. Barrow, would you like to answer these questions?

Mr. Hales: I want to know the name of the company, the product being developed and where it went.

Mr. Orr: Mr. Chairman, in the last fiscal year I believe we had approximately 60 approved projects. Although our Estimates provided \$8 millions, in point of fact, this was not realized. The actual expenditure was closer to about \$5 million. This, of course, was inherent in the business of getting things launched, shortages of manpower and facilities, and other factors which I mentioned before.

I should explain that in supporting these projects, of course, we have to respect the proprietary interest of the applicant and therefore, we are not permitted to reveal details of a specific project or the nature of the project, simply because this is the only basis on which the program can operate. In other words, if the details of the project were made public, then the position of the sponsor of the firm would be prejudiced.

Mr. Hales: Well, then you may call the firm D, Y or Z. I do not care what you call it but tell me company D made product F and they exported it, and so on.

Mr. Orr: Mr. Chairman, I think I can give some examples from firms that have agreed to permit their projects to be publicized and perhaps this would serve the purpose.

I would mention one which has recently been a success, a firm in British Columbia which is concerned with the manufacture of laminated wood beams and laminated wood

structures. This was a project which was supported under PAIT and which has now proved successful and has, in fact, greatly speeded up the laminating process which is one of the limiting factors in the output of the industry. This one has been successful and we are now looking forward to receiving pay back against the money which was advanced from the program.

Mr. Hales: May I make an interjection? Was the research for this done through the Forestry Branch?

Mr. Orr: No. It was the B.C. Research Council who were assisting in this project. It is a provincial organization. They did part of the research. This is perfectly reasonable. We do not mind who does the research. What we are supporting is the entrepreneur, the man who ultimately is going to exploit the project commercially. If he himself does not have the facilities, then he is quite free to subcontract to a university, to a provincial research council or elsewhere, as seems best.

Another project I might mention which Mr. Mundy mentioned earlier, is Leigh Instruments Manufacturers of the crash position indicator. Under PAIT we have supported the development of a flight recorder for the purpose of recording essential data on the operation of the aircraft which can be recovered in the event of a crash and enable the cause of the crash to be determined. This project is now under way and if it is successful we expect that this particular product will be in wide usage in commercial aircraft.

Mr. Hales: Will the research for this be done by the National Research Council and by the Department of National Defence?

Mr. Orr: The original concept was developed at the National Research Council but the specific application to particular aircraft is something that has to be done by the manufacturer himself. In other words, he has to adapt it to the needs of a particular customer and he also has to adapt it to his particular manufacturing process and capability.

I should like to clarify one point here; that there is a difference between conducting research on a general problem and applying it to a specific case. I think the general research is perhaps something that is appropriate to a government or university laboratory but the specific application is something that in the majority of cases, must, be done I think, by industry.

Another example I would mention is the water bomber. There was a need for a new aircraft to combat forest fires. I think the water bombing technique is something which has been tried experimentally and which is being used in some parts of the world but so far it has been limited by the fact that aircraft which have been available for this purpose have been obsolete aircraft designed for other purposes.

• (10:40 a.m.)

Canadair have undertaken to develop an aircraft specifically for the purpose of bombing forest fires with water. This clearly is a problem of very great importance to the preservation of our natural resources in Canada. This project is now in an advanced stage. I believe the aircraft will have its first flight later this year.

I could go on, Mr. Chairman, but perhaps that will suffice.

Mr. Hales: This would be mostly in the field of defence or—

Mr. Orr: No, sir, not at all. Perhaps I should say one other thing. The Department of Industry itself does not perform research. We are merely assisting industry to undertake the research. We do not maintain laboratories. We are providing financial assistance to help firms undertake those projects which they wish to undertake in their own interests.

Mr. Hales: And of this \$8,700,000, you have used \$5 million?

Mr. Orr: That is correct.

Mr. Hales: It was spent mostly as risk capital?

Mr. Orr: It was providing risk capital. In every case the project was undertaken by the firm and it had a commercial objective.

Mr. Hales: How many firms did you process that did not succeed? Where a grant was made and they went bankrupt or failed?

Mr. Orr: The program has been actively in operation only since November 1965. I would say the average term of development for the types of projects which we are supporting runs anywhere from one to three years duration. It is too early to quote any statistics of successes or failures.

Mr. Hales: None have failed?

Mr. Orr: I would hesitate to say that none had failed but it is too early to say whether they are going to be commercially successful.

Mr. Hales: If they are able to make a success, they have to pay the money back.

Mr. Orr: That is correct.

Mr. Hales: I think the Minister said that when a project meets with commercial success, the company is required to repay.

Mr. Orr: That is right. The firms are given up to ten years in which to repay and the repayment is based on the commercial utilization of the product or the process.

Mr. Hales: Who determines the meaning of the words "commercial success"? What is a "commercial success"?

Mr. Orr: Well, I guess if it sells it is a commercial success. The idea is that the repayment must be built into the selling price of the product. This is the way the firm recovers its investment in development and we expect them to recover the government's investment at the same time as they recover their own.

Mr. Hales: I know you do not do research, but it would seem to me that if the National Research Council develops a product that has great potential we do not need a Department of Industry to go out into the country to get some firm to process it. Any firm that is on its toes will pick up that patent and go into business and be tickled to death to get the opportunity and will make a great success of it. That would be an observation.

Mr. Barrow: I wonder, sir, if I could answer that question.

As you know the National Research Council has a subsidiary, Canadian Patents and Development Limited. When the Council does develop some new item it is up to Patents and Development to contact Canadian industry to try to find somebody who will manufacture the product in Canada. We do not attempt to duplicate that effort at all. Simply because we have a lot of contacts with industry, what we have attempted to do is to help Patents and Development to find a Canadian manufacturer who would be interested in manufacturing and developing that project.

Basically, our task is to encourage Canadian industry and to help them to do

development work in Canada. I think the feeling is that industry in Canada has lagged behind industry in other countries in developing new products and we think the future success of Canadian industry is in getting them to do more of the development work because, if they are going to put their money into the development of a product, they are going to try to develop something that will sell on the market-place.

Mr. Hales: I have one more question.

Mr. Orr: I think I should explain that there is a vast difference between the basic discovery of a scientific principle, for example, a transistor or a laser, and its application to a commercial purpose. There is a tremendous difference between them. Of course, I do not believe by any stretch of the imagination the National Research Council could pretend to be producing products for the whole spectrum of industry. This is not their function.

Mr. Hales: Then the most outstanding example which you have in this field would be the laminated beam, which you mentioned, or have you one that would mean a lot more to Canada than that?

Mr. Orr: I do not think I can answer that question, Mr. Chairman. I only selected one or two examples at random which were cases where we had permission from the firms to reveal details.

Mr. Barrow: Mr. Chairman, with your permission may I interject. We are caught in a dilemma here, sir, in that the companies that we have worked with are fearful that their competition in many cases will acquire knowledge—

Mr. Hales: I do not want you to divulge their names.

Mr. Barrow: No, but sometimes if we talk about a product there may be only two or three companies in Canada that have knowledge in this field or are working in the field and they very quickly become aware that one of their competitors is developing a new product. What I might suggest to Mr. Orr is this. Could we indicate to Mr. Hales the industry areas in which we have received what appear to be very good PAIT applications. For instance, in the textiles field, I know we have received several applications which seem to have a great deal of good commercial promise. Could you indicate to

Mr. Hales the industry areas in which we are working.

Mr. Hales: Mr. Chairman, I do not want to get involved with names. I would like you to tell the Committee, if you can, whether you have an example where company X who manufactures a product Y, netted a sale of \$15 million last year because of our efforts. That is all I want.

Mr. Orr: It is a little early. I know this is not a satisfactory answer but I mentioned earlier that the first projects were commenced in November 1965, and that the nature of the projects is such that the average time required to complete the development work is two years. Therefore, I believe, Mr. Chairman, that it is rather early to be able to cite such examples.

Mr. Hales: Mr. Orr, I think in a period of almost three years of operation of PAIT you or your department should be able to come up with an outstanding example of X dollars of sales for this company.

Mr. Orr: I am sorry, it is not three years.

Mr. Hales: Well, it will be three years in November since it was started.

Mr. Orr: A year and a half.

Mr. Hales: 1965?

Mr. Orr: November 1965, to November 1966 to June 1967—that is 18 months.

Mr. Hales: By November 1968, it will be three years.

Mr. Orr: This is June, 1967.

Mr. Hales: November this year will be three years.

Mr. Orr: No, two.

Mr. Hales: Yes, that is right. Centennial year.

The Chairman: In November 1968, it will be three years.

Mr. Hales: If you cannot provide the Committee with many examples, I would like to have assurance that the Department of Industry is co-operating or has some liaison with all the departments that are doing research in the federal government, and that there is no overlapping and that you clear with the new Science Secretariat, Dr. Weir, on all these products.

Mr. Orr: I can assure you of this because both the National Research Council and the Defence Research Board are full members of our committee and the Science Secretariat attend our meetings so that we feel that we are fully co-ordinated with the other agencies of government who could contribute something to the program.

Mr. Hales: Mr. Chairman, is there someone here who could answer for agriculture? Did you do a project on blueberries in Nova Scotia?

Mr. Barrow: We have done a project, but not under the PAIT. We were asked by the government—

Mr. Hales: It would not be under this Vote?

Mr. Barrow: No. It is not under this Vote.

Mr. Hales: What Vote would that be under?

Mr. Barrow: It would be under Vote 1.

The Chairman: I believe it would come under Item 1, Mr. Hales.

Mr. Hales: We might revert to that.

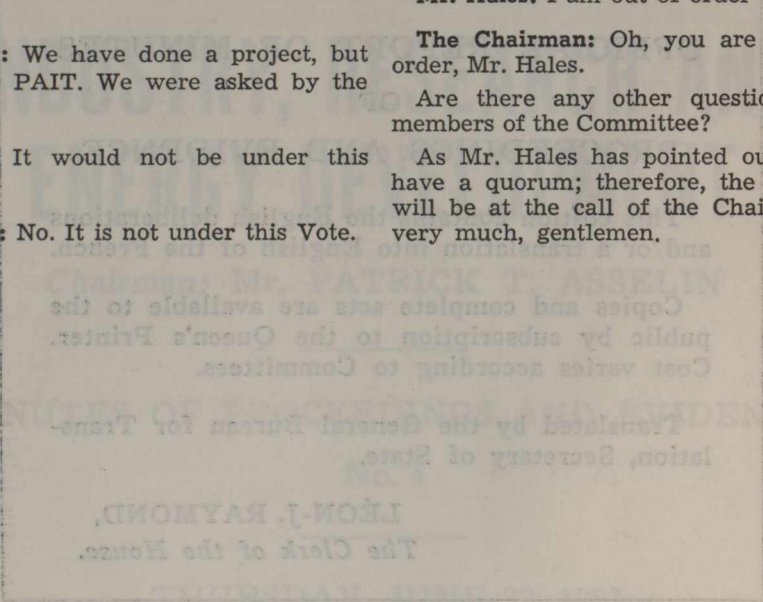
The Chairman: Item 1 has stood and we are going through the other items. But when we come back to it—

Mr. Hales: I am out of order then.

The Chairman: Oh, you are never out of order, Mr. Hales.

Are there any other questions from the members of the Committee?

As Mr. Hales has pointed out, we do not have a quorum; therefore, the next meeting will be at the call of the Chair. Thank you very much, gentlemen.



Report
Main Estimates (1967-1968) of the Department of Industry

WITNESSES:

From the Department of Industry: Mr. B. G. Barrow and Mr. C. E. Mundy, Assistant Deputy Ministers (Operations); Mr. G. E. Hughes-Adams, Chief, Ship Division, Shipbuilding and Navy Recruitment Branch; and Mr. C. D. Arthur, Secretary, Advisory Board.

Mr. Haines: What you would like to be un-
 der the...
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Mr. Gair: I can assure you of this because
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 Defence Research Board are full members of
 our committee and the Science Secretariat
 attend our meetings so that we feel that we
 are fully co-ordinated with the other agencies
 of government who could contribute some-
 thing to the program.
 Mr. Haines: Mr. Chairman, is there someone
 here who could answer for expenditure?
 Did you do a project on biochemistry in Nov-
 ember?

**OFFICIAL REPORT OF MINUTES
 OF
 PROCEEDINGS AND EVIDENCE**

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LÉON-J. RAYMOND,
The Clerk of the House.

HOUSE OF COMMONS

Second Session—Twenty-seventh Parliament

1967

STANDING COMMITTEE

ON

**INDUSTRY, RESEARCH AND
ENERGY DEVELOPMENT**

Chairman: Mr. PATRICK T. ASSELIN

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 4

THURSDAY, JUNE 22, 1967

Respecting

Main Estimates (1967-1968) of the Department of Industry

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ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1967

STANDING COMMITTEE

ON

INDUSTRY, RESEARCH AND ENERGY DEVELOPMENT

Chairman: Mr. Patrick T. Asselin

Vice-Chairman: Mr. Leonard Hopkins

and

Mr. Beaulieu,
Mr. Bower,
Mr. Caron,
Mr. Chatwood,
Mr. Forest,
Mr. Fulton,
Mr. Goyer,
Mr. Grafftey,

Mr. Hales,
Mr. Latulippe,
Mr. Legault,
Mr. Lind,
Mr. McCutcheon,
Mr. Noël,
Mr. Ouellet,
Mr. Peters,

Mr. Reid,
Mr. Saltsman,
Mr. Scott (Victoria
(Ont.)),
Mr. Sherman,
Mr. Tremblay (Richelieu-
Verchères),
Mr. Wahn—24.

(Quorum 9)

Hugh R. Stewart,
Clerk of the Committee.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 4

LEONARD J. HOPKINS

Secretary of the Committee

THURSDAY, JUNE 22, 1967

Respecting

Main Estimates (1967-1968) of the Department of Industry

WITNESSES:

From the Department of Industry: Mr. B. G. Barrow and Mr. D. B. Mundy,
Assistant Deputy Ministers (Operations); Mr. G. E. Hughes-Adams,
Chief, Ship Division, Shipbuilding and Heavy Equipment Branch
and Mr. C. B. Arthur, Secretary, Adjustment Assistance Board.

MINUTES OF PROCEEDINGS

THURSDAY, June 22, 1967.

(4)

The Standing Committee on Industry, Research and Energy Development met at 9.40 a.m. this day. The Chairman, Mr. Patrick T. Asselin, presided.

Members present: Messrs. Asselin (*Richmond-Wolfe*), Bower, Caron, Goyer, Hales, Latulippe, Lind, McCutcheon, Noël, Peters, Saltsman and Mr. Tremblay (*Richelieu-Verchères*)—(12).

In attendance: From the Department of Industry: Mr. B. G. Barrow and Mr. D. B. Mundy, Assistant Deputy Ministers (Operations); Mr. G. E. Hughes-Adams, Chief, Ship Division, Shipbuilding and Heavy Equipment Branch and Mr. C. D. Arthur, Secretary, Adjustment Assistance Board.

Continuing the discussion under *Item 10 of the Main Estimates of the Department of Industry 1967-68*, the departmental officials were questioned by Messrs. Hales, Peters, Bower and Saltsman.

Item 10 was carried.

The Chairman called *Item 15 of the Estimates:*

Item 15 Capital subsidies for the construction of commercial and fishing vessels, etc., \$30,000,000.

Mr. Saltsman asked questions under this item, which were answered by Mr. Mundy. *Item 15 was carried.*

The Chairman called *Item 20 of the Estimates:*

Item 20 Payments, subject to the approval of the Treasury Board, for certain programs to assist defence manufacturers, etc., \$12,000,000.

Following a series of questions concerning assistance provided to manufacturers, by Messrs. Hales and Saltsman,

Item 20 of the Estimates was carried.

The Chairman called *Item L60 of the Estimates:*

Item L60 Loans, in the current and subsequent fiscal years and in accordance with terms and conditions prescribed by the Governor in Council, to assist manufacturers of automotive products in Canada, etc., \$30,000,000.

Messrs. McCutcheon, Peters, Saltsman, Hales and Lind asked a variety of questions under this Item, with particular reference to loans, to manufacturers, the banking functions of the Department of Industry and the operations of the Adjustment Assistance Board. The Chairman agreed to discuss with the Minister the possibility of providing certain information requested by Messrs. Peters and Hales.

Item L60 was carried.

The Chairman called *Item L65* of the Estimates:

Item L65 Advances, subject to the approval of the Treasury Board, to assist defence manufacturers, etc., \$12,000,000.

Item L65 was carried.

The Chairman noted that all of the Items of the Main Estimates were carried, except *Item 1* which was stood over for further consideration until the Minister returns before the Committee. It is planned to invite the Minister to appear at the next meeting, for final discussion under *Item 1*. The Chair will recognize Messrs. Latulippe and Tremblay (*Richelieu-Verchères*) as the first questioners under *Item 1* at the next meeting.

The Committee adjourned at 11.05 a.m. to the call of the Chair.

Hugh R. Stewart,

Clerk of the Committee.

EVIDENCE

(Recorded by electronic apparatus)

Thursday, June 22, 1967.

The Chairman: Gentlemen, I see a quorum. Last Tuesday we carried Item 5 and we were discussing Item 10. I presume that Item 10 has been well discussed and if there are no more questions on that Item, we could now proceed to Item 15. Does Item 10 carry?

Mr. Hales: Mr. Chairman, at the close of that meeting I was about to ask one of the officials from the Department about research work in the field of agriculture. I would like to know if they have a project in Nova Scotia with respect to cultivated blueberries and, if so, have they a report on it. Also, why is the Department of Industry overlapping the Department of Agriculture in such a project?

Mr. B. G. Barrow (Assistant Deputy Minister, Department of Industry): Mr. Chairman, with your permission, I would like to advise Mr. Hales that this does not come under Vote 10, but I would be pleased to answer the question.

You are quite right, a report has been prepared, not on the growing of blueberries or berries but on the processing of a number of berries including blueberries. The Department of Industry with other federal departments and the provincial departments in the provinces of Prince Edward Island, Nova Scotia and New Brunswick, conducted a number of studies jointly on the feasibility of establishing a berry processing industry. This concerned the packaging of berries, the freezing of berries, the chilling of berries and so on. This study was instituted at the request of the provincial governments, who felt that there were possibilities. They did not have the resources to examine the cost feasibility of processing berries. They wanted to compare costs in the Maritime Provinces with costs in other parts of Canada, the New England States and so on. They therefore sought the assistance of the Department of Industry and various other federal departments. As a result of this request, one of our expert people, a Mr. Banting who was with the Department of Industry until recently but

who has returned to industry, was asked to chair a joint study group. Under Mr. Banting's direction a feasibility study was conducted and reports were prepared which have been now made available to the provincial governments who are using them, hoping to attract processing industry to the provinces. I have copies of these reports, if you care to have them. There was no overlapping with other departments, and this was not primarily to encourage the growth of the berries. Our interest really was to encourage the processing and to conduct the feasibility study into the secondary operation.

Mr. Hales: My point is that I cannot understand why the Department of Industry is using the taxpayers' dollar to monkey around with an agricultural product when it is purely and simply the responsibility of the Department of Agriculture.

Mr. Barrow: As I have mentioned, we are not concerned with the field of agriculture in the Department of Industry; we are only concerned if the processing or the manufacturing of a natural resource is concerned.

If I may give an example in another field, we are not concerned with the growing of trees or with anything to do in the forest itself. However, once a tree is cut, the sawing is done and you get into the processing, the conversion of the natural product into some sort of a more advanced state, then of course the Department of Industry, under our legislation—

Mr. Hales: Mr. Chairman, all these facilities are available in the Department of Agriculture. They have a Department of Horticulture where they experiment on freezing and packaging, and they do everything that the Department of Industry did in this connection. My humble opinion is that this is a pure and simple case of overlapping.

Mr. Barrow: I might say that we always are in contact with the Department of Agriculture or any other Department that we think may be concerned. We were in touch

with the Department of Agriculture and had their encouragement to go ahead on this study. They felt there was no overlapping and of course we felt this way too. If the Department of Agriculture were to have a program, even though it is in the processing or manufacturing field, we would not attempt to overlap or duplicate. If they are doing a good job in a particular field, even though we have jurisdiction, so to speak, a responsibility from Parliament, we would not attempt to overlap their program. In this particular case there was no program.

Mr. Hales: I will leave it in the hands of the Committee to form their own decision on it, but I would like to make it clear that the Department of Agriculture is fully equipped and has the ability, the manpower, the money allotted to it and everything else necessary to carry out the very project that the Department of Industry stepped into.

Mr. Peters: Before we leave that, is there not some arrangement being worked out in this particular field in connection with the Interlakes program of ARDA and the Department of Industry? Mr. Hales, I am not sure that the Department of Agriculture is equipped to do this. Its failure in doing this has been more evident than its success.

I would like to know what arrangement was made between the Department of Industry and the ARDA program as far as this apparent overlapping which takes place is concerned. I am thinking of the Interlakes program concerning a total survey of the potential both in the agricultural industry and in a number of other fields. Are you prepared to give some indication of what has been done under this program in the same allied field that you have been discussing.

Mr. Barrow: There is very close co-operation between the ARDA group and our own Department. This is to ensure that (a) there is no overlapping and (b) to ensure that the two Departments supplement each other. The ARDA group are primarily concerned with rural development. Our Department is more concerned with area and industrial development. In a sense, we have a broader term of reference than they have.

Mr. Kayes is with us and perhaps he is familiar with the arrangement between the ARDA group and your own ADA group in the Interlakes region. Unfortunately Mr. Lavigne had to be away today, as he would have the specific details. Do you know the details, Mr. Kayes?

Mr. S. B. Kayes (Chief, Incentives Administration Division, Department of Industry): I do not know the details.

Mr. Barrow: Could we have someone who is working in this group come up here?

Mr. Kayes: I could get Mr. Haase.

Mr. Barrow: Perhaps you could call him and then we could come back to this question later. We will call someone from the Department who has been working on this project.

The Chairman: If it is all right with the Committee, we could carry Item 10 because this subject does not come under that Item.

We will carry on and whenever this gentleman arrives, we will stop whatever Item we are on and carry on this discussion.

Mr. Bower: Mr. Chairman, does Item 10 cover the department's concept of aiding groups and areas to develop a plant to process—an agricultural product such as rapeseed. I am speaking for a colleague of mine who brought it up in the House the other day, and naturally on my own behalf, with regard to a group of farmers with a small amount of capital who are willing but do not know how to organize to develop a plant for processing oils. Does that fall under this Vote?

Mr. Barrow: We do not deal with the farmers on rapeseed. We take an interest as soon as some interest wishes to crush the rapeseeds. In other words, we have been attempting to help the crushers who are using rapeseed. We also have been encouraging secondary industry in Canada, the users of rapeseed, to make greater use of this product. There have been a number of technical difficulties in the past and there are still a few which face the users of rapeseed, but we are working with the National Research Council and other groups in an attempt to overcome these technical problems so there can be a greater use of this Canadian product.

If there are a group of farmers who are interested in establishing a crushing mill I would suggest that they get in touch with the Department of Agriculture and ourselves jointly because we both have an interest in this field. I believe the Department of Agriculture will deal directly with the farmers on their problems of growing rapeseed, but I take it they have no problem in this connection. However, if they wish to come to us, we would certainly take an interest in any prob-

lems they have in having their product crushed. If you would like to send them to our Food Products Branch, Mr. Mathieu, our Director, is fully familiar with the problems of crushing rapeseed, the problems of marketing, the technical problems and so on, and he would be pleased to see them.

Mr. Bower: I think part of the problem is just a matter of organizing. These people have no particular business experience and they want to know who to turn to get help in organizing themselves to do what I have explained.

Mr. Barrow: Sir, I think we could give them some help and advice in this connection. We would be very pleased to sit down with them and to give them any help we can.

The Chairman: On their behalf, you are requesting guidance to organize them into a group to carry on.

Mr. Barrow: Yes.

Mr. Hales: In relation to rapeseed crushing, the National Research Council, the Department of Agriculture, the Western Grain Board and head of the Research Secretariat are all working on this and they refer their findings to industry and say: "We have processed this to a point and it is now up to someone in industry." Then they say to someone in the business of manufacturing and crushing equipment: "There is a dollar to be made in this." Industry then takes over and goes into it. Is this not the way it develops?

Mr. Barrow: What has happened is that the local interests in the Western Provinces, I believe, have organized four crushing plants. They ran into a good number of technical problems initially. For instance, there was a high toxicity rate in rapeseed oils. There were certain problems with the meal, which is the by-product you get from the oil. Without being able to market the meal or by-product, it was not economical to produce and sell the oil itself.

About two years ago the crushers, backed by the farmers, came to the Department of Industry and asked us if we could give them some help in working with the National Research Council, and of course the Department of Agriculture, in overcoming some of the technical problems. They also asked us if we could help them establish themselves in the marketplace with the users of both the meal and the rapeseed oil. As a result of their request, we talked with the National Research

Council people and discussed the technical problems to find out what could be done. We have not ourselves attempted to do any technical research because this is entirely in the hands of the crushers and the National Research Council. However, we had to be aware of the problems that still exist, if we were going to go out to the consumers of these products, the manufacturers of bakery products and animal meals and so on. Being aware of these problems, we organized a number of meetings in Western Canada with farmers, crushers, and users present, to discuss how the existing problems and inhibitions to the greater use of rapeseed oil and the meal can be overcome.

Mr. Hales: Have you succeeded in coming up with any answers? Also, you have requested \$180,000 for this work, how do you propose to use this money?

Mr. Barrow: What we are doing in the first place is to organize meetings between the users and the manufacturers. We have already organized two or three of such meetings in Western Canada. The crushers feel that these meetings have been successful from their point of view. They feel that a great deal of information that is not at present in the hands of the users must be made available to them. They have asked us to assist them in this process of making more information available about rapeseed oil and also about the meal and we have been going ahead with that. In addition, on the remaining technical problems the crushers have asked whether we would be willing to make funds available to them. They are hoping to go to the research departments of universities in Western Canada and to ask the research people in the universities to attempt to overcome the technical problems that still remain. They asked us if we would help finance that sort of research and we indicated our willingness to do so.

Mr. Hales: I am very concerned about all this overlapping. The Western Grain Growers Association has done a great deal of work recently on this matter and I am continually concerned about the overlapping which is taking place in this Department. I think it continues to be evident in this particular field of rapeseed development. That is all I have to say.

The Chairman: Mr. Hales, possibly it might be better to bring up criticism of item No. 1 at a time when the Minister is present.

Is that all, Mr. Hales?

Mr. Hales: Yes.

The Chairman: Mr. Saltsman?

Mr. Saltsman: I am sorry, Mr. Chairman, but I did not hear the witness's name.

The Chairman: Mr. Barrow, the Assistant Deputy Minister.

Mr. Saltsman: Mr. Barrow, when the Donald Report on the coal mining situation in Cape Breton was released was it submitted to your Department for study?

Mr. Barrow: Yes, we as well as other departments, of course, received a copy of this report.

Mr. Saltsman: Which branch of your Department studied this report?

Mr. Barrow: I believe one of the groups that studied the report was the Area Development Agency.

Mr. Saltsman: When the government decided on the establishment of a crown corporation in Cape Breton to take over some of the mines, develop industry and stimulate the area generally, was this matter discussed with your Department in order to get your recommendations and suggestions?

Mr. Barrow: I believe it was particularly discussed with the Minister and possibly with the Deputy Minister. The prime responsibility, as of course you are aware, is with Mr. Pepin and the Department of Energy, Mines and Resources, but I know the Minister of our Department was concerned and I believe he was a party to the discussions.

Mr. Saltsman: I am interested in the degree of co-ordination and consultation that takes place between the different departments because, as you are well aware, a crown corporation has two functions. One function is the phasing out of coal mines, which deals with mines and energy, and this sort of thing. The other function is the replacement of that activity by new industrial development under a crown agency. I think this clearly falls within your area of purview. This is why I am interested in knowing the degree to which your Department was consulted, the degree to which you made recommendations and what part of the bill that was eventually passed was the work of your Department.

The Chairman: Mr. Saltsman, may I bring to your attention that I do not believe this item comes under Vote 10. I would suggest it would be better to put this type of question under vote 1 to the Minister, who may appear before this Committee next week if we pass the three items now before us.

Mr. Saltsman: I am quite willing to defer to your judgment, Mr. Chairman, but I see some slips of paper being passed around and if the information is at hand I wonder if we could now have it presented in a preliminary way and I will postpone my questioning until later.

The Chairman: If Mr. Barrow has the answer I will permit him to give it at this time.

Mr. Barrow: In answer to Mr. Saltsman's question, I know that the Department of Industry was consulted and that our officials studied the question and advised the Minister. I think it would be preferable if the Minister answered directly on the matter of our participation. I know our officials were concerned. . . with this subject.

Mr. Peters: Was that the important message on the slip of paper?

Mr. Barrow: No. As a matter of fact, this went on to ARDA.

The Chairman: Are there any further questions on Vote 10?

Vote 10 agreed to.

We will now move on to Vote 15.

Department of Industry

15 Capital subsidies for the construction of commercial and fishing vessels in accordance with regulations of the Governor in Council. \$30,000,000.

The Chairman: This item concerns the construction of commercial and fishing vessels.

I understood that Mr. Tremblay wanted to ask a question in this item but he has stepped out for a few minutes. Do any other members have any questions under Vote 15?

Mr. Hales: Mr. Chairman, I would like to ask why this item appears on this year's estimates. It did not appear last year so. I presume it is entirely a new vote and a new undertaking.

Mr. David B. Mundy (Assistant Deputy Minister, Department of Industry): It appears this year because it was transferred from the

estimates of the Maritime Commission to the Department of Industry.

Mr. Hales: Transferred from the Maritime Commission?

Mr. Mundy: The Maritime Commission previously had the responsibility, Mr. Hales, for the subsidy program for the construction of ships in Canada.

Mr. Hales: Is there any reason why it was transferred?

Mr. Mundy: When the Department of Industry was formed it became responsible for all areas of secondary industry, including shipbuilding, and as this is one of the main programs of assistance to the Canadian ship construction industry it was felt more appropriate that the Department of Industry should take it over.

Mr. Hales: I notice on page 241, after the heading for Vote 15, it shows for 1964-65 \$32 million and for 1965-66 \$40 million, and yet this does not appear in the 1966-67 column.

Mr. Mundy: It is anticipated that in 1966-67 the expenditures will amount to about \$36 million.

Mr. Hales: Why does that not appear in the 1966-67 column?

Mr. Mundy: In that period it was not under the Department of Industry.

Mr. Hales: Oh, I see. These figures are taken from the Maritime Commission's estimates?

Mr. Mundy: That is right.

The Chairman: I believe, Mr. Hales, you will find the same procedure under Vote 20. This was also under another department last year.

Are there any further questions under Vote 15?

Mr. Saltsman: I have another question, Mr. Chairman.

When these subsidies are provided for the shipbuilding industry is there an analysis made of the kinds of ships that are to be built and whether subsidies should be given to all types of shipbuilding or just to those ships that are being built that have a better or more viable future—and I am speaking about ships used for inshore fishing as contrasted with ships used for offshore fishing—or is it

right across the board? Do all ships get the subsidy.

Mr. Mundy: In answer to Mr. Saltsman's question I would like to point out that there are certain criteria that have to be fulfilled in order to be eligible for a subsidy. The subsidy can really be divided into two categories. The first is commercial vessels and the second is fishing vessels. Perhaps I should be more specific with respect to fishing vessels and say fishing trawlers built of other than wood. In the case of fishing trawlers the subsidy is at the rate of 50 per cent. In the case of commercial vessels it is currently at the rate of 25 per cent and it will be on a reducing basis down to 17 per cent after May 31, 1972.

In further amplification of your question perhaps I should indicate that in the case of trawlers, in addition to their not being built of wood—steel, of course, is the main substance used but I suppose it is possible to use fibreglass—they must be over 75 feet in length and have to be equipped with an otter trawl or similar device. In the case of commercial vessels I believe the rules set out they must be over 100 tons. Mr. Hughes-Adams can perhaps explain this in more detail.

Mr. G. E. Hughes-Adams (Chief, Ship Division, Department of Industry): A non-propelled vessel has to be over 200 gross tons and a self-propelled vessel has to be over 100 gross tons. Tugs are the exception, they have to be over 50 gross tons.

Mr. Mundy: The further criteria with respect to subsidies are that they are for the carriage of goods or passengers. In other words, they are commercial vessels and are not to be used for pleasure purposes. We have included in this category certain marine works vessels such as dredges and also vessels for oil rigs.

The other criteria are that they be Canadian-owned, Canadian-built and Canadian registered.

The Chairman: Shall Vote 15 carry?

Vote 15 agreed to.

We will now move on to Vote 20.

Department of Industry

20. Payments, subject to the approval of the Treasury Board, for certain programs to assist defence manufacturers:

- (a) with defence plant modernization, by paying one-half the cost of acquisition of new equipment; and
- (b) in the establishment of production capacity and qualified sources for production of component parts and materials. \$12,000,000

The Chairman: Are there any questions on Vote 20?

Mr. Hales: There is one point, Mr. Chairman, which I would like to mention. This, I take it, is grants to defence manufacturers under which they pay one-half of the cost of acquisition of new equipment, and so on. Could we have an example of a company that manufactures defence equipment that has made use of this grant or is that secret information?

Mr. Mundy: I do not think so, Mr. Chairman. If it would serve your purposes, Mr. Hales, perhaps I could answer it in a somewhat general way and then we can see if you want the names of companies.

Mr. Hales: I merely want a brief explanation.

Mr. Mundy: Since July of 1964 and up until February of 1967, when we assembled our last statistics, there were 114 projects in existence under this Vote. These 114 projects included a wide range of Canadian defence contractors. In fact, I would say that it probably included the majority of both small and large firms.

One project that we have dealt with, for instance, is a small gas turbine which is being developed in Canada for export, and under this Vote we have assisted in modernizing the machine tools required by the company in order to establish a production rate of 100 per month.

Another example where this has been applied and where a large portion of the total funds have probably been expended is in the case of the new United States C-5A giant military cargo transport aircraft. In this case assistance has been channelled to a variety of firms who are concerned with the fabrication of metal parts under the new techniques required for this particular aircraft.

There are also a large number of examples in the electronic field where assistance was given to companies—

Mr. Hales: This particular cargo transport on which we spent money to help develop is a United States airship?

Mr. Mundy: That is right.

Mr. Hales: This United States airship could be used in the South Viet Nam war, we have no control over that.

Mr. Mundy: The C-5A is presently in the development stage, Mr. Hales, and I do not think the first aircraft will fly for another two years and I think it will be a further year or two before it is brought into use.

Mr. Hales: With respect to the company that is manufacturing the gas turbine, are there any stipulations to the effect that this may not be exported for use in the American war?

Mr. Mundy: Mr. Chairman, we are really getting into a question here which is the responsibility of the Department of Defence Production. The Department of Defence Production is responsible for the military export sales program. Policy statements on the subject which you have raised, Mr. Hales, have been made by the Prime Minister and by the Minister of Industry. We can certainly make these policy statements available to you covering this particular issue.

Mr. Hales: All right.

The Chairman: Are there any further questions under Vote 20?

Mr. Saltsman: I have a follow-up question to that of Mr. Hales. Can you give us any indication of what percentage or what proportion of this money is being spent on indigenous Canadian projects with the initiative arising here in Canada and to what extent this money is being spent on projects assigned to us as part of NATO grouping or our NORAD grouping?

Mr. Mundy: By the nature of this Vote it is in the production area, so this Vote is really picking up after the design has been completed, and the development process has been gone through, as far as the particular product is concerned.

In the case of our other votes for assistance for development, of course they are all for indigenous projects. In the case of this vote I would say that it is a mixture between projects which arose out of our own development assistance arrangements and projects which were in fact developed in other countries. The first example I gave which was the small gas turbine engine was an indigenous development project that we picked up at the pro-

duction stage to assist in the modernization of the production facilities to produce the engine in series production. In the second case we were obtaining the production contract for an equipment which was designed in another country.

I do not have any precise figures on the ratio but off the top of my head I would estimate that it could perhaps be fifty-fifty between indigenous and foreign projects with respect to this particular vote, which, as I say, is a question of modernizing our production facilities.

Mr. Saltsman: Is it your opinion that some of this production would not have taken place in Canada were it not for what in effect is the subsidy being paid to some of these companies?

Mr. Mundy: I am absolutely certain of that, Mr. Chairman.

Mr. Saltsman: Why is that? Would not the normal commercial attractions have—

Mr. Mundy: In order to qualify even as a bidder on some of these production contracts you have to have certain capital facilities, mainly, tape-controlled machine tools, the latest state of the arts type of modern production equipment. This qualification is really on the technical side. Then in order to qualify on the price side, in other words, in order to be able to compete, to bid effectively, you have to have this type of equipment.

You have referred, Mr. Saltsman, to this being a subsidy. I think I should point out that the competition which we are up against with respect to our allies for the production of this type of equipment is such that in these other countries, particularly the United States, these particular companies against whom we are bidding already have this production equipment and have been modernized as a result of previous defence contracts which they have received.

Mr. Saltsman: Do you see any great difference between the problems of defence production and the problems of civilian production? Do we not face the same kind of difficulties in the production of goods and services with a civilian market as we do in defence production, and should consideration be given to applying the same kind of measure to our industry generally as is applied to defence production?

Mr. Mundy: That is a good point, Mr. Saltsman, and it is the point to which we are

addressing ourselves at present and studies are under way in the Department. I would, however, point out that there is some fundamental difference between the defence and the commercial spheres. The difference really relates to the element of risk involved. In the case of defence, the element of risk is extremely high because there is only one customer and that is the government. The company involved in either the development or the manufacture of the product is at the whim of that one customer and cancellation can take place overnight; whereas, in the commercial sphere, the producer or the developer has some control with respect to the marketing of his product.

Mr. Saltsman: This seems to be a very good reason in my opinion that perhaps greater emphasis should be placed on the commercial part of our industry rather than the defence part because our defence part is so vulnerable and there seems to be some danger of our having made this great investment and provided this assistance to them and suddenly of their finding themselves without customers.

In effect, what you are saying is that the kind of equipment for which assistance is given under this program is not as adaptable to civilian production as it might be.

Mr. Mundy: I am not really saying that, sir. What I am really saying is that taking into account the state of the art with respect to the defence industry, it always leads commercial industry by several years. For instance, in the case of the transistor, the first applications were in the military sphere and the commercial application came only at a later date. One of the criteria that we take into account in approving applications for modernization is the applicability of this in the future to commercial production.

Mr. Saltsman: If it is not applicable to commercial production you do not provide it?

Mr. Mundy: No, I would not say that, sir. I would say that it is one of the criteria that we take into account and is regarded as a plus, but virtually all of the equipment that we have approved has, in fact, in the long run, got an application to the commercial market but it is a question of time.

The Chairman: Does that answer your question, Mr. Saltsman?

Mr. Saltsman: It answers it and raises a whole bunch of new ones.

The Chairman: I would suggest that you put them under Vote 1 which has been stood and will be brought up again when the Minister is with us.

Shall Vote 20 carry?

Mr. Hales: Mr. Chairman, this vote did not appear last year and apparently it is a new amount of \$12 million. Is there any explanation?

The Chairman: May I suggest, Mr. Hales, that this vote last year was under the Department of Defence Production, and I think you will notice that in the estimates a large group comes under Defence Production. It was pointed out to me at the beginning of the meeting that that is the reason there is nothing under 1966-67.

Shall Item 20 carry?

Item 20 agreed to.

Gentlemen, I would suggest that we turn to page 592 in the large blue book of the estimates, if you have it. In the small copy, it would be on page 17.

Mr. Hales: Mr. Chairman, are you not going to discuss the items on the bottom of page 241?

The Chairman: These are two statutory items. They are not for the Committee, Mr. Hales. I am sorry, I should have pointed that out to the Committee.

On page 592 of the large blue book or page 17 of Issue 1 of the Minutes of the Committee you will see the two supplementary votes: the first one is Vote L 60.

Industry

L60 Loans, in the current and subsequent fiscal years and in accordance with terms and conditions prescribed by the Governor in Council, to assist manufacturers of automotive products in Canada, including materials suppliers and tooling manufacturers, affected by the Canada-United States Agreement on Automotive Products to adjust and expand their production; such loans to be made for the purpose of acquisition, construction, installation, modernization, development, conversion or expansion of land, buildings, equipment, facilities or machinery and for working capital; and to authorize, notwithstanding section 30 of the Financial Administration Act, total commitments of \$60,000,000 for the foregoing purposes during the current and subse-

quent fiscal years 67-68, \$30,000,000; 66-67, \$15,000,000; Increase, \$15,000,000.

Are there any questions on Vote L 60?

Mr. McCutcheon: This is, as I take it, for parts manufacturers.

Mr. Barrow: Parts manufacturers and their suppliers. They are also eligible for loans.

Mr. McCutcheon: What are the terms of those loans?

Mr. Barrow: A loan can be made for a maximum period of twenty years for land and a maximum period of ten years for building and equipment. The interest rate is six per cent. In addition to that, loans can be made, not only to cover the cost of plant, the acquisition of plant, new equipment, but also working capital can be included. Those are the basic conditions of each loan.

Mr. McCutcheon: None of the major manufacturers are entitled to participate in this scheme.

Mr. Barrow: No manufacturer who manufactures automobiles is entitled to participate. A truck manufacturer could participate providing he does not make automobiles. Also, a bus manufacturer who does not make automobiles could participate. In other words, we have a lot of relatively small companies that are making trucks and buses in Canada who are independent producers and who do not make automobiles and they are eligible.

Mr. Peters: Why is there this limitation?

Mr. Barrow: It was felt that the companies that manufacture passenger automobiles were in a position to raise their own financing and would not need to have access to this fund. The only companies in Canada that manufacture passenger cars are very large companies and international companies who have ready access to sources of financing. Therefore, they were excluded. They are the only companies though in this business.

Mr. Peters: Did you not cover Volvo originally?

Mr. Barrow: No, Volvo has never been covered in this Vote. It has never been eligible. Volvo, of course, is also a large international corporation.

Mr. Peters: Renault, Peugeot—the Department of Industry did not make grants to those companies through the Government of Canada?

Mr. Barrow: No, not at all. No monies have been advanced from the Department of Industry to any passenger car manufacturer.

Mr. McCutcheon: Who are these truck manufacturers?

Mr. Barrow: There are many; there are probably thirty or forty truck manufacturers in Canada. I do not know whether Mr. Arthur has a list with him or not but we could supply you with a list.

Mr. McCutcheon: I think that would be interesting.

Mr. Barrow: When I say that they are eligible it does not mean necessarily that all of them have received loans.

Mr. McCutcheon: Well then, let us find out who has. Could we do that?

Mr. Barrow: We are not allowed under our authority to disclose the names of companies. This is a question I think you would have to refer to the Minister but as officials we are not empowered to disclose the names of the companies.

Mr. McCutcheon: Mr. Chairman, the point is this. In my limited knowledge, heavens, truck manufacturers are just as international as automobile manufacturers.

Mr. Barrow: No, sir. If I may explain the purpose of this loan, it was basically to finance the re-equipping and the expansion in the parts industry. There have been very few truck manufacturers, and the ones that have received loans have been very small, and owned in Canada and quite independent. The large international truck manufacturers—I think you have in mind General Motors, Ford, International Harvester—all produce cars and are not eligible for the loans.

Mr. McCutcheon: What about White Motor Company of Canada? What about International? They do not produce automobiles.

Mr. Barrow: Yes, International do, sir. They produce a Travelall which disqualifies them. We studied this pretty carefully and quite deliberately so that basically the purpose of this fund is to finance the expansion and the modernization of the parts industry.

Mr. Hales: White Motor Company and Mack Truck Manufacturing Company of Canada Limited have not received loans?

Mr. Barrow: White has received no loan and neither has Mack.

Most of the loans have gone either to parts manufacturers or to their suppliers who are usually small Canadian companies.

Mr. Saltsman: A supplementary question, Mr. Chairman. What about subsidiaries of the major automobile manufacturers? Would they be eligible?

Mr. Barrow: No, they would not be eligible. Affiliates, in other words, are excluded.

Mr. Saltsman: Do you make any financial assessment of a company's ability to finance in the market before granting a loan?

Mr. C. D. Arthur (Secretary of the Adjustment Assistance Board, Department of Industry): Under the terms of eligibility that the applicant must meet one of the conditions is that if the applicant is not able to obtain the financing from other sources under reasonable terms and conditions, the Board, under that condition of eligibility, must satisfy itself that these funds are not available; either they are not available at all or that the terms and conditions would be unreasonable in the light of the company's program and its present financial position.

Mr. Saltsman: Does this include an application to the IDB as well? Would they have to indicate they had been turned down by the IDB?

Mr. Arthur: Well, the IDB terms of reference are very similar as far as eligibility is concerned, but this is one of the other lending institutions that the Adjustment Assistance Board would ask an applicant to obtain an opinion from before considering him eligible under the Adjustment Assistance Board's terms.

Mr. Saltsman: In setting up this program, did you give any consideration at the time to increasing the authority of the IDB to handle this kind of problem rather than setting up a special agency for this purpose? Could you give me your reasons for not having gone through the IDB?

Mr. Barrow: There were consultations with the president and the senior officer of the IDB at the time the fund was being considered. We asked the IDB whether they wished to take on this function. They said, of course, that they do finance parts makers in Canada and would continue to do so. However, they

felt that this fund that was being proposed was so closely tied in with the automotive program and the people who administered the fund would probably be better able to administer it in a way that would achieve the objective of the program than would their own staff. They felt that if they did not have the background of the program and their staff did not have the background, especially the field offices, that the program and the fund could be better administered by a group in the Department of Industry who also have the background on some of these programs.

Mr. Saltsman: This strikes me as—

The Chairman: Mr. Saltsman, if you will permit me to interject here, I believe that you were on a supplementary question. We will continue with Mr. McCutcheon, then.

Mr. Saltsman: Fine, I will come back to it later.

Mr. McCutcheon: I pass.

The Chairman: If you pass, Mr. Hales has indicated that he would like to ask a few questions, then Mr. Lind followed by Mr. Saltsman.

Mr. Hales: I understand that this loan is administered by a board—

Mr. Barrow: That is correct, sir.

Mr. Hales:—and you are on this board.

Mr. Barrow: The Chairman of the Board is Professor Bladen of the University of Toronto. In addition, the Deputy Ministers of Industry, Finance, Trade and Commerce, National Revenue, and Labour comprise the Board.

Mr. Hales: How many parts manufacturing companies have made application for these loans up to your last reckoning?

Mr. Arthur: In the fiscal year ending March 31 we had some 70 inquiries. These are not necessarily all applications, but inquiries from either material suppliers or parts manufacturers or other producers in the industry that are eligible. Of the 70, some 40 were considered to be serious applications, and of that number some 36 were declared eligible for assistance. Being declared eligible does not necessarily mean that they will obtain a loan, but they are eligible for investigation to see if a loan can be made.

Mr. Hales: How many have you actually given loans to?

Mr. Arthur: Since the program was introduced, 38 loans have been given.

Mr. Hales: Thirty-eight since it was introduced?

Mr. Arthur: That is right.

Mr. Hales: You have turned down quite a few, then?

Mr. Arthur: Well, Mr. Hales, I think the answer to that is that a number of these companies that inquire do not follow up; either they do not develop a program or they find other sources of financing. The Board has turned down some applications after they had been declared, but only three. Some of these applications are in process.

Mr. Hales: So you have made 38 actual loans to parts manufacturers in the whole of Canada. Are any of these that you have made loans to in arrears of interest payments?

Mr. Arthur: No, sir.

The Chairman: Is that all, Mr. Hales?

Mr. Hales: Yes, sir.

Mr. Peters: A supplementary question, Mr. Chairman. Are all these loans made to companies in one particular province?

Mr. Arthur: No, Mr. Chairman; they cover four provinces: Quebec, Ontario, Manitoba, and British Columbia.

The Chairman: Mr. Lind.

Mr. Lind: Mr. Chairman, what rate of interest are these industries charged on this loan, and what regulates the terms of repayment of the loan? This is what I am interested in.

Mr. Arthur: Mr. Chairman, the rate of interest is 6 per cent. This is established in the authority setting up the Board. The terms of repayment are at the discretion of the Board, and are based first of all on the program and the financial capability of the applicant to repay; so that these terms of repayment may vary with each applicant. This, again, is based on the particular circumstances of the company and the program it is proposing.

Mr. Lind: Have these industries in parts manufacture and truck bodies been able to obtain contracts outside of our own country for these parts? Has it been beneficial to the industry to obtain trade, say, with the U.S.

and other parts of the world so that it will expand our secondary industry in parts manufacture? Have all of these been able, pretty well, to obtain these contracts?

Mr. Barrow: I would say, sir, that exports of automotive products from Canada have increased very greatly. If you are interested I can give you the figures.

Mr. Lind: Yes.

Mr. Barrow: We have them here. Let me just turn to the correct page. Exports from Canada in automotive products, traditionally have been very small. In the last two years they have risen—I have the figures here; let me just give them to you. To all countries, exports of such products from Canada in calendar year 1964—and I am using official DBS statistics—were \$186.9 million. In 1965 they had increased to \$364.1 million; by 1966 they had increased to \$1,004.5 million. In other words, over the period of time, they had increased by 437 per cent, so that we believe that the program, which is assisted of course by these loans, has very substantially increased our exports and enabled our parts makers to get orders and to export, whereas before, they found it extremely difficult to do this.

Mr. Lind: Pardon me, may I go on, Mr. Chairman?

The Chairman: Yes, Mr. Lind.

Mr. Lind: One of the parts manufacturing areas that I am concerned about is the stamping industry, as you probably know. Has anybody in the stamping industry been able, through getting a loan from the Adjustment Assistance Board, to meet this competition and raise their exports?

Mr. Barrow: The answer is yes. A number of stampers have obtained loans from the Adjustment Assistance Board. I was speaking to probably one of the leading stampers just six weeks ago, and he tells me that because of the loan, which has enabled him to re-equip his plant, he now has the most modern equipment. I might say that this is a Canadian-owned and a Canadian-managed parts company. He now has very substantial export business, and he said that he is very much satisfied with the arrangement.

Mr. Lind: The other area that I am concerned about in this industry is the export of truck bodies. You probably realize that my concern stems from the fact that the firm is in

my constituency. I do not want to name the firm, but they are exporting truck bodies—special bodies—and I understand that they have obtained a number of contracts from companies in the U.S. Is this true?

Mr. Arthur: Two or three of the larger truck body manufacturers have been successful in obtaining export orders for truck bodies. These orders are mainly from people in the area immediately adjacent to the border, but some have substantially increased their business as a result of the availability of that market.

Mr. Lind: Then, through this acquisition loan that we are providing, we have assisted these industries in making them competitive so that they can meet higher production runs in the U.S., and gain entrance into this market.

Mr. Barrow: I think, sir, that it is fair to say that prior to the introduction of this program—and I am speaking of the loans in particular—many of both the truck body manufacturers and the parts makers had been geared to short runs, and their equipment was such that they could produce a multiplicity of products, but all in short runs. With the introduction of the automotive program and the availability of export business, these people found that they would have to re-equip their plants to produce the longer runs, and also to produce more effectively. These loans have been very helpful and very effective in enabling these people to put in the most efficient equipment into their plants, and in some cases they have acquired new plants as well; and to our knowledge the Canadian industry is not only obtaining larger orders, but they are very hopeful that in the future this business is going to go on expanding.

The Chairman: Mr. Lind, does that terminate your questioning?

Mr. Lind: Mr. Hales wants to ask a supplementary question.

Mr. Hales: Yes. I was just wondering if truck bodies are considered a car part; are they in those figures you gave us for exports?

Mr. Barrow: Yes, they are eligible and are included.

Mr. Hales: On those figures you gave us, have you in front of you the import figures that we can put underneath these?

Mr. Barrow: Yes, I think we have. Imports in 1964 from all countries were \$838 million; in 1965 they were \$1,155 million; in 1966 they were \$1,630 million.

Mr. Lind: It is obvious that in this parts manufacturing field there is tremendous room for expansion. Do you anticipate, or have you on record, people wishing to expand their facilities at the present time and who take advantage of our loans?

Mr. Barrow: I am not sure, sir, that I understand your question clearly.

Mr. Lind: Is it generally known throughout the industry that these loans are available to assist them? This is what I am really getting at.

Mr. Barrow: We have attempted to make everybody in Canada who is producing automotive parts, and also their suppliers, aware of the availability of these loans. We have worked through the Canadian parts associations, we have worked through the press, we have been in touch directly with all the companies that we are aware of, and we are continually feeding out information to make them aware and to encourage them to come to us. Of course, we want to see these people as efficient as possible and able to take on even more export business. We have done our best to go out to all of these people; I think everybody is aware of the loan facility.

Mr. Lind: Well, we have had tremendous jumps; in 1965 from \$364.1 million exports to \$1,004.5 million in 1966, but we are still not balanced with the imports which total \$1,630 million. Is it your anticipation that maybe in 1967 or 1968 we will be exporting more car parts than we are importing?

Mr. Barrow: I would point out, sir, that between 1965 and 1966 the imbalance was reduced. In 1965 the imbalance on over-all account was \$791 million. By 1966 the imbalance had been reduced to \$626 million. In looking at our trade with the United States, where of course the major trade back and forth does occur, in 1965 we had a deficit of \$780 million. By 1966 that had been reduced to \$656 million; so that we think this is quite an achievement when you consider that over the past 20 years—I think in every single year—the deficit has increased in the rate until two years ago an increase of the deficit was between \$50 million and \$100 million a year. 1966 was the first year where this process had been reversed in a very sub-

stantial way. Of course we are hoping, and we believe that this process will continue to be reversed and we will begin to hold our own again.

Mr. Lind: Would you like to hazard a guess as to when this balance will be nil, it will be on the right side of the ledger as far as we are concerned, and we will be exporting more than we import?

Mr. Barrow: I am afraid you might quote my own figures back to me next year, sir.

The Chairman: I would suggest, Mr. Lind, that this would be an ideal question to put to the Minister under Item I.

Mr. Lind: Thank you, Mr. Chairman.

The Chairman: Before going on to Mr. Saltsman, who has indicated he would like to ask a few questions, may I suggest to the Committee that we still have a quorum and that there are only two items left to pass. As it is now almost ten minutes to eleven o'clock, I hope we can keep the quorum, pass these two items today, and then by next week I will be able to get in touch with the Minister and revert back to Item I and touch on all these subjects with him. If one meeting is not enough, we could possibly have two meetings with the Minister. If the Committee is agreeable we could all stay here until we pass these two items, and leave the next meeting at the call of the Chair; I will then discuss with the Minister when he will be available and notify Committee members. If this is agreeable I will go on now with Mr. Saltsman.

Mr. Saltsman: Returning to my enlarged supplementary question on the banking function of the Department of Industry, the Department of Industry obviously has a great deal of work to do and the question that arises is: should it be just a banking function or should some other arrangement be made, for instance, working through the IDB—a development bank generally? This applies not only to the Department of Industry but to other departments as well. That is, an arrangement made whereby you simply recommend that a loan be made to certain individuals. I would like your comments on this from a technical and administrative point of view, because it seems to me that you should not be in the banking business; the lending business, yes, but not the banking business.

Mr. Barrow: If I may, I will deal with the factual, and not the policy aspects of your

question—you may wish to consult the Minister on this question, too. As I mentioned a moment ago, an approach was made to the IDB to ascertain whether or not they felt that they should take on this function.

One of the considerations in discussing this matter with the IDB was that this loan fund is really a transitional arrangement. In other words, it was felt that the automotive industry—the parts industry basically—over a period of perhaps three years, would have to re-equip and adjust to the new program. Therefore this was not a regular or a long term banking function.

As a result, it was felt that the transitional assistance in one sense was an integral part of the over-all program. It is one thing to introduce the program, and then the next step is to ensure that the Canadian producers, particularly those who do not have access to large sources of financing, can obtain the financing that they will need to modernize and expand their operations.

As you will note, this fund does have a terminal date—Mr. Arthur tells me it is 1968—so that it is directly tied in with the first transitional period under the program, and therefore both the Bank of Canada and, I believe, the Government, decided that the transitional assistance really should be regarded as part of the over-all program. For that reason in the interim—in the transitional period—it was decided that it could be best administered from the Department of Industry but under the jurisdiction of an inter-departmental board with an outside chairman.

Mr. Saltsman: There are two things to that. First of all, it is not too transitional when some of these periods go up to 20 years. It means you are going to have to carry accounts, or items, or do bookkeeping, over a 20 year period of time.

Secondly, this is obviously only the beginning of this kind of assistance. We may be applying it only to the automobile industry at the present, but even the Minister has indicated that with the Kennedy Round of negotiations there may be dislocations; you may have to extend the program. And we have talked about rationalizing the furniture industry and other industries. Surely as a policy some thought has to be made to financing not only the automobile industry but the other industries that are going to be in a similar position. Just talking about three-year programs or temporary financing is not really going to meet the need. I think some consid-

eration has to be given to how we are going to provide this kind of development and this kind of loan arrangement, not only for this industry but for all industries as well. I would certainly hope that whatever influence you gentlemen possess within the Department will be used to impress these facts upon the Minister.

Now, let me go on to something else, unless you wish to comment on my remarks.

Mr. Hales: Mr. Chairman, could I just follow on with this very good line of reasoning? I would like to know the actual operation on the practical end of this. We give, through estimates, \$30 million to this Department. Have you set up within the Department a staff to administer this \$30 million?

Mr. Barrow: Yes, that is correct.

Mr. Hales: What staff have you set up to do this?

Mr. Barrow: We have a special secretariat within the Department consisting of finance officers and people who are special—

Mr. Hales: How many people, though?

Mr. Arthur: There are 15 people on the staff.

Mr. Hales: Do you keep the actual accounts? For instance, if you grant a \$5 million loan to a company, are the interest rates payable to you and do you keep all the ledgers and everything?

Mr. Arthur: The ledgers are kept in the Comptroller's Branch of the Department.

Mr. Hales: The Department of Industry?

Mr. Barrow: The existing financial officers in the Department take care of the administration once the loan is made. They are concerned with the repayment of interest and principal.

Mr. Hales: Well, this accentuates the good reasoning of Mr. Saltsman, that you are in a business you have no business to be in.

The Chairman: Mr. Saltsman.

Mr. Saltsman: I want to ask a further question regarding the criteria for making these loans. We have all discussed in this country the need to rationalize our industry, and the fact that many of our industries are really too small to compete in international markets. Just giving them machinery, or providing

loans for machinery, is not enough; we have to do far more than that. We have to make sure that they are of the size and the structure that will permit them to be competitive.

Under your criteria, do you grant loans for the rationalization of industry to permit two small companies to come together and to purchase each other's stocks in order to form a more efficient organization for competitive purposes?

Mr. Barrow: I would like to consult with Mr. Arthur a moment. I do not think we have had an application where two companies wished to come together. We think—perhaps I should consult our legal advisers—that we would have the authority to lend funds if this would increase productivity and make these firms more viable.

Mr. Saltsman: If one company came to you and said that they were considering purchasing company "B" in order to create this kind of situation, would you have the authority to make a loan for that purchase?

Mr. Arthur: If I might answer that question, Mr. Chairman—

The Chairman: Yes, Mr. Arthur.

Mr. Arthur:—If that was part of the program, yes. But I think the Board would certainly want to see something besides just a straight acquisition as the program of expansion. In other words, unless there is going to be some bringing together of production facilities and probably expanding the company or re-organizing it, I think the Board—while I believe it has the authority—certainly would want to see that the program of acquisition was going to be more than just purchase.

Mr. Saltsman: In its discussion on productivity the Economic Council of Canada I believe made some reference to the need to rationalize our industry. A further question I would like to put is, have you made any loans for the purpose of rationalizing Canadian industry?

Mr. Barrow: I think, Mr. Chairman, if I can put it this way, all of the loans in one sense are assisting the parts makers to rationalize because prior to the program the Canadian parts makers were given a multiplicity of orders for all sorts of parts. That is, one company might be asked to turn out 20 different parts, and they would be supplying, let us say, a vehicle manufacturer who, in turn,

would be making 60 or 70 models of cars in Canada. The result was that they might be turning out, let us say, 50,000 hubcaps, which is a very expensive and high-cost operation.

Now, under the present program there is rationalization in the procurement of parts in that the motor vehicle manufacturer may now ask an individual company to produce only three or four different types of components, but he will give that manufacturer much longer production runs than he had before. To this extent there is a great deal of rationalization going on all through both the motor vehicle industry and the parts industry.

A moment ago somebody was asking me about the stampers, and this is what has been happening with the small Canadian stampers who two or three years ago would be asked to produce a great multiplicity of stamping, whereas now they are being asked to produce only three or four but are being given very long production runs. They have had to re-equip with new kinds of presses and stamping machines, but they have got their costs down much lower than before and they are much more competitive. They are getting into export markets where they never were able to penetrate before. This sort of rationalization is going on very extensively.

Mr. Lind: May I ask a supplementary question?

The Chairman: Mr. Saltsman, will you permit a supplementary?

Mr. Lind: I would like to know whether a parts manufacturer who has obtained a loan and expanded, but whose business has expanded faster than he originally anticipated, can come back to you and, without too much of a problem, get additional money in order to expand further to increase his production?

Mr. Barrow: Yes, we would be very happy if he came back for more money to increase production; this is exactly the thing we want to encourage.

Mr. Lind: Thank you very much.

The Chairman: Mr. Saltsman?

Mr. Saltsman: One of the conditions of your loans is—

The Chairman: Mr. Saltsman, Mr. Tremblay has indicated he would like to ask a supplementary.

(Translation)

Mr. Tremblay: I will have two questions to ask, Mr. Chairman.

The Chairman: I will put your name on the list after Mr. Saltsman.

(English)

I am sorry, Mr. Saltsman, go ahead.

Mr. Saltsman: One of the conditions of the loans is that the interest rate is 6 per cent. I presume that this is provided to you through bond issues from the Department of Finance?

Mr. Barrow: The money is provided by Parliament through the regular estimates procedures.

Mr. Saltsman: Can you give us any indication of whether this 6 per cent covers the full cost incurred by the Canadian government or whether there is some element of subsidization in these loans?

Mr. Barrow: To the best of my knowledge it covers the full cost; there is no element of subsidy, we are told.

Mr. Saltsman: I might point out that my interest in raising this question is that we have tried to get the government to do this for housing and they have been very reluctant to get into this field. Thank you; I think that is all.

The Chairman: Mr. Latulippe and Mr. Tremblay would like to ask short questions, but I notice it is now 11 o'clock and some members are indicating that they have to attend another meeting. Could I ask the indulgence of Mr. Latulippe and Mr. Tremblay to reserve their questions until next week, and allow the Committee to pass Items L60 and L65? If this is possible, they could pose their questions to the Minister of Industry who will, I presume, be here next week. I hope this is satisfactory to the two gentlemen.

Mr. Peters: Mr. Chairman, I should like to ask a question. This has been raised by Mr. Saltsman and a number of other members and concerns the banking aspect of the Department. Probably it is a very important section and it could probably be under Item 1, but I think the Department might be prepared to set forth on paper their reasoning for keeping this and why we should not have a recommendation for amalgamating that sec-

tion with the Development Bank. If this were prepared, it would facilitate the answers to the questions which obviously are going to be asked on Item 1 in this regard. There may be some legitimate reasons, but it is doubtful whether we have really heard them yet.

The Chairman: Mr. Peters, I will take this up with the Minister and suggest that these questions will be asked. Mr. Latulippe and Mr. Tremblay will be the first ones to question the Minister. I am sure he will have his departmental officials with him. I hope members of the Committee agree because we want to expedite the proceedings that we now have.

Mr. Hales: Further to what Mr. Peters has said, when you are preparing that perhaps a list of the employees, the rate of salaries and the total cost of operating that Department could be included.

The Chairman: If the Committee agrees—

(Translation)

Would that suit you, Mr. Latulippe?

(English)

Shall Items L60 and L65 carry?

Some hon. Members: Agreed.

Mr. Hales: Item L65 is really no different from Item 20 is it?

The Chairman: No, it is not too much different from Item 20.

Mr. Hales: Why are they separated?

Mr. Mundy: The reason is that in the case of capital equipment, a loan is made to the applicant for his 50 per cent share and he repays it over a period of five years.

Items L60 and L65 agreed to.

The Chairman: Gentlemen, this takes care of all the Items that have been referred to us by the House, with the exception of Item 1 which was stood. Item 1 will be called at the next meeting when we hope the Minister of Industry will be with us.

Thank you very much.

**OFFICIAL REPORT OF MINUTES
OF
PROCEEDINGS AND EVIDENCE**

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lation, Secretary of State.**

**LÉON-J. RAYMOND,
*The Clerk of the House.***

The Chairman: I will put your name on the list. Mr. Bellamy, will you please answer the question which I have just asked you? I am sorry, Mr. Bellamy, no more. The Chairman: One of the conditions of the loan is that the interest rate is 8 per cent. I am sorry, Mr. Bellamy, no more.

Mr. Bellamy: Yes, I will have his name on the list. The Chairman: I will take this up with the Minister and suggest that there be a meeting on this subject. The Chairman: I will have his name on the list. The Chairman: I will take this up with the Minister and suggest that there be a meeting on this subject. The Chairman: I will have his name on the list. The Chairman: I will take this up with the Minister and suggest that there be a meeting on this subject.

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HOUSE OF COMMONS

Second Session—Twenty-seventh Parliament

1967

STANDING COMMITTEE

ON

**INDUSTRY, RESEARCH AND
ENERGY DEVELOPMENT**

Chairman: Mr. PATRICK T. ASSELIN

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 5

TUESDAY, JUNE 27, 1967

Respecting

Main Estimates (1967-68) of the Department of Industry

INCLUDING SECOND REPORT TO THE HOUSE

The Honourable C. M. Drury, Minister of Industry

and

WITNESS:

Mr. B. G. Barrow, Assistant Deputy Minister (Operations),
Department of Industry.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1967

STANDING COMMITTEE

ON

INDUSTRY, RESEARCH AND ENERGY DEVELOPMENT

Chairman: Mr. Patrick T. Asselin

*Vice-Chairman: Mr. Leonard Hopkins

and

Mr. Beaulieu,	Mr. Hales,	Mr. Reid,
Mr. Bower,	Mr. Latulippe,	Mr. Saltsman,
Mr. Caron,	Mr. Legault,	Mr. Scott (Victoria
Mr. Chatwood,	Mr. Lind,	(Ont.)),
Mr. Forest,	Mr. McCutcheon,	Mr. Sherman,
Mr. Fulton,	Mr. Noël,	Mr. Tremblay (Richelieu-
Mr. Goyer,	Mr. Ouellet,	Verchères),
Mr. Grafftey,	Mr. Peters,	Mr. Wahn—24.

(Quorum 13)

Hugh R. Stewart,
Clerk of the Committee.

TUESDAY, JUNE 27, 1987

Respecting

Main Estimates (1987-88) of the Department of Industry

INCLUDING SECOND REPORT TO THE HOUSE

The Honourable C. M. Drury, Minister of Industry

and

WITNESS:

Mr. B. G. Barrow, Assistant Deputy Minister (Operations),
Department of Industry.

REPORT TO THE HOUSE

FRIDAY, June 30, 1967.

The Standing Committee on Industry, Research and Energy Development has the honour to present its

SECOND REPORT

Pursuant to its Order of Reference of Thursday, May 25, 1967, your Committee considered the Main Estimates for 1967-68, relating to the Department of Industry.

Your Committee has held five meetings from June 8 to June 27, 1967, and has heard the following:

The Honourable C. M. Drury, Minister of Industry;

From the Department of Industry: Messrs. S. S. Reisman, Deputy Minister; B. G. Barrow and D. B. Mundy, Assistant Deputy Ministers (Operations); W. J. Lavigne, Commissioner, Area Development Agency; J. L. Orr, Industrial Research Adviser; G. E. Hughes-Adams, Chief, Ship Division, Shipbuilding and Heavy Equipment Branch; C. D. Arthur, Secretary, Adjustment Assistance Board.

During the course of its deliberations, your Committee discussed the Area Development program, the Automotive program, the various research activities of the Department and the idea of establishing a departmental information centre to provide data, particularly to the smaller Canadian manufacturers, on certain types of import goods. Your Committee did not have sufficient time to examine these important topics in detail and would welcome an opportunity to consider them more thoroughly in the near future. If permission is granted for your Committee to continue these studies, they would at the same time appreciate the opportunity of visiting certain of the major industries and research installations for which the Department of Industry and the Department of Energy, Mines and Resources have jurisdiction.

Your Committee commends to the House for its approval, the Main Estimates 1967-68, of the Department of Industry.

A copy of the relevant Minutes of Proceedings and Evidence (*Issues Nos. 1 to 5 inclusive*) is tabled.

Respectfully submitted,

PATRICK T. ASSELIN,
Chairman.

REPORT TO THE HOUSE

Friday, June 30, 1987

The Standing Committee on Industry, Research and Energy Development has the honour to present its

Second Report

Pursuant to its Order of Reference of Thursday, May 25, 1987, your Committee considered the Main Estimates for 1987-88, relating to the Department of Industry.

Your Committee has held five meetings from June 8 to June 27, 1987, and has heard the following:

- The Honourable C. M. Drury, Minister of Industry;
- From the Department of Industry: Messrs. S. Steinman, Deputy Minister; B. G. Hanson, Assistant Deputy Minister (Operations); W. J. Lavigne, Assistant Deputy Minister (Operations); J. I. O'Connell, Assistant Deputy Minister (Operations); G. E. Hughes-Adams, Chief, Shipbuilding and Heavy Equipment Branch; C. D. Arthur, Secretary, Adjustment Assistance Board.

During the course of its deliberations, your Committee discussed the Area Development program, the Autocative program, the various research activities of the Department and the idea of establishing a departmental information centre to provide data, particularly to the smaller Canadian manufacturers on certain types of import goods. Your Committee did not have sufficient time to examine these important topics in detail and would welcome an opportunity to consider them more thoroughly in the near future. If permission is granted for your Committee to continue these studies, they would at the same time appreciate the opportunity of visiting certain of the major industries and research installations for which the Department of Industry and the Department of Energy, Mines and Resources have jurisdiction.

Your Committee commends to the House for its approval, the Main Estimates 1987-88, of the Department of Industry.

A copy of the relevant Minutes of Proceedings and Evidence (Issues Nos. 1 to 5 inclusive) is tabled.

Respectfully submitted,

PATRICK T. ARSELL,
Chairman

MINUTES OF PROCEEDINGS

TUESDAY, June 27, 1967.

(5)

The Standing Committee on Industry, Research and Energy Development met at 9:50 a.m. this day with the Chairman, Mr. Patrick T. Asselin, presiding.

Members present: Messrs. Asselin (*Richmond-Wolfe*), Bower, Chatwood, Goyer, Hopkins, McCutcheon, Noël, Peters, Saltsman, Scott (*Victoria (Ont.)*) and Mr. Tremblay (*Richelieu-Verchères*)—(11).

In attendance: From the Department of Industry: Honourable C. M. Drury, Minister; Messrs. B. G. Barrow and D. B. Mundy, Assistant Deputy Ministers (Operations); and Mr. J. L. Orr, Industrial Research Adviser.

The Committee resumed consideration of *Item 1, Main Estimates 1967-68, of the Department of Industry*. The Minister, the Honourable C. M. Drury, was present for further discussion and to answer questions.

Mr. Tremblay (*Richelieu-Verchères*), opened the questioning with inquiries concerning Marine Industries Ltd. Messrs. McCutcheon and Saltsman directed a series of questions to the Minister which related to the Automotive program. Messrs. Saltsman, McCutcheon and Peters completed the questioning under Item 1, on a variety of subjects which included assistance provided by the Department to the furniture and construction industries, the BEAM program, and a suggestion for a regular publication to advertise the services which can be provided to small industries.

Item 1 was carried.

The Committee agreed, unanimously, that the Chairman report the Estimates to the House.

At 11:05 a.m., the Committee continued to sit, *in camera*, to discuss its Report to the House. The members agreed upon various suggestions for inclusion in the Report, which the Chairman was authorized to present as the *Second Report of the Standing Committee on Industry, Research and Energy Development*.

The Committee adjourned at 11:40 a.m., to the call of the Chair.

Hugh R. Stewart,
Clerk of the Committee.

MINUTES OF PROCEEDINGS

Tuesday, June 27, 1933

(5)

The Standing Committee on Industry, Research and Energy Development met at 9:30 a.m. this day with the Chairman, Mr. Patrick T. Azealin, presiding.

Members present: Messrs. Azealin (Richardson-Wolfe), Bower, Chestwood, Goyer, Hopkins, McCutcheon, Noel Peters, Saltzman, Scott (Victoria (Ont.)) and Mr. Tremblay (Richardson-Verdres)—(11).

In attendance: From the Department of Industry: Honorable C. M. Drury, Minister; Messrs. B. G. Barrow and D. B. Mundy, Assistant Deputy Ministers (Operations); and Mr. J. I. Orr, Industrial Research Advisor.

The Committee resumed consideration of Item I, Main Estimates 1933-34 of the Department of Industry. The Minister, the Honorable C. M. Drury, was present for further discussion and to answer questions.

Mr. Tremblay (Richardson-Verdres) opened the questioning with industries concerning Marine Industries Ltd. Messrs. McCutcheon and Saltzman directed a series of questions to the Minister which related to the Automotive program. Messrs. Saltzman, McCutcheon and Peters completed the questioning under Item I, on a variety of subjects which included assistance provided by the Department to the furniture and construction industries, the HEAM program, and a suggestion for a regular publication to advertise the services which can be provided to small industries.

Item I was carried.

The Committee agreed, unanimously, that the Chairman report the Estimates to the House.

At 11:05 a.m. the Committee continued to sit, in camera, to discuss its Report to the House. The members agreed upon various suggestions for inclusion in the Report, which the Chairman was authorized to present as the Second Report of the Standing Committee on Industry, Research and Energy Development.

The Committee adjourned at 11:40 a.m. to the call of the Chair.

Hugh R. Stewart,
Clerk of the Committee.

EVIDENCE

(Recorded by Electronic Apparatus)

Tuesday, June 27, 1967.

The Chairman: Gentlemen, if you will permit me to call the meeting to order, a number of other members have indicated they will be here very shortly.

The Minister of Industry is with us, and we have only Item I of the Estimates of the Department to pass. Under this item we are allowed to ask questions, and the Minister has willingly accepted our invitation to attend this meeting.

At the end of the last meeting we indicated that we would allow Mr. Tremblay and Mr. Latulippe to start the questioning. I will start with you, Mr. Tremblay.

(Translation)

Mr. Tremblay, you may begin your questions to the Minister.

Mr. Tremblay (Richelieu-Verchères): Mr. Minister, could you give me detailed amounts of the subsidies granted each year to Marine Industries Limited for ship construction?

Mr. Drury (Minister of Industry): Yes, Mr. Chairman. I shall refer to fiscal years. 1962-63, \$665,903; 1963-64, \$1,902,565; for the fiscal year 1964-65, \$1,482,007; 1965-66, \$200,123; 1966-67, \$2,800,121; and for the current year, 1967-68, the amount will be approximately \$3 $\frac{3}{4}$ million.

Mr. Tremblay (Richelieu-Verchères): In 1965-66, what was the figure, Mr. Minister?

Mr. Drury: \$260,123.

Mr. Tremblay (Richelieu-Verchères): That was a small year, then?

Mr. Drury: The subsidies were in accordance with the company's requests for the construction projects.

Mr. Tremblay (Richelieu-Verchères): Thank you. I have another question. Are there, at the present time, any existing naval construction projects at Marine Industries Limited?

Mr. Drury: There are actual construction projects for which grants are being made. They are for fishing and commercial vessels.

Mr. Tremblay (Richelieu-Verchères): Can you give us the amount of these contracts?

Mr. Drury: No, but the grants are based on the contracts. This will amount to approximately \$3 $\frac{3}{4}$ million. I do not have the exact amount.

Mr. Tremblay (Richelieu-Verchères): Now, one last question, Mr. Minister. I have been informed that Marine Industries Limited is preparing a submission for the construction of escort vessels. This company, I think, is one among five companies that is going to tender. Could you tell us when, approximately, the bids will be opened and the contract let?

Mr. Drury: We have already received bids and they are being studied. We are trying to let a contract for the construction of two ships at a main dockyard and another contract for two ships at a secondary yard. Marine Industries Limited have qualified as a main yard and as a secondary yard.

● (9.55 a.m.)

Mr. Tremblay (Richelieu-Verchères): Can you tell me whether they qualify as a principal or secondary dockyard?

Mr. Drury: They qualify as both.

Mr. Tremblay (Richelieu-Verchères): As both?

Mr. Drury: As both.

Mr. Tremblay (Richelieu-Verchères): Is it an advantage to qualify as both?

Mr. Drury: Yes, because they can bid on the main contract and also on the secondary contract.

Mr. Tremblay (Richelieu-Verchères): As far as the dates are concerned, can you give us an idea when a decision will be taken in this regard?

Mr. Drury: We should receive the bid during August. We will try to let the contract in November or December next.

Mr. Tremblay (Richelieu-Verchères): There is a rumour to the effect that Marine Industries Limited is to receive an enormous contract and the population is hoping that it will. That is why I am asking these questions. The people of Sorel and of the county should be informed as to when the large contract will get under way. You say it will be towards the end of the year. Thank you, Mr. Minister.

The Chairman: Is that all, Mr. Tremblay?

Mr. Tremblay (Richelieu-Verchères): That is all, Mr. Chairman.

(English)

The Chairman: Are there any other questions to the Minister?

Gentlemen, shall I call Item No. 1?

(Translation)

Mr. Tremblay (Richelieu-Verchères): I have forgotten one question. What is the approximate amount for the construction of escort vessels?

Mr. Drury: The amount?

Mr. Tremblay (Richelieu-Verchères): Yes.

Mr. Drury: The amount depends on the bids that are sent in.

Mr. Tremblay (Richelieu-Verchères): Yes, but what is the approximate cost of such a project?

Mr. Drury: For the two ships?

Mr. Tremblay (Richelieu-Verchères): Yes.

Mr. Drury: About \$40 million a pair.

Mr. Tremblay (Richelieu-Verchères): And Marine Industries are definitely qualified to build those two ships?

Mr. Drury: Yes. That is, one pair in the main dockyard.

Mr. Tremblay (Richelieu-Verchères): Yes.

Mr. Drury: And one pair in the secondary dockyard.

Mr. Tremblay (Richelieu-Verchères): So one pair is worth about \$40 million. What about the cost of the vessels to be built in secondary dockyards?

Mr. Drury: A little less. Because the main dockyard has to assume the role of lead yard in planning and in supervising of the other yards, it is granted a little more money.

Mr. Tremblay (Richelieu-Verchères): Will the contracts be let at the same time? If Marine Industries were chosen would the two contracts be let for the four ships at one time, or rather one pair and then the other later on?

Mr. Drury: First one pair to the lead yard, and the other pair later.

Mr. Tremblay (Richelieu-Verchères): Thank you.

The Chairman: Thank you, Mr. Tremblay.

(English)

Mr. McCutcheon, and Mr. Saltsman have indicated they would like to ask questions.

Mr. McCutcheon: Thank you, Mr. Chairman. Mr. Minister, I should like to ask a couple of questions in connection with this automobile pact. We know the benefit the auto companies have received, and we have been told that the economy and the employment situation has been helped by it. I am wondering whether you can tell us when and by what means the general public is going to be helped, and I refer now to their being able to purchase automobiles at lower prices?

Mr. Drury: I do not know that I could guarantee a lower price. Lowering prices at all does not seem to be a habit these days. But it is a fact that since the inception of this agreement, the differential in manufacturers' price between Canada and the United States, which was quite large in 1964 has been narrowed in the two years during which the bank has been operating.

You must realise that this agreement can have no direct effect on retailing prices or retailing practices. All we can influence effectively is manufacturing costs, and consequently manufacturers' prices. In one year there was a rise in United States prices, I think, and in the same year there was no rise in Canadian prices, and this represented a narrowing. In the second year the rise in Canadian prices was less than the rise in United States prices in the same year. Now, the course of prices at retail in the United States has been consistently up. In Canada in the first year of the operation there was no increase in Canadian prices on the average, and there was a lesser increase in Canadian prices in the second year than there was in the United States.

For those who are looking for an absolute reduction in prices, this is perhaps disappointing, but I think we should take satisfaction from the fact that Canadian prices either are not rising at all, or are rising less rapidly than prices in the United States.

Mr. McCutcheon: Mr. Minister, may I point out a specific example to you, and then probably I can have your comments on how we should answer it.

Automobiles manufactured in the United States and delivered to their dealers, by law have a suggested retail price affixed either to the windshield or to the glass showing all the equipment that is on the car, and the total retail price. Now, early this year automobiles that were manufactured in Detroit for the Canadian market slipped through the clean-up job at the border that should have been done, and different automobiles came in to dealers in Southwestern Ontario with suggested retail prices on them. There was a great deal of concern amongst dealers, I can assure you, when they discovered that the price of cars that were to be sold in Detroit at retail was \$50 less than dealers net on that product in Southwestern Ontario.

Now, traditionally there has been a 25 to 33 per cent spread in automobile prices between the two countries. Quite frankly, on this evidence of prices the differential still exists, and I am sure the Canadian public believed all along that there was going to be a narrowing. Many people in the trade cannot see that it has happened yet.

Mr. Drury: Perhaps I might ask Mr. Barrow to give you precise information on this.

Mr. B. G. Barrow (Assistant Deputy Minister, (Operations) Department of Industry): In 1964, the year before the automotive plan came into effect, the average differential between Canada and the United States—if I may revert for a moment to manufacturers' prices—was about 8 per cent. This was prior to the introduction of the plan. In the first year of operation of the plan, 1965, as Mr. Drury has pointed out, prices in the United States increased, and I am speaking now of the volume models of cars—the Chevrolets, Pontiacs, Fords, Chrysler products, Dodges, Plymouths, and so on. In Canada, the prices either remained at the level of the previous year, or in some cases were reduced, and the result was that the differential in prices was reduced from 8 per cent to a little under 5 per cent in one year.

Now, in the second year of the application of the program, 1966, prices rose again in the United States. In some cases they remained constant in Canada, and in a few cases they increased because of the safety package. However, the increases in Canada were confined largely to the safety package, with the result that the increase was much smaller in Canada than in the United States, so that the differential now on the volume cars is considerably less than half of what it was in the year immediately prior to the introduction of the program.

We have discovered that it is very difficult to compare prices in the United States with prices in any given location in Canada. We have tried to do it; we have had our people go across to the United States and compare prices at retail with prices in Canada, and strangely enough one of our men who is quite experienced in this industry discovered he could buy one of the volume models cheaper in Toronto at retail than in the area of Buffalo or Fort Erie.

The difficulty however, in making valid comparisons is that you have to look at provincial sales taxes; taxes differ from state to state, and they differ from province to province in Canada. Also, the automobile manufacturers will charge freight, of course, and this will vary depending on the location. If they are selling a car right out of the factory door there may be no freight; if they are selling a car at a distance of 50 miles, there will be a freight charge, and of course, if it is a greater distance the freight charge will increase. Therefore, if these cars that you mentioned had been earmarked for sale at Detroit, probably they would first of all carry the sales tax for the State of Michigan, and secondly they would not carry any freight charge, whereas there actually would be a freight charge, of course, for laying down a car somewhere like Chatham, St. Thomas or London, Ontario.

It is very difficult to make valid comparisons, but the differential is very much narrower than it was two years ago. It has been cut by more than half and is down around the range of 3 per cent and in some cases even less. There are some volume model cars that were being sold last year in Canada at less.

Mr. McCutcheon: Can you be specific on that?

Mr. Barrow: I know the cars; I could tell you in confidence, I am not sure that I should feel free to say it here.

Mr. McCutcheon: All right. Concerning your reference to freight, do not the American manufacturers in the United States have the same type of freight arrangements as we, where dealerships that are close to the factory pay a hell of a lot more freight proportionally than they should in order to subsidize dealerships throughout Western Canada? The same thing pertains, I think, to American manufacturers, so I do not think that point you brought up should be considered valid.

Mr. Barrow: The freight is much higher, as you know.

Mr. McCutcheon: Yes; in Western Canada there is an extra \$100 or more for freight.

Mr. Barrow: Another consideration you may wish to keep in mind is the discount. In the United States many of the dealerships are much larger than in Canada, and of course, as you know discounts tend to be larger with a larger dealership. In Canada the smaller dealers, although they may receive a given discount, will not receive nearly as large a discount as the bigger dealers.

Mr. McCutcheon: Have you examined that phase of it?

Mr. Barrow: Yes, we have sir.

Mr. McCutcheon: Is it all that large?

Mr. Barrow: There is a considerable variation in the discounts between a small dealership—the information has been given to us by the company—and a very large one.

Mr. McCutcheon: I think this is abundantly true. What you have said has been very helpful but it is very difficult for an automobile salesman to get this across to the general public, as you can well imagine. And the same applies to the manufacture of a product in, say, Oakville that sells for \$3,300 when the same thing in upper New York, shall we say, sells for \$2,400. Again this is a very difficult thing to explain to the Canadian public. I am not discounting the fact that it has been beneficial. Frankly, I want you to understand that I am looking for answers that can be explained to the general public who seem to have the same questions in mind that I have tried to put before you today. I will pass for the moment.

Mr. Drury: May I just say, Mr. Chairman, that one cannot always relate directly the selling price of a particular model or make to the cost to the manufacturer. Just as they do in using the basic point system in averaging out freight, if they want to push a particular line, or meet competition of a particular line, manufacturers will take a smaller margin on a particular car, or a larger margin on a car, than they do on the average. You cannot say that because car A actually cost the manufacturer \$100 to build, and car B cost the manufacturer \$98 to build, there is going to be a \$2 differential in price. They may sell for the same price, or they may sell for a price spread of \$30. Do you follow me?

Mr. McCutcheon: Of course, of course.

Mr. Drury: And because conditions tend to be different in the two countries, not only nationally but regionally, some apparent anomalies in comparative prices of a particular model of car appear on the two sides of the border.

Mr. McCutcheon: I would like to come back later.

The Chairman: Yes, Mr. McCutcheon, I will put your name down again on the list. Mr. Saltsman?

Mr. Saltsman: Mr. Minister, the purpose of the rationalization of this industry has been to increase productivity, I presume, and to provide a more rational approach to the manufacture of automobiles. Can you say to what extent productivity has been increased in the automobile industry in Canada, compared with the position before the pact?

• (10:15 a.m.)

Mr. Drury: Productivity, of course, is quite difficult to measure with any degree of precision. There are some rough, gross measurements which, I suppose, are satisfactory for an industry, or for a very large plant, as a whole. When you get down to particular operations it becomes a little less meaningful. Perhaps one of the better indices is the narrowing of the margin of the cost of production of a given line of products by the Canadian and American manufacturers.

Mr. Saltsman: With this trade agreement there really should be no inhibition of productivity in Canada. For instance, with the reduction in the number of models going through our lines and the rationalization of

plants we should, in theory, be producing as efficiently as the Americans right now.

Mr. Drury: I must qualify that immediately. You cannot overcome difficulties which have grown up behind quite a substantial protection over a period of about 30 years. You cannot cure all of them in two.

Mr. Saltsman: What are these difficulties that are inhibiting this development?

Mr. Drury: You are aware that in Oshawa there is now a very substantial change in facilities taking place. One of the difficulties was the unsuitability of the Canadian paintfinish for the American market. The spraying and baking operation, in the paint application must be taken out and redesigned and a different technique used. This means time down and quite a substantial investment. This is just an example.

Mr. Saltsman: It does not seem to me to be a major problem. These things happen in industry all the time as techniques change. So far as organizing production is concerned, the fact that they can run smaller numbers of models should really put them in a better productivity position than they have ever been in before. Is there any measure of this? Is there even a rough measurement?

For instance, I would like to have a measurement of the increase in productivity in relation to the prices that are being charged. For instance, when you were asked a question about prices to the consumer you indicated that they have not increased in Canada to the same extent that they have in the United States. It has not been a very dramatic sort of thing. I think it has been in the area, in most cases, of \$30 to \$40. This is a very small percentage of the price of a car. We should certainly have been able to expect dramatic increases in productivity as a result of this rationalization. Have the price adjustments been in harmony with the productivity increases? Have we only had that percentage of productivity increase? We are probably talking about the one or two per cent benefit. Has the benefit of productivity increases been greater than that?

Mr. Barrow: I can only say, sir, that in some cases I am led to believe that the narrowing of the differential has probably been greater than the increase in productivity. I say that because in many cases it has not been possible to adjust the facilities very quickly, even in a two-year period, and

therefore certain components and models of vehicles in Canada are still being made in exactly the same way that they were three years ago. In other words, the firms have set certain priorities in their re-equipping and rationalization of their production with the result that you will find that they may have reduced prices of certain models of vehicles, or prices of certain components may have come down, although they are still being produced with the same equipment and with the same volume of run and so on as previously. In other cases, productivity has increased. There is, however, no uniform standard.

I think the example that the Minister gave was probably an excellent one, the General Motors facility at Oshawa, which, traditionally, has used an enamel finish for its production whereas in the United States they have been using a lacquer finish. This means that cars from Oshawa could not be shipped to the United States and rationalized with U.S. production until the paint lines used in the finishes could be converted. This process is taking place, we understand.

Another example I might give you is the Ford facility at Oakville. I understand that Ford has been making up to 75 models of cars on one assembly line there, and also assembling their trucks on the same line. They recently brought into production a new truck assembly line, which means that they have taken their trucks off, but they really have not been able to rationalize their Canadian production of cars very much and will not be in a position to do so until they get the new St. Thomas facility into operation, which will be an automobile one. They are doing some rationalization in the interim.

It is very difficult to measure, in any sort of a uniform way, as between one automobile manufacturer and another and the parts makers, what precisely the increases in productivity may be.

Mr. Saltsman: You may correct me on this figure if I am wrong, but after about two years of operating this program my understanding is that they are receiving a benefit of about \$50 million a year. Therefore, after nearly two years and about \$100 million they do not seem to be making very speedy progress, nor do they seem to be very rapidly achieving the kind of benefits we hope to get under this program, from what we can see. Certainly if the price of automobiles in Canada is related to their productivity in-

crease then the latter has not been very large, from what we can hear.

Mr. Drury: If, in the first year of the operation of the pact, when there are \$50 million which presumably would have been paid in duties and was not paid, the prices of Canadian cars had gone up by exactly the same amount as did the American prices—and this particular year there was no rise in the Canadian prices as there was in the American—the Canadian companies would have been \$49 million and something richer; therefore, in that first year, anyhow, the whole of this \$50 million, less half a million dollars, was passed on to the Canadian consumer. I do not say this was done by design; it just happened that the arithmetic worked out that way.

Mr. Saltsman: We broke even that year?

Mr. Drury: We broke even that year. I have not seen the arithmetic on how many millions less the Canadian companies got as a consequence of not rising the second year.

Mr. Saltsman: To be fair, I know that there are other benefits to this trade pact apart from the reduction of prices to the consumer. However, it does not seem that we have moved as rapidly to gain the advantages of rationalization in this industry as I think we might.

There were very high hopes that they would rationalize their production and that the barriers, the inhibitions and the rationalization were being removed. It was a very forward-looking program, a new type of program in its time. Quite frankly, I think it is disappointing that they have not been able to make greater strides in this matter of the paint booths and the truck line of the Ford Motor Company. Surely, in two years, giant corporations of this type are capable of moving more rapidly than the evidence would indicate.

Mr. Drury: Would you consider that the plant at St. Thomas had been very slow, too?

Mr. Saltsman: I do not imagine that the rationalization depends on the building of Canadian plants. They can still rationalize without the building of plants. It is a question of redistributing their production amongst their other plants. The existing—

Mr. Drury: Yes; but this tends to be quite an expensive operation. They have to maintain production. If they could cease produc-

tion for a year while they are rebuilding their existing plants they could do this quite economically, but they cannot. Simultaneously they have got to continue to maintain not only production but more efficient production and still reconstruct their whole assembly line while this operation is going on. You cannot just dismiss that by saying, "They should be able to do it. That is what they are in business for". One has to be realistic. It is perhaps a lot easier to grasp the time factor in the erection of a new plant in a place like St. Thomas than it is merely to say, "Well, they have to change a few nuts and bolts in Oakville and that is all they need to do". First of all, there is the engineering and, in the case of St. Thomas, a land assembly to be carried out. Following the engineering design there is the ordering of production machinery which has, within itself, a substantial lead time; and, finally, the installation and running in. I do not think it is too realistic to say that this should all be accomplished in two years and be running at 100 per cent.

Mr. McCutcheon: Why did not the prices go up in 1965? Did the Government say to the Company, "Now, you hold the line"?

Mr. Drury: The Government did not say, "Now, you hold the line." What it did say to the companies was, "The buying public expects at an early date, and visibly, some beneficial results, from their point of view, of this agreement. In everybody's interests you should pass on to the public as rapidly, and as large, as you can, not only immediate savings but some anticipated savings". This, I am glad to say, they did.

Mr. McCutcheon: May I ask a further supplementary question? What was the increase in imports in the first year?

Mr. Drury: I will get the figures.

Mr. Barrow: In 1964, imports from all countries were \$838 million; and in 1965, the first year of the plan, they were \$1.155 billion.

Mr. McCutcheon: These are dollars?

Mr. Barrow: These are dollars.

Mr. McCutcheon: Do you have units?

Mr. Barrow: No.

Mr. McCutcheon: That is irrelevant. The point is, Mr. Chairman, that the reduction in

Canadian prices does not really mean very much because our imports were up considerably more, and by the Minister's admission the cost of those American-produced automobiles was much higher. Therefore, I say that there is a great deal of rather nebulous thinking here. I am not criticizing the fact that Chrysler Corporation used to have 7,000 employees and now has 13,000. I am all for this. This is wonderful. But there seems to me to be a gray area here. The Canadian people must have been paying more, or equally as much, for those imported cars as they paid the previous year. This is my point, Mr. Drury.

Mr. Drury: In some cases this is true. I mentioned the lack, in every case, of direct relationship between cost of manufacture and selling price. However, Mr. Saltsman asked me for some measure of the benefit that Canadians got in the first year. I tried to indicate that that was of the order of \$50 million worth. There are those who would argue that this is not enough, that it should be more, which is, in effect, saying that the profit margins of the companies should be lowered. Is this the argument that is being made?

Mr. McCutcheon: The point is that it is the Canadian public who, to coin a phrase, are putting up the \$50 million. Surely now, after almost three years, they should be getting some benefit.

Mr. Drury: Well, I have just indicated that in the first year they did get a benefit of \$50 million. Regrettably, I do not have the arithmetic on what was the narrowing of the differential for the second year.

Mr. McCutcheon: Who got the benefit of the increase in imports from \$838 million to a billion and something?

Mr. Drury: You ask who got the benefit. This is part of the process of rationalizing. Although imports increased substantially, so did exports. Presumably a great many Canadian parts manufacturers got the benefit, and the additional employees they took on got the benefit, and the Canadian public, as a consequence of improved efficiency and production in Canada and lower-priced imports were able to obtain a further narrowing of the differential in the second year. Therefore, the employees, the part manufacturers and the public all got a slice of this.

Mr. McCutcheon: I do not want to belabour the point any longer, Mr. Chairman. I would love to sit down and have the Minister go over this with me so that I could clearly understand it.

The Chairman: Thank you very much. Mr. Saltsman.

Mr. Saltsman: Mr. Chairman, I wish to ask the Minister a further question on one of the specific examples he gave me regarding the Oshawa plant's paint facilities. These have not been completed as yet, have they?

Mr. Drury: The conversion is not completed.

Mr. Saltsman: I find it difficult to understand why, knowing how this pact was going to work, it would take the company two years to start the conversion when they knew that their paint finishes in Canada were not acceptable on the American market. What is the explanation for this time lag? The conversion is not finished even yet. Why did not the immediately start on this conversion? They knew that they were going into the American market and that these cars had to be acceptable by, or brought up to, North American standards. Why would the company delay so long in making this kind of conversion?

Mr. Drury: You are asking why it has taken them so long. I cannot answer you in precise detail. This is a question that really should be addressed to General Motors.

Mr. Saltsman: Well, would you address it to General Motors? They do not always listen to me!

Mr. McCutcheon: Nor to the Government.

Mr. Drury: General Motors undertook to increase its production by a significant amount over this period. It was left to the company to decide how they would do this. They made a plan to increase production, and in the phasing of it they were rather more rapid in some of the many steps necessary to achieve rationalization of the whole operation than in others. One of the not so rapid ones appears to have been the changeover in the paint operation.

Mr. Saltsman: Yet it is absolutely fundamental. Now I would like you to continue.

Mr. Drury: It is fundamental to the production of passenger cars for the American market in the Oshawa plant.

Mr. Saltsman: And this is one of our major plants.

Mr. Drury: It is one of our longest-established; there is no question about that.

Mr. Saltsman: Perhaps I could conclude this particular line of questioning, Mr. Chairman, by saying again that, sympathetic as you, or I, or others may be to the rationalization of production in Canada it is extremely difficult to understand what appears to be the very slow progress in the accomplishment of this objective in Canada. I hope that the automobile companies will see fit at some time to provide an explanation of this.

Mr. Drury: Mr. Chairman, I commend Mr. Saltsman for his impatience for good and for improvement, but one might remark that over a two-year period the automobile industry, including the parts manufacturers, have succeeded in increasing their exports to the United States by some 400 per cent—fourfold. Over a two-year stretch I do not think that constitutes a blot on their escutcheon, or could be chalked up as a disappointing performance.

It is always a matter of chagrin to the enthusiast not to achieve everything in the shortest possible time, but I still think one must be a little realistic. Although perfection has not been reached at least substantial progress has been made. In my opinion, it would be unfair to the automobile industry to say that their performance has been disappointing.

Mr. Saltsman: Well, I am glad that the Minister has removed the blot from their escutcheon.

If I may proceed, I would like to ask the Minister what plans he has for the rationalization of other industries in Canada. The Economic Council has pointed out that one of the great problems facing Canadians is the lower standard of living deriving from the fact that much of our industry is not as efficient as that south of the border and is in dire need of some kind of re-organization to improve productivity. What plans are the Department making for other industries?

Mr. Drury: Well, as I have said on a number of occasions, the objective of the Department is to improve the productivity of Canadian manufacturing industry. Another thing that has been frequently said is that the

problems facing manufacturing industry in Canada differ vastly from industry to industry. A prescription, a formula, a technique for improvement in one will not necessarily fit any other.

The Department organized on an industry-by-industry basis, and each division, having gone through a period of familiarization with the problems of the industry, is, in concert with the industry concerned, trying to evolve programs for the improvement of its efficiency and productivity. You are, I think, fairly familiar with the automobile industry. In the case of one other, the furniture industry, in which some progress has been made, the fundamental problem is fragmentation. There are a very large number of very small furniture-producing units in Canada operating behind a high tariff barrier. The consequence of this is that these many small firms tend to serve highly localized markets and try to serve them completely, with a full line of furniture. This produces short runs with a relatively low margin of profit and they are unable to acquire the financial resources necessary to invest in the latest production techniques or to engage in adequate research and development. We are now trying to encourage, within the industry itself, a rationalization which will take the form of organizing co-operative search and research and co-operative marketing, where this can be arranged, and the formation of rationalized or co-operative production which will allow of longer production runs and of specialization.

There are other prospects for other industries. There is quite a different approach to the construction industry, the characteristic of which has been the manufacture of buildings locally on site. The whole building, with the exception of relatively small components, tends to be manufactured individually each time on the site. There does appear to be an opportunity for the introduction of rather more standardization of components and of construction techniques instead of having each building completely individual in itself. To this end we have organized a number of groups, or committees, in the building industry under the general aegis of the Building, Equipment, and Materials Program, or BEAM. These committees are composed of architects, consulting engineers and contractors, and we are in the process of trying to obtain labour representation on them.

Their purpose is to try to introduce into the construction industry rather more of the cur-

rent industrial techniques employed in the manufacturing industry. One of these, of course, about which there has been a good deal of talk, is the modular concept by which components are manufactured universally to standard, predetermined lengths. There is some enthusiasm for this not only among contractors but also among architects and construction engineers. This has not yet been done in this country; I hope it will be. Because it is largely a program of education and persuasion it takes time, but it is in progress.

Mr. Saltsman: Has not this kind of work been carried out for quite a number of years by the National Research Council? They have been doing exactly what you have described in relation to the construction industry. This is really not new work.

Mr. Drury: The National Research Council has been doing very useful work indeed in the technical development of standards and in the development of components. They have not had much success, however, in persuading the construction industry as a whole to make a concerted attack upon its problems.

The National Research Council have had their greatest success in this particular field in the drafting—and this was a monumental labour in itself—of a standard building code. This is somewhat different, however, from the establishment of standards and modular concepts for the construction industry as a whole.

The Chairman: Mr. Saltsman, excuse me for interrupting. Perhaps we should allow somebody else to ask a few questions. I know that you are following through on a trend, but a few others have been indicating—

Mr. Saltsman: I will finish with one question and then I will pass.

The Chairman: All right; thank you.

Mr. Saltsman: The Minister has been giving me very extensive answers.

The Chairman: But your questions seem to elicit these.

Mr. Saltsman: I thought my questions were rather short.

Mr. Drury: You asked me what our program is. It is a big one. I have only started. I have not talked about shipbuilding—

Mr. Saltsman: I am glad the Minister is warming to the task.

Mr. Drury: I have not talked about the dairy industry.

Mr. Saltsman: All right; I have one further related question and then I will desist.

You mentioned joint research by the furniture industry. I am not sure about this, but it seems to me that when we were discussing the research bill I raised with you the question of from where non-profit organizations would be able to obtain funds. I do not recall your precise answer, but I believe it was to the effect that non-profit organizations would not be eligible. Am I correct in that?

Mr. Drury: That is correct.

Mr. Saltsman: Then, if the manufacturers in the furniture industry got together to do joint research and joint marketing they would be forming a non-profit corporation which would not be eligible for assistance under the research program that has recently been instituted.

Mr. Drury: The source of funds of such a non-profit organization is the profit-making corporations, and what these corporations put into the non-profit organization for research purposes becomes eligible for the grant.

Mr. Saltsman: I will finish with just a very short sentence. I pointed out to the Minister at the time that if we hoped to encourage this idea there should be a more direct approach to the industry than this. Perhaps this is appropriate for industries comprising large companies with bookkeeping and all the other organizational features, but when you are dealing with a great many small companies then more direct assistance and encouragement to form an association for joint research and selling would be very much worthwhile.

Mr. Drury: I will undertake to see that this is discussed with the furniture manufacturers.

The Chairman: Thank you, Mr. Saltsman. Mr. McCutcheon indicated that he had a few more questions.

Mr. McCutcheon: I have just one.

The Chairman: That is fine, Mr. McCutcheon.

Mr. McCutcheon: You will be pleased to know that. The question is in three parts.

Mr. Drury, new automobile union contracts will be coming up for consideration in September. Walter Reuther has suggested a guaranteed annual wage and, of course, wage parity. What are the dangers to Canadian production if Walter Reuther does not agree that Canadian manufacturers lack the productive efficiency of their U.S. counterparts? Will we again be in the position of having imports from the U.S.A. to satisfy Canadian demand as was alleged by the Chrysler Corporation to have happened a couple of years ago. That is my only question.

Mr. Drury: That is a rather detailed question. Perhaps, as a very brief answer, I could refer you to the *Globe and Mail* of today's date. On the first page of the "Report on Business" there is a report from Detroit which examines Mr. Reuther's plans and projections.

Mr. McCutcheon: That is fine; but let us suppose that the UAW strikes Canadian operations. What happens to our automobile pact if American companies continue to manufacture while we are shut down in Canada?

Mr. Drury: We have faced that situation previously. There is always the prospect of a strike, or other work stoppage in Canada, not accompanied by a similar work stoppage in the United States. If the demand exists and Canadian manufacturers cannot supply it then, traditionally, the demand has been satisfied by import, and one would expect exactly that to happen. There is nothing new about this.

What is perhaps new is that for the first time, at least to my knowledge, an American labour leader has suggested that he is going to prescribe conditions of work in Canada as a condition of entering into a contract between the Union and a United States firm. Mr. Reuther has indicated that this will be one of his objectives, but it remains to be seen whether he persists in this. Your question is in a sense hypothetical. It may occur, but on the other hand it may not. We have not yet arrived at a real delineation of the situation and we are still a long way from the negotiations themselves.

The Chairman: Mr. Peters, you indicated that you had a question.

Before I recognize you, may I say that it is almost ten minutes to eleven. I would sug-

gest, that if it is agreeable to the Committee, after we have passed Item 1 we might continue in camera to discuss the report that we will make to the House. We have a quorum.

Mr. McCutcheon: I have one further supplementary question. Has the Minister any recommendations on what should be the work of this Committee hereafter?

Mr. Drury: Hereafter?

Mr. McCutcheon: You have no recommendations?

Mr. Drury: No, Mr. Chairman, I have no recommendations; merely commendations.

The Chairman: Thank you, Mr. Drury.

Mr. Peters: Mr. Chairman, I have been interested in the work done by this Department in the last year. They seem to have learned a great deal. I do not think we were so far advanced in the Department of Industry last year. It may be that we did not ask the right questions; I do not know.

It seems to me, Mr. Drury, that it would be of advantage not only to the Committee but to industry generally, particularly the smaller industries, which have little unity amongst themselves such as the furniture industry in southwestern Ontario where it is a major industry but fairly isolated amongst competition—Hanover is separate from Durham and Durham is separate from Stratford and the other areas—if some type of publication could be sent out showing the scope and type of assistance the Department would be prepared to give. We obviously have concentrated on the automobile pact and probably rightly so. I am not sufficiently familiar with it to know whether or not we have resolved anything because there are two sides to it and we have merely stated one of them. Mr. Reuther may state the other, and we may find that this is truly an interchangeable international commodity.

It seems to me that there would be some advantage in putting out fairly regularly a publication that would inform industry of what is being done in one segment so that this may be applied in another which may appear to be unrelated but which may gain some advantage as the Department continues to grow, as it probably will.

Mr. Drury: Mr. Chairman, I commend to Mr. Peters a reading of our Annual Report,

which I will be glad to send to anybody whom I can get to read it.

Mr. Peters: I have read the Annual Report. As do all other annual reports it outlines what the Department has done. I am not speaking of that. I am speaking of a much more technical and specific document.

The Department of Agriculture sends out such a publication dealing with particular aspects of agriculture. It is very specific and frequently outlines what the problem was, what the Department has done, what the solution was, and what the situation is now. It may be that that can be applied to another segment of agriculture that is totally unrelated but which manifests the same cause, effect and result. It seems to me that this could be of assistance.

Mr. Drury: Mr. Chairman, we have a number of very detailed, technical publications similar to those Mr. Peters has referred to as emanating from the Department of Agriculture. We try to distribute these as widely as possible.

Mr. Peters, are you suggesting that we should somehow persuade those in the furniture industry to look at a document relating to paint, or how to organize accounting?

Mr. Peters: No, not really. What we have done in the automobile industry, as I understand it, is to make it an international industry. The government of Canada has fought—whether successfully or not, I do not know—to carve out a section of the American automobile industry for Canada.

Obviously, the furniture industry is also an international industry. In any local store you can buy furniture from a dozen countries of the world, and yet Canadians, in my opinion, have built some exceptionally good furniture.

Recently I read about the argument between contemporary, provincial and Canadiana furniture and what role the manufacturers should be playing in the industry. I do not suggest that we tell them what to do, but we have had experience in one field. This all started, I believe, from the aircraft industry. We found that there was a role Canadians could play in the aircraft manufacturing industry. We got into that role, stayed in it, and have had some success.

In my area there is a manufacturer who started making two very simple plastic commodities. One was a canoe, which, of course,

can be manufactured in a very small way. The other was corrosion-resistant plastic for ventilation purposes. This put the manufacturer into a category. This industry obviously should not have stopped where it did, but because of its inability to hire the right people or to get advice about market trends and needs it was obliged to do so.

In the Department of Defence Production some years ago you exhibited all the commodities that you required which were not produced in Canada. You suggested that if these commodities could be produced to meet the standards specified they would be purchased by the Department of Defence Production.

There are several things that could be done at the beginning to inform the small manufacturer about his potential and what assistance might be forthcoming in developing it.

Mr. Drury: Mr. Chairman, I regret to say that it is five minutes past eleven. I have to meet the President of India who is here on a formal visit. Perhaps I will be excused for that.

I will deal briefly with the furniture industry, which you mentioned as an example. We sent a mission composed of representatives of the furniture industry to Europe and the United States to study the techniques of production, the way the furniture business was organized, and the kind of markets they had and expected to get. On its return, the mission produced a report which was circulated to all those engaged in the furniture industry. This gives them a broad conceptus of what is going on elsewhere in the world. This report was prepared by people engaged in the manufacture and marketing of furniture.

We have carried out extensive competitions in, and displays of, furniture design, through the National Design Council. The results of these are communicated to all furniture manufacturers.

We have endeavoured, through the associations, to acquaint them with the benefits to be derived from increased research, not only in product research but in manufacturing techniques. For representatives of the furniture industry we have organized within Canada seminars on marketing, production and design, and we have also made available to them the results of other departmental surveys on the techniques of acquiring new machinery and on new types of production

machinery, and have been of some assistance to them in the examination of freight rate structure and shipping charges.

This is the kind of thing that is done for one particular industry. Obviously not all the manufacturers, particularly the smaller ones, have the time, or perhaps indeed the background, to profit from all of this, but it is our hope that this knowledge, this sophistication, is becoming more and more widespread; and the more useable it becomes to manufacturers through increasing sophistication the more we would hope to provide.

Mr. Peters: If I may ask one rather short question, is anyone in your Department, which is a comparatively new one, specifically charged with ensuring that there is no duplication, or overlapping, of effort in the various departments?

I was interested in your comments about the housing industry and in what you have suggested be done in the field of prefabrication in the matter of the standardization of some of the on-site construction.

I heard the same remarks made at the National Research Council when we visited there last fall and I have also heard them made by the national housing authority. This is a new department and since Parkinson's Law does apply to any government may I ask if there is somebody charged specifically with seeing to it that if you do go into one of these

fields you are not duplicating what someone else is doing?

Mr. Drury: I suggest, Mr. Chairman, that what Mr. Peters has been hearing is a coherent acceptance of a similar line of approach. On the BEAM committees, which are tackling this problem specifically in relation to construction industry, the National Research Council, Central Mortgage and Housing Corporation and the Department of Public Works are permanently represented just with a view to ensuring that two different agencies or departments of the government are not doing the same work, or overlapping.

The Chairman: Thank you, Mr. Peters. If there are no further questions I will ask if Item 1 is carried?

Item 1 agreed to.

The Chairman: Thank you very much, Mr. Drury.

Mr. Drury: May I be excused? I am running behind time.

The Chairman: Yes, surely. We have just finished your estimates. I thought you might want to leave on that note. May I thank the Minister and his staff for their excellent co-operation.

I would ask the Committee to remain for a few minutes to continue this meeting in camera.

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71

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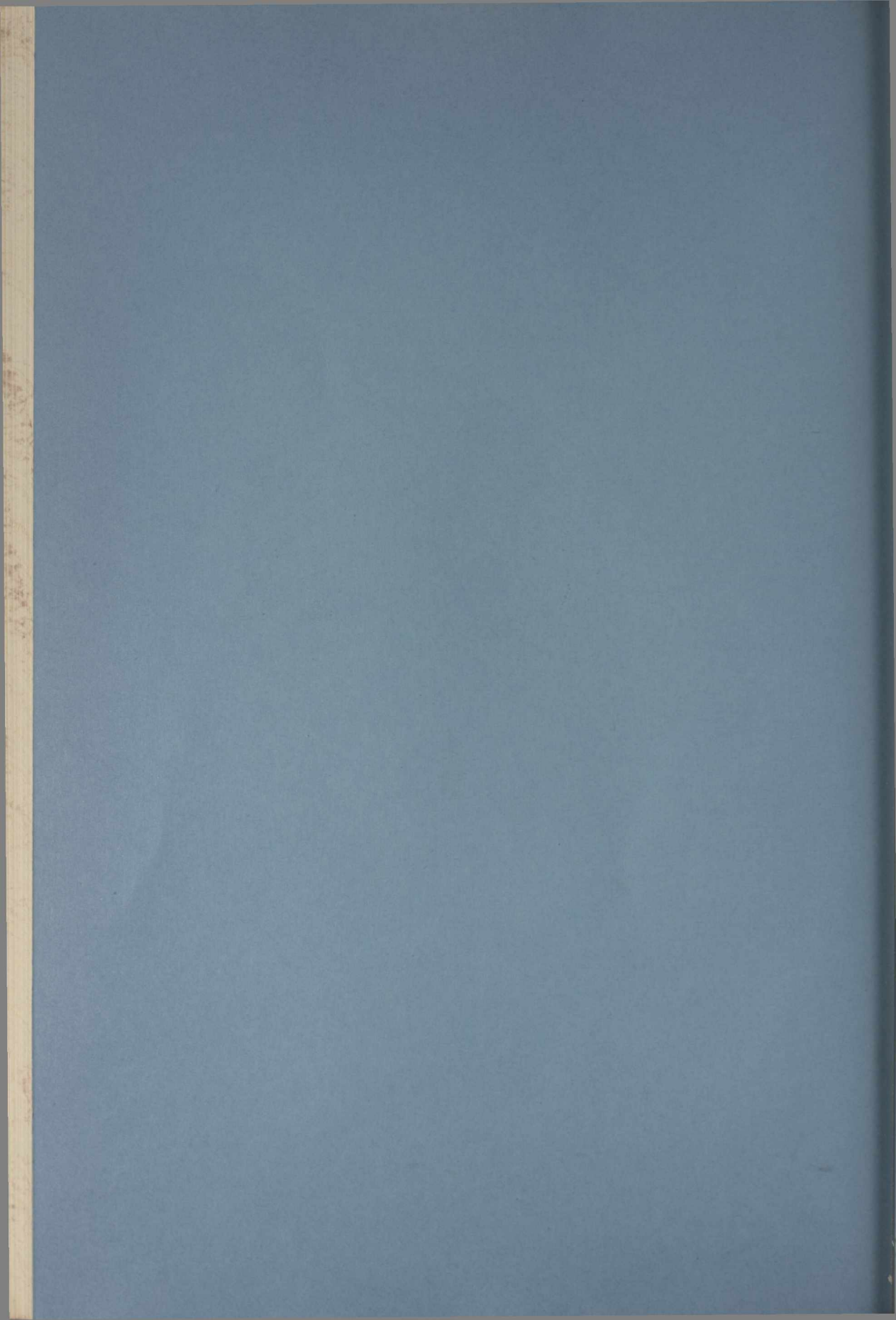
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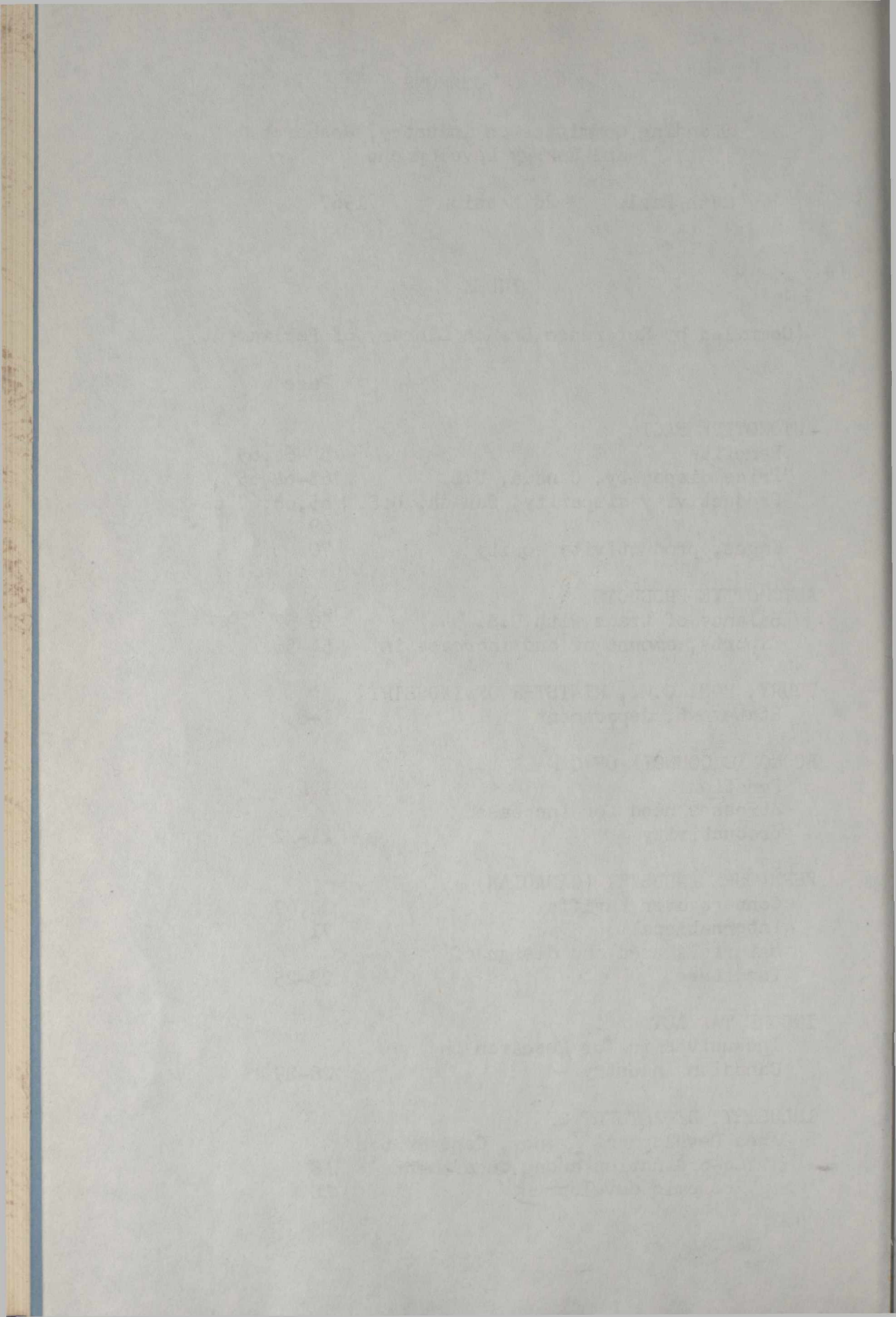
Standing Committee on Industry, Research
and Energy Development

27th Parl. 2d Session 1967

INDEX

(Compiled by Reference Branch Library of Parliament)

	Page
AUTOMOTIVE PACT	
Benefits	62-64,65
Price disparity, Canada, U.S.	63-64,65
Productivity disparity, Canada, U.S.	65,66,67,68-69
Wages, productivity equity	70
AUTOMOTIVE PRODUCTS	
Balance of trade with U.S.	56-57
Exports, amount of and increase in	54-56
DRURY, HON. C.M., MINISTER OF INDUSTRY	
Statement, department	1-8
ECONOMIC COUNCIL OF CANADA	
Function	1,4
Stresses need for increased productivity	21-22
FURNITURE INDUSTRY (CANADIAN)	
Concern over tariffs	23,69
International	71
Materials used and design of furniture	23-25
INCOME TAX ACT	
Incentives in, for Research in Canadian Industry	28-29
INDUSTRY, DEPARTMENT OF	
Area Development Agency, Cape Breton	
Co-ordination among departments	48
Economic development	48



INDUSTRY, DEPARTMENT OF (Cont'd)	
Area Development Program	19-20,22
Area Development Program, at odds with Manpower Mobility Program	25-27
Assistance to Canadian business For improving design of Canadian products	
Scholarships, grants, Design index and register Awards	4
Automotive Company Loans Program	
Administration of	54,57-58
Selection of companies	52-53
Interest charged on loans	54,59
Number of loans applied for	54
Truck parts, export of	54
Automotive Program and apparent results	7-8
Banking function	56-57
Defence Industry Modernization Program	7
Defence Production	
Assistance to	50
Use of for War in Viet Nam	50-51
Commercial vs.	51
Duplicating facilities	39-40,45-46, 47
Estimates	2-3,11-17
Industrial Development Bank	57
Industrial Research Institute Program	6-7
Marine Industries Limited	
Construction contracts	61-62
Subsidies granted to	61
National Standards organization	29-30
Program for Advancement of Industrial Technology (PAIT)	5-6
Research programs in government departments, success of	40-41
Research	
See also Research programs, Industrial, etc.	
Responsibilities of secondary industries	49
Role in economic system	2

INDUSTRY DEPARTMENT OF (Cont'd)

19-22, 23	Area Development Program
22-27	Area Development Program, at odds with Industrial Mobility Program
	Assistance to Canadian business for improving design of Canadian products
	Scholarships, grants, bursary index and register
	Awards
24, 27-28	Automotive Company Loans Program
22-23	Administration of
24, 27	Selection of companies
24	Interest charged on loans
24	Number of loans applied for
24	Track parts, export of
7-8	Automotive Program and equipment results
20-21	Banking facilities
	Defense Industry Modernization Program
	Defense Production
20	Assistance to
20-21	Use of for War in Viet Nam
21	Commercial vs.
20-21, 22-23	Producting facilities
18	
20-21, 22	Refineries
27	Industrial Development Bank
	Industrial Research Institute Program
20-21	Keyline Industries Limited
21-22	Construction contracts
21	Subsidies granted to
20-21	National Standards Organization
2-6	Program for Advancement of Industrial Technology (PAIT)
20-21	Research program, investment departments, success of
	Research
	See also Research program, Industrial, etc.
18	Responsibilities of secondary industries
2	Role in economic system

INDUSTRY, DEPARTMENT OF (Cont'd)	
Shipbuilding, subsidies	49
Tax incentive, for scientific research and development, to business community	4-5
INDUSTRIES, RATIONALIZATION	
Rationalization of Canadian Industry	58
KENNEDY ROUND	
Effect on Department of Industry Program	57
MUNDY, D.B., ASSISTANT DEPUTY MINISTER (OPERATIONS), DEPARTMENT OF INDUSTRY	
Statement on industrial research in Canada	36-37
MANPOWER, DEPARTMENT OF	
Area employment programs	22
P A I T	
Explanation and examples of program	28,42-43
PRODUCTIVITY	
Definition of	2
Importance of to Canada	1
Increase is essential to ensure economic growth	3-4
RESEARCH	
See also Department of Industry, Research programs	
RESEARCH - GENERAL	
Amount done in Canada and in government	39
RESEARCH - INDUSTRIAL	
Inadequate	27-28,29,35-36
Small firms, problems	38-39
Small firms, needs	35

INDUSTRY, DEPARTMENT OF (Cont'd)
Sponsoring, subsidies
Tax incentives, for scientific
research and development, to
business community

49
5-2

INDUSTRIES, NATIONALIZATION
Nationalization of Canadian Industry

58

KENNEDY ROUND
Effect on Department of Industry
Program

57

MANDY, D.B., ASSISTANT DEPUTY MINISTER
(OPERATIONS), DEPARTMENT OF INDUSTRY
Statement on industrial research in
Canada

36-37

HARPOUR, DEPARTMENT OF
Area employment programs

52

P A I T
Explanation and examples of program

28, 42-43

PRODUCTIVITY
Definition of
Importance of to Canada
Increase is essential to ensure
economic growth

2
1
3-4

RESEARCH
See also Department of Industry,
Research programs

RESEARCH - GENERAL

Amount done in Canada and in
Government

39

RESEARCH - INDUSTRIAL

Industrials

27-28, 29, 32-

Small firms, problems
Small firms, needs

36
38-39
35

RESEARCH - PROGRAMS

Associated with universities

Duplication of

31-33

34-35,41-43,

46,47

RESEARCH - PROGRAMS

Associated with universities

Publication of

33-33
34-35, 41-43,
46, 47



