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Industry, Trade
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ANNUAL REPORT

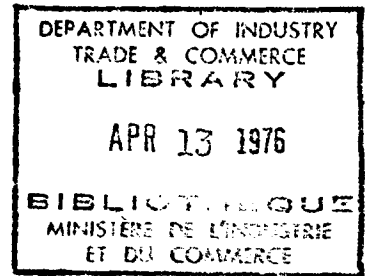
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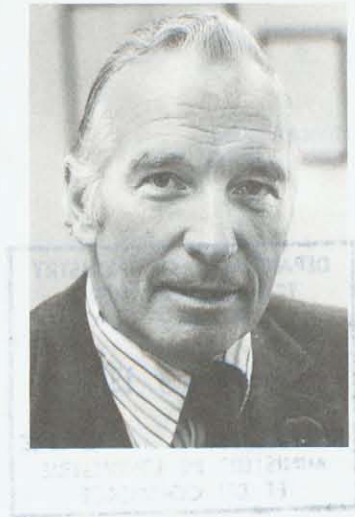


Department of Industry, Trade and Commerce

ANNUAL REPORT

1974-75





OTTAWA

The Honourable Don C. Jamieson
Minister of Industry, Trade and Commerce
Ottawa, Ontario

Dear Sir:

I have the honour to submit the annual report of the Department of Industry, Trade and Commerce covering activities during the period April 1, 1974 to March 31, 1975.

Respectfully submitted

A handwritten signature in dark ink, appearing to read "O. G. Stoner". The signature is fluid and cursive, with a prominent loop at the end.

O. G. Stoner
Deputy Minister

OTTAWA



To His Excellency
The Right Honourable Jules Léger, C.C.,
Governor General of Canada

May it please Your Excellency:

I have the honour to submit to Your Excellency the annual report for the Department of Industry, Trade and Commerce covering the period April 1, 1974 to March 31, 1975.

A summary of the Department's policies, activities and services rendered is laid before Your Excellency.

Respectfully submitted

A handwritten signature in dark ink, appearing to read "Don C. Jamieson". The signature is bold and cursive, with a long horizontal stroke at the end.

Don C. Jamieson
Minister of Industry,
Trade and Commerce

INTRODUCTION

As a partner with Canadian business and industry in searching the world for new markets, improving relations with traditional markets and endeavouring to help improve productivity, efficiency, quality and research and development at home, the Department of Industry, Trade and commerce faced rapidly changing world economic conditions during the fiscal year 1974/75.

These conditions put new pressures on the facilities of the Department. In adjusting to these new conditions, the Department sought and effected new directions in many of its assistance programs.

To increase export trade promotion, new trade offices were opened and more staff added in other offices. Business and industry were encouraged to take greater advantage of opportunities available to them through the various programs.

2.

Trade mission activity was brisk, with groups coming from many countries and many Canadian groups going abroad for market development. Most significant were the four missions led by the Minister -- to the Middle East, Brazil, Cuba and Venezuela. These gave entrée for Canadian entrepreneurs to their counterparts and key government officials in the countries visited. The meetings with government officials helped improve Canadian access to these markets.

Better access is also being sought through Canada's participation in the Tokyo Round of tariff talks inaugurated in Tokyo at the ministerial level in September. The Canadian Trade and Tariffs Committee has been formed to prepare Canada's approach to the talks. An important part of this approach will be to seek reduction or elimination of tariff and non-tariff barriers to Canadian exports.

Canadian business and industry also benefited from Department programs for product and technological innovation, production efficiency and design. This report does not attempt to describe all projects of the Department during the year. However, it outlines the major activities and touches on tourism and meetings of the Minister's Advisory Council.

PRODUCT INNOVATION

The Department's four major incentive programs for product innovation continued to encourage Canadian companies to develop new products that will help expand domestic and export markets.

1. Defence Industry Productivity Program (DIP) -- offered assistance to facilitate Canadian industrial participation in the development and production of defence equipment and associated components with a high technology content.

2. Industrial Design Assistance Program (IDAP) -- provided financial assistance to improve the competitive position of Canadian industry by achieving improvement in the quality of industrial design of its products.

3. Industrial Research and Development Incentives Act (IRDIA) -- offered tax-free cash grants and credits against federal income tax liabilities to assist in the expanding of scientific research and development in Canada.

4. Program for the Advancement of Industrial Technology (PAIT) -- shared costs, normally 50 per cent, incurred in the development of new or improved products and processes for commercial markets.

4.

Offshore petroleum and oceanographic equipment and supporting service industries grew rapidly. Canadian companies substantially broadened their ocean operating capabilities. Developments included:

*Completion in Vancouver of a new Aquarius-class submersible by the world's leading manufacturer which sold one for North Sea use. The company also completed design for a new larger submersible class, the Taurus.

*A Vancouver petroleum services company tested a manifold centre before installation in 285 feet of water in the Gulf of Mexico.

*A petroleum company developed an Arctic offshore drilling system for exploring petroleum reserves in the Beaufort Sea and other Arctic waters.

*A maritime exploration company was developing a submarine-borne, acoustical exploration system providing shallow and deep seismic information for oil companies, government agencies, drilling and pipe contractors.

*For cleaning oil spills, a pollution control company developed an offshore skimmer for use by government, harbour and other agencies.

A Halifax shipyard received an order to build a \$40 million fully dynamically positioned drillship and a \$70 million semisubmersible drilling rig for a United States contractor. For a Texas company, a Vancouver shipyard was building four supply vessels worth more than \$2.5 million each.

Two Pisces-class submersibles, each costing \$1.5 million and capable of diving to 6,600 feet, were sold to the Soviet Academy of Sciences for oceanographic research. Another was sold to a British firm.

Seventeen Canadian companies participated in the 6th Annual Offshore Technology Conference and Exhibition in Texas and reported on-site, custom-engineered product sales of \$250,000 and a 12-month market potential of \$15 million.

In conjunction with an ocean technology conference, ocean data systems and services were demonstrated to an incoming mission at Halifax.

Under Department sponsorship, nine Canadian firms participated in Oceanology International '75, held every three years, in England.

The new 48-passenger DASH 7 "Quiet STOL Airliner" made its first flight. Twenty-five DASH 7s were to be built. Eleven were on order before the aircraft's first flight.

The Department assisted in the development of an improved Buffalo STOL aircraft capable of carrying greater loads when operating from paved runways. Three customers ordered 15.

With the United States Air Force, the Department continued to fund a development program for an air cushion landing system (ACLS) which could replace conventional wheeled landing gear. Two Canadian companies and one U.S. organization co-operated in designing and manufacturing the ACLS raft-like rubber trunk and gas turbine-powered inflation system.

Continuing the augmentor wing program, preliminary design work was carried out on the DHP-72 jet STOL military transport.

Prototype high voltage circuit breaker modules were successful and a major export order was received from the United States. Because of increased requirements for high voltage and extra high voltage long-distance transmission lines, the new breaker modules show great export promise.

For urban and inter-urban transportation, prototypes of new propulsion motors and controls were produced.

Canadian companies have design and development capability for all urban transit equipment. Department-supported innovative projects include development of linear induction motors and a wheelchair lift device that enables existing buses and transit equipment to accommodate handicapped passengers.

Canadian industry has expertise in the design and manufacture of heavy locomotive, high speed passenger equipment, and sophisticated bulk commodity unit trains. Among the more innovative projects supported by the Department is the LRC (light, rapid, comfortable) passenger train. The LRC completed extensive tests in Canada and at a United States government facility. It will undergo reliability and maintainability assessment on a scheduled service between Toronto and Sarnia.

The Department sponsored studies to define technology of remote manipulator systems. Such systems perform work remote from the human operator in hostile environments encountered in space, nuclear power generation, medicine, oceanography and northern development. A prototype model manipulator system has been supplied to the U.S. National Aeronautics and Space Administration for integration and evaluation with the space shuttle mock-up.

A number of automotive products for improved exhaust emission control, fuel economy and greater safety were developed with the assistance of the PAIT program.

A 200-ton capacity truck for use over logging roads was developed with PAIT assistance. The vehicle has many unique features including an air ride cab that gives an operator the comfort and ride of an automobile.

Large tracked vehicle orders were received from oil industries in the U.S.S.R. and Indonesia. Airport firefighting equipment was sold to India. Newly developed large wheeled vehicles were to be used for drill rigs in Alaska and for exploration in the Amazon jungles.

One of Canada's major manufacturers of municipal fire-fighting vehicles has developed a 100-foot aerial ladder with PAIT assistance. This ladder features substantial innovations in aerial ladder technology. It can be fully elevated in 60 seconds and is considered to have good sales potential in world markets.

The Industrial Research Association Program continued to encourage co-operative research and development activities for industry. It supported the establishment and initial operation of the Canadian Gas Research Institute. Three industrial research associations have been created since the program began in 1973.

The Department supported the Sulphur Development Institute of Canada (SUDIC) in developing new sulphur uses. Major areas included use of sulphur with asphalt in paving, sulphur foam for frost insulation, and sulphur concrete.

The Industrial Research Institute Program encouraged universities to undertake research and development for industry on a contract basis. The program covers cost of establishment and administration during initial years of operation. Of the 10 institutes supported since the program began in 1967, four are now self-supporting.

The Department negotiated with the Federal Republic of Germany for joint development of a second generation CL-89 battlefield surveillance drone with NATO market potential.

The Department gave financial help to a Montreal firm, a world leader in aircraft landing gear and hydraulic flight control systems, which is developing equipment for aircraft projects in Canada, the United States and Europe. Marketing and production equipment support has also been granted.

Research and development funds were provided to develop laser and fibre optic communication systems for telecommunication requirements of the 1980s. Financial support was given to control industry work in simulation techniques for aircraft, air traffic control, and power generation and distribution control. Mineral geophysics, mineral processing systems, cartographic instrumentation and systems, pulp and paper control systems and power generation systems also benefited from Department assistance.

The Centres of Advanced Technology Program assisted Canadian universities and other organizations to establish advanced technology centres in important industrial areas. Two new centres were the Centre for Ocean Technology at the Nova Scotia Research Foundation, and the Centre for Environmental Technology at the University of Sherbrooke.

The Centre for Ocean Engineering in British Columbia received additional assistance for construction of a totally enclosed towing tank and manoeuvring basin. Eight centres have opened since the program began in 1970 and two have become self-supporting. Under the program, the Department pays the cost of equipment, materials and salaries of professional staff during the initial years of operation.

The Department continued its university grants program which is aimed at obtaining information for policy making and enhancing academic interest in technological innovation.

DESIGN

The Department continued to stimulate improved Canadian products through promotion of industrial design collaborating closely with provincial design centres.

At the fourth meeting of federal and provincial representatives in Vancouver, firm program commitments were made by several provinces, and tentative agreements by others. Saskatchewan and Nova Scotia began new product design and development programs to provide small manufacturers with advisory consultation. Both programs will be jointly funded by the federal and provincial governments. The Manitoba Product Design and Development Program, also jointly funded, was initiated as a pilot program early in the year.

Recognizing the influence exerted by the federal government as Canada's largest single purchaser of goods and services, the Office of Design turned its attention to a new federal purchasing program for encouraging improved design. Through this procurement activity, procedures were established enabling the commissioning of well-designed and innovative products for widespread government use. Emphasis was on function, safety, efficiency and reliability, with preference for products reducing energy consumption, conserving materials and inhibiting pollution. Such products are expected to have wide domestic and export sales potential. The program is being funded by the Department and administered jointly with the Department of Supply and Services. The Department allocated \$150,000 for the development of the initial phase of five projects.

The Office of Design granted \$404,980 toward improved product development and the creation of new post-secondary design education facilities.

In co-operation with the National Design Council, Design Canada scholarships encouraged Canadian graduate design students to continue studies in the best international schools. In 1974/75, there were 34 scholarships awarded totalling \$134,725.

To increase public awareness of day-to-day design benefits, the Office of Design developed exhibits for museum, art gallery and library use. Two exhibits were seen by more than one million people in 1974/75.

Awards programs recognized effective design practice in Canadian industry.

The Office of Design also produced case studies highlighting outstanding examples of effective industrial design practice.

PRODUCTION EFFICIENCYMetric Assistance

Some smaller businesses expressed concern that the cost of metric conversion might impose undue hardships. In response, the Minister announced Cabinet approval for a small business Metric Conversion Assistance Program.

Under this program, loan assistance will be available to cover specific eligible costs of metric conversion when financing cannot be obtained from commercial lending institutions. Farming and fishing enterprises will be included.

Research

Research efforts sought to identify ways of raising industrial efficiency. Levels and growth of Canadian productivity were compared with those of other countries. Evaluations were made of the impact of various service inputs on manufacturing operations.

Practical benefits enjoyed by participating companies contributed to the rising popularity of inter-firm comparisons. The objective has been to help guide senior management of the Canadian manufacturing, processing and service industries in improving productivity and competitiveness.

The Department worked with the Department of the Environment in establishing the Forest Engineering Research Institute. Jointly funded by the federal government and the forest industries, the Institute seeks ways of improving wood harvesting efficiency and of minimizing the cost of wood used in wood product manufacturing.

The acquisition of advanced production machinery and the latest in quality assurance and testing equipment by the automotive parts sector was assisted by the Defence Industry Productivity Program. Manufacturing technology and processes were improved by selective use of PAIT.

The Department continued co-operating with the Air Industries Association of Canada and Statistics Canada in collecting and evaluating aerospace production and marketing data. At the invitation of the Association, these specialized data were used to identify bases for further productivity improvements.

In the continuing program to upgrade Canadian resources before export, an industry committee of nickel producers, high nickel alloy consumers and Department officials formulated guidelines for a feasibility study. The Department and industry explored means to locate a facility for the production of high nickel alloys in Canada.

To encourage rationalization in the domestic industrial particleboard industry, an assessment began on demand patterns and projections by region to 1985.

Studies of biscuit and confectionery industry performances provided Canadian firms with guidelines for judging operational strength.

Education

Through its management development programs, the Department significantly expanded its effort to improve Canadian management capabilities. Assistance totalling \$158,358 was approved. This helped 15 different business and professional associations develop or revise management training courses.

In its Program for Development of University Studies in International Business, the Department encouraged Canadian universities to place greater emphasis on studies and research to enhance Canadian businessmen's capabilities in international business. The program provided for establishing four centres for international business studies, associated with faculties of business administration at graduate level.

The University of Western Ontario was awarded \$300,000 to establish such a centre, an amount similar to that awarded the University of British Columbia the previous year. In close consultation with the host provinces, negotiations were well advanced toward two more centres, one in Quebec, the other in the Atlantic Provinces. Annual student fellowships assisted graduate students concentrating in international business.

New Bank

The Department expanded its encouragement and support for development and growth of small businesses. Parliament passed legislation establishing the Federal Business Development Bank which will report to Parliament through the Minister of Industry, Trade and Commerce. The Bank is to help establish and develop business enterprises in Canada. It will provide financial assistance, management counselling, management training and other related services. Needs of small business enterprises are to receive special consideration.

To do this, the Bank will group several existing programs and explore possible improvements and expansion. It will provide management counselling service by taking over the Counselling Assistance to Small Enterprises (CASE) program, which now has 13 offices across Canada. Expenditures in 1974/75 amounted to \$100,000 compared with \$39,000 in 1973/74 and \$10,200 in 1972/73. In 1974/75, there were 955 assignments undertaken covering 8,450 counselling man-days. The Department has 1,165 counsellors on roster. Under the Federal Business Development Bank, the CASE Program is to be extended to the service industry sector.

One stage in the new Bank's development of management training services for small enterprises will be the take-over of the owner/manager training program of the Department of Manpower and Immigration. It will also sponsor, support, and organize conferences, seminars and other meetings to promote good management practices in small businesses. The Bank will continue the one-day small business seminars that were provided by the Industrial Development Bank across Canada. An information service will help existing or planned businesses. The Bank, sensitive to regional requirements, will receive input from five Regional Advisory Councils.

Analysis

A study using the DELPHI technique was initiated to ascertain and assess technological possibilities for the housing and wood building components industries to the year 1990. Know-how and foresight of qualified experts will provide industry and governments with key information including a guide to establishing investment priorities. Support for a similar study on pulp and paper was provided to the Pulp and Paper Research Institute of Canada.

Incentives

The Department processed 20,000 applications under the Machinery Program (MACH). Assistance totalled \$150 million.

As a result of a Program to Enhance Productivity (PEP) feasibility study, a new nail mill will be built in western Canada. Changes in brick packaging were introduced under a second program, offering promise of industry-wide standardization. A cement company completed a multimillion dollar expansion on the basis of the results of a third PEP project.

Other Developments

The Construction Industry Development Council (CIDC) examined recommendations in the Economic Council of Canada study of construction cyclical instability. CIDC also appointed a steering committee to work on consultant proposals for construction management education. A construction education institute was an objective. CIDC considered the need for construction research in collaboration with the National Research Council.

A National Master Specification Manual is being developed by the Department, guided by the Specification Writers' Association of Canada. This master specification manual will be based on the Canadian Government Master Specification Manual produced by the federal government's four major departments involved in construction. This is expected to result in greater efficiency and productivity for designers and builders.

A non-ferrous metals industry sellers' directory was prepared to provide industry salesmen with a list of potential customers. After publication and distribution, an assessment will be made of its value as a marketing aid.

Pilot statistical systems were initiated in three sectors: investment casting, heat exchanger and die casting. The aim is to transfer the role of administering statistics collection and distribution from the Department to the industry, once development is completed.

The Department supported industry modernization to maintain the defence industry on a competitive base for export. A high proportion of support offered by the Industry Modernization for Defence Export (IMDE) program is to provide advanced machine tools to Canadian aerospace firms so they can stay abreast of these advances and improve their international competitiveness.

Efforts continued to ensure maximum benefits for Canada from the purchase of a long-range patrol aircraft. A substantial number of aerospace-related companies were introduced to the major prime contract contenders.

Departmental task groups assessed the capability of Canadian electrical manufacturers to supply anticipated equipment needs for the Mackenzie River gas pipeline and for Canada's expanding nuclear power capacity.

MINISTER'S ADVISORY COUNCIL

The membership of the Minister's Advisory Council is representative of trade, industrial, business, financial, academic and regional interests. Its purpose is to review departmental policies, programs and services in the light of changing conditions at home and abroad. In 1974/75, key topics considered by the Council included expansion and liberalization of trade, containment of inflation and conversion to the metric system.

INTERNATIONAL ENVIRONMENT

Led by the Minister, the Department carried out a vigorous and sustained negotiating and trade promotion program. Mr. Gillespie headed successful missions to Latin America and the Middle East where oil revenues have created new investment funds. A senior member of the Department travelled with Prime Minister Trudeau in his visits abroad and served as adviser during his trade discussions. Department officials participated in the follow-up of these visits.

Canada and Europe

The Prime Minister and EEC Commission President Ortoli agreed that Canadian and Commission officials should explore together how best to negotiate a framework for relations between Canada and the Community. The first round of talks to this end was held in Ottawa in February. It was envisaged that an agreement on a most-favoured-nation basis would eventually result. A main feature would be a broadly based article on industrial co-operation providing a framework for the encouragement of a two-way flow of investment, intercorporate links including joint ventures, science and technology exchanges, and expansion and diversification of trade. A sector-by-sector approach to industrial co-operation would identify areas for mutually beneficial co-operation between Canadian and European industries.

Parallel with industrial co-operation discussions with the European Community Commission, similar initiatives were commenced with several EEC member states as a follow-up on Prime Minister Trudeau's discussions with heads of government in these countries. For example, Canada and France established two working parties studying co-operation in industry and energy. The Department was responsible for the working party on industry, the first meeting of which was held in February 1975. Some sectors for co-operation have already been identified.

Industrial co-operation will not be confined to EEC countries. Discussions were begun with Sweden as a result of the Swedish Prime Minister's visit to Canada in October 1974. Further talks with Norway and Finland are planned.

Canada also held bilateral trade consultations during the year with the U.S.S.R., Romania, Hungary and Bulgaria. Information was obtained about future import requirements of these countries and, in turn, information was provided to them about Canadian export capabilities and credit facilities. Businessmen's seminars were held with Soviet and Romanian delegations in conjunction with official trade talks.

The major thrust of Canada's marketing policy for Eastern Europe is to increase the percentage of capital equipment and machinery in exports to the region. There was accelerated activity toward this objective both by the Department and private industry in 1974/75. Some successes were achieved and opportunities look promising for 1975/76 especially for equipment for the pulp and paper, forestry, transportation, mining and agriculture industries.

The Department continued its involvement on a selective basis in the activities of the Economic Commission for Europe (ECE) which Canada joined in 1973. The ECE is a regional organization of the United Nations Economic and Social Council.

The Enlargement of the European Community

When Britain, Ireland and Denmark entered the EEC, the Community was obliged to undertake negotiations with Canada under Article XXIV:6 of the General Agreement on Tariffs and Trade (GATT). This was to provide Canada with compensation for the loss or impairment of certain of Canada's GATT rights to previously negotiated tariff rates. After two years of negotiations, a package of trade concessions was agreed upon covering some 30 products. For Canada, the main items of interest were wood pulp, newsprint, kraft papers, coniferous plywood and canned and frozen salmon. A special bilateral arrangement permitting the resumption of exports of Canadian aged cheddar cheese was also negotiated. With respect to wheat and barley, it was agreed that both sides would continue discussions with a view to finding, through international negotiations, agreed solutions to problems of international trade in cereals. It is expected that the question of liberalizing trade in these products will be pursued in the context of multilateral trade negotiations in Geneva. In the meantime, Canada's GATT rights on these products will be preserved intact, to be used, if necessary, at a later date.

Minister's Visit to London

Mr. Gillespie met with four British Ministers in London, April 10-11, 1974. He discussed prospects for the Multilateral Trade Negotiations, reviewed the progress of trade between Canada and Britain and outlined to British Ministers the advantages of co-operation between Britain and Canada.

Following this visit, the British Government adopted its own Steam Generating Heavy Water Reactor (SGHWR) nuclear system which is similar to Canada's CANDU heavy water pressure tube system. This was in preference to the United States' Light Water Reactor (LWR). As a result of special efforts by Canadian authorities to lay a basis for nuclear co-operation with Britain, the British will use some aspects of CANDU technology in developing their SGHWR system.

In the diversified British market, Canadian promotional activities are concentrated in a number of promising sectors. For example, sustained promotional efforts in recent years have resulted in sales of more than \$100 million in equipment and services for North Sea oil and gas exploration and development. Sales have included drilling rigs, submersibles, supply vessels, smaller pieces of equipment and services.

United States Trade

Trade with the United States expanded by 26 per cent in 1974 and accounted for approximately two-thirds of Canada's total world trade. This expansion was achieved in the face of contracting U.S. markets and recession conditions prevailing for much of the year. The international economic situation contributed to a growing concern in the United States over security of raw material supply and with certain economic policy initiatives in Canada. These issues, coupled with mutual interest in improving access to foreign markets, influenced many discussions and negotiations.

Canada-United States talks were held on several topics including cross border agricultural trade, energy-related issues, and the Multilateral Trade Negotiations. Preliminary negotiations were begun toward a Canada-United States pipeline treaty. Representations were made to the United States on several issues including the effects on Canadian trade with Cuba caused by the United States Cuban Assets Control Regulations.

Energy policies and cross border agricultural trade continued to be major Canada-United States trade issues. Faced with declining reserves of available crude oil, Canada decided to phase out crude oil exports to the United States. Discussions were held with United States officials on means of minimizing the impact of this measure on those regions of the United States totally dependent on Canadian supplies. Canada's policy on natural gas prices also led to certain difficulties in the Canadian relationship with the United States.

Restrictions on cross border meat and livestock trade were imposed jointly by Canada and the United States as officials sought a solution to the problem. In fact, both Canada and the United States have since removed quotas on livestock. United States short supply controls on exports of ferrous scrap ended in December 1974 and normal trade patterns resumed. Although Canada was in a scrap deficit position, Departmental action during the period of United States scrap control ensured that no Canadian scrap customer was forced to curtail production.

The Department was active in resolving access problems in customs and tariffs. It also dealt with regulatory changes and documentation problems resulting from continued United States emphasis on consumer protection and safety.

Pacific, Asia and Africa

Japan is now Canada's second largest trading partner. As such, efforts were made to maintain and expand trade between the two countries. This was highlighted in September 1974, during Prime Minister Tanaka's visit to Canada when he and Prime Minister Trudeau agreed on the need to develop intensively Canada-Japan trade and economic relations along more mutually beneficial lines. This will involve increased exchanges and consultations between Canada and Japan.

In November 1974, 20 senior representatives from federal departments and provincial governments attended a two-day seminar on the Canadian industrial investment climate at the Keidanren Hall in Tokyo. The seminar was sponsored by the Japanese Industrial Location Centre with the support of the Federation of Economic Organizations (Keidanren), the Japanese Chamber of Commerce and Industry and the Japanese External Trade Organization. The seminar, jointly chaired by a senior officer of the Department and a Keidanren official, was designed to provide potential Japanese investors with a better appreciation of the Canadian environment in terms of industrial policies, development potentials and investment climate. The seminar marked the first occasion that federal and provincial governments jointly presented to a Japanese audience an overview of their industrial development policies, including the emerging framework for mutually beneficial investments.

Promotional efforts were carried out under the five-year Co-operative Overseas Market Development Program (COMDP), jointly funded by the Department and the British Columbia government and forest industry. These efforts resulted in Japanese acceptance of platform-frame residential construction and Canadian lumber sizes and grades. Japanese acceptance of Canadian softwood plywood grades was expected to follow, opening greater Canadian export opportunities.

In April 1974, the Department mounted an electronic and scientific instrumentation exhibition in Shanghai, People's Republic of China. This was manned by senior Departmental personnel and by executives from Canadian firms showing equipment.

In February 1975, the second annual meeting of the Canada-China Joint Trade Committee was held in Ottawa. The discussions covered the present state of Canada-China trade and trade relations. Information about the import needs and export capabilities of both countries was exchanged. A program of trade missions between the two countries was agreed upon.

Mr. Gillespie led a Ministerial Businessmen's Mission to Iran, Iraq and Saudi Arabia in April 1974. Initial discussions were held on establishing a forum to increase trade between Canada and these countries. In December 1974, Prime Minister Hoveyda of Iran visited Canada. During his visit, he agreed with Mr. Trudeau and Mr. Gillespie on the establishment of a Joint Economic Commission to identify specific projects of mutual interest. The first meeting of the Commission was at the Ministerial level and met early in 1975.

The Canada/Tunisia Mixed Commission met in Tunisia in November 1974, to discuss bilateral relations including trade. One of the highlights was a decision to send a Canadian Businessmen's Mission to Tunisia.

Trade with North Africa and the Middle East expanded by more than 100 per cent in 1974 (from \$155.8 million to \$364.2 million). Although Canadian exports remained primarily raw materials, an increasing number of manufactured products was included. This trend is expected to continue.

On September 20, 1974, Mr. Gillespie met with the Honourable J. A. Walding, New Zealand's Minister of Overseas Trade. The two Ministers exchanged views on a number of subjects of common interest. These included Canada/New Zealand trade and trade relations, the New Zealand import regime, the current round of multilateral trade negotiations, commodity trade and foreign investment policies.

The first trade agreement between Canada and Afghanistan was signed on November 27, 1974. The agreement exchanges most-favoured-nation tariff treatment between the two countries. The agreement makes Afghanistan exports to Canada eligible for General Scheme of Preference tariff treatment.

Miscellaneous Activities

Canada participated in a United Nations Conference on a Code of Conduct for Liner Conferences, concluding with the adoption of a Convention. The Department took primary responsibility for preparing and presenting the Canadian position. The final conference text was unsatisfactory to Canada, especially in its approach to competition and procedures for resolving disputes. Canada was also dissatisfied with the emphasis attached to shipowners' interests relative to shippers' interest. The Convention has not yet entered into force.

The Department provided leadership for the Canadian delegation to the sixth session of the UNCTAD Committee on Shipping in Geneva. The Committee adopted resolutions on the harmonization of shipping policies and measures to encourage the participation of developing countries in ocean shipping. Rising costs of maritime transportation were studied.

At the second session of the Intergovernmental Preparatory Group in Geneva, little progress was made toward a convention on international multimodal transport. The Department is co-operating in relevant interdepartmental studies.

The Department participated in the fourth session of the UNCTAD Working Group on International Shipping Legislation in Geneva. Charter parties -- the form of contract between a vessel owner and a charterer for the hire of a vessel -- were studied to determine need for harmonizing standard clauses and drafting mandatory rules.

The Department's interest in simplifying documentation and facilitation of trade procedures was expressed through participation in COSTPRO, a Canadian association of government departments and industry associations. The Department also worked with the Standards Council of Canada and the Canadian Standards Association in developing standards for containers, pallets and packaging.

Wide-ranging discussions relating to long-term wood fibre supply arrangements were undertaken with a mission to Canada of forest industries representatives sponsored by the Commission for the European Communities. The mission, the first of its kind from Europe, was escorted across the country to meet provincial and industry officials.

Under the auspices of the Economic Commission for Europe Timber Committee, the Department worked with Canadian industry and European countries to standardize softwood grading. This would greatly facilitate lumber trade with Europe.

The Department, at the Organization for Economic Co-operation and Development (OECD), initiated a study of investment patterns in the steel industries of member countries.

Effort was directed to forming consortia in the telecommunications equipment industry. This was to strengthen Canadian bids on large-scale turnkey projects especially in lesser-developed countries.

On January 1 1975, Canada became a member of the Textiles Surveillance Body established under the General Agreement on Tariffs and Trade (GATT) Arrangement Regarding International Trade in Textiles. This Body determines if restrictions against disruptive textile imports are justified under provisions of the Arrangements.

International Financing

Royal Assent was given for substantial increases in the legislative ceilings under which the Export Development Corporation (EDC) provides assistance to Canadian exporters. The Corporation, reporting to Parliament through the Minister, is currently empowered to undertake direct and contingent liabilities totalling \$6,850 million.

Results of the Department's export promotion became even more evident in the rapid demand growth for EDC assistance in the form of export credits insurance, guarantee, foreign investment insurance and direct long-term financing.

The Department collaborated with the Canadian International Development Agency (CIDA) in a fundamental review of government aid policies. This review resulted in a Strategy for International Department Capital 1975-80 which is aimed at maximizing the developmental impact to developing countries of Canada's assistance programs.

Additional help and guidance were given to the business community to permit it to take advantage of internationally financed export opportunities in developing countries. A seminar acquainted exporters with bilateral and multilateral financing agencies, their procedures and sales opportunities. More than 40 representations were made to provincial governments, trade associations and companies during the year. A computerized data bank reporting system was developed to provide exporters with advance notice of opportunities in multilaterally financed projects. An international document reference service was established to provide detailed project information on all signed multilateral loans. Facilities were increased to give individual exporters expert advice in bilateral, commercial, and multilateral financing. The expertise was also to help in arranging financing and making financial proposals for specific sales opportunities.

Trading House Liaison Office

A Trading House Liaison Office has been established within the Office of International Special Projects in order to provide a focal point for the support of export middlemen. The thrust of this initiative is to increase exports - particularly those of small to medium-sized manufacturers - through the efforts of private Canadian trading houses.

Commodity Trade

Canada agreed to an extension to June 30, 1976, for the 1971 International Wheat Agreement (IWA). The IWA contains a Food Aid Convention whereby member countries are committed to donate more than four million tons of food grains annually to developing countries. Canada's share is 495,000 tons. However, at the World Food Conference in November 1974, the government pledged one million tons of grain for food aid each year for the next three years because of the urgent need.

At the United Nations and elsewhere, Canada has been involved in international examination of the economic and technical issues associated with UNCTAD proposals for an integrated approach to commodity trade.

General Trade

With the signing of the United States "Trade Act of 1974", the Tokyo round of multilateral trade negotiations entered its substantive phase in January 1975. Canada's objective in these negotiations included seeking to:

- * reduce or eliminate trade restricting or distorting effects of non-tariff measures;
- * bring such measures under more effective international scrutiny and discipline;
- * reduce substantially tariffs on both industrial and agricultural products;
- * improve the terms of access for Canada's agricultural exports;
- * carry out in specific sectors, a comprehensive attack on all barriers especially those impeding resources processing and upgrading in country of origin and
- * improve opportunities for developing countries to increase their export earnings.

DOMESTIC ENVIRONMENT

As part of the Department's program for International Women's Year, 10 post graduate scholarships in business administration were approved for Canadian women after a national competition.

In March 1974, the Minister chaired the Federal/Provincial Conference of Ministers of Trade and Industry. The Conference considered a new national industrial development policy thrust designed to provide a systematic, co-ordinated approach to problems of industrial growth and development. The Conference reached agreement on a set of national goals, the adoption of a selective approach to the formulation and implementation of industrial policies tailored to the requirements of particular sectors of industry and on mechanisms of close consultation between the federal and provincial governments.

Meeting the energy crisis, the Department participated in the Interdepartmental Task Force on Energy Research and Development. This Force makes recommendations for ensuring Canada has enough energy to meet all needs at competitive prices and for enabling industry to meet new opportunities.

A Departmental task force on energy was established to analyze the rapidly changing energy situation and provide advice on energy issues. The task force provides an important liaison between other Departments and the various sectors of Industry, Trade and Commerce.

Electrical and electronics shipments in 1974 increased to \$4.9 billion, imports rose to \$2.75 billion, and exports totalled \$923 million -- representing growth from 1973 of 24.5 per cent, 23.5 per cent and 15.8 per cent respectively. The apparent domestic market exceeded \$6.7 billion, with a trade imbalance of \$1.8 billion or 27.1 per cent.

Industry production is split among three sectors: electrical (37.6 per cent), electronics (37.0 per cent), and consumer products (25.4 per cent). The electronics sector accounted for 55.6 per cent of the industry's imports and supplied 68.8 per cent of exports. Employment reached 154,274, an increase of 9,851 over 1973.

As a result of uncertainty in domestic activity, the geophysical instrumentation manufacturers and associated data processing companies have, with governmental assistance, obtained an increasing share of their business from the international market.

The previous year's consumer product shortage was followed in 1974/75 by a significant decline in the television, refrigeration, cooking and laundry products market. Sales of home freezers grew because of food price increases.

The Department continued efforts to assist industries offering technical services. It helped prepare an in-depth study of consulting engineering. Department-sponsored seminars were held across Canada to encourage communication between consulting engineers and federal departments and to enhance their ability to obtain export business. With the support of the Department, Canadian consultants were successful in obtaining contracts for projects abroad valued in the hundreds of millions of dollars and earned fees in excess of \$100,000,000. The Department initiated a program to maximize Canadian industrial input in projects won by Canadian consultants. The Interchange Canada Program was promoted by the Department as a means of transferring technology know-how between government and the private sector.

With the decline in housing starts, the wood products industry experienced a significant slowdown. Related industries found themselves with high inventories and fewer new orders.

The Forest Industries Development Committee (FIDC) was established in 1974 in response to findings in a government review of the pulp and paper industry. FIDC, with representation from each province and seven federal departments, is a consultative body for harmonizing federal and provincial forest industry policies.

Designed with Departmental assistance, a Council of Forest Industries of British Columbia plywood quality control program was set up and ran successfully for the year. This program is to be a basis for efforts to expand sales in western Europe of Canadian Douglas fir and western softwood construction plywood.

Canadian newsprint and pulp accounted for the largest share of the industry's one million ton increase in production. Shipments in 1974 amounted to 21.9 million short tons of which 77 per cent were exported. The \$5 billion value is approximately 5.4 per cent more than the previous year's record high. Estimated capital expenditures for water pollution abatement were \$55 million. A total of \$23 million was spent in minimizing air pollution.

Work was completed on two major forest industry studies: "Canada's Reserve Timber Supply" and "Taxation Practices Related to the Pulp and Paper Industry."

The tight iron and steel supply situation resulted in intensified consultations between the steel industry and the Department. A number of problems including a serious potential shortage of pig iron and ferrous scrap for domestic industries were resolved.

Aluminum, copper, lead, zinc, nickel and ferroalloys were in increasingly tight supply during the first part of 1974. The economic downturn brought a drop in demand in the latter part of the year and a surplus developed. Metal prices fluctuated during the year in response to the rapidly changing supply-demand situation. Copper reached a peak price of \$1.50/lb in mid-year on international markets and declined to the mid 50-cent/lb range by the end of the fiscal year. Tight supply resulted in ongoing consultations involving the Department, producers and consumers.

Based on a department-financed study, a proposal was made to the cement and concrete industry to establish a Canadian Concrete Institute to carry out scientific and market research, encourage the development of skilled trades personnel, and improve communications within the industry.

The Canadian supply-demand situation in chemicals changed rapidly from the acute shortages of 1973/74 to an apparent surplus of most products. Reduction in domestic demand, coupled with inventory adjustment, led to below capacity operation. There was increased substitution by lower-priced imports from production surpluses in other industrialized countries. This increased the trade deficit in chemicals.

In the short-to-medium term, continued delay in establishing significant additions to Canada's chemical production capacity will cause a supply tightening. As the present downturn eases, demand will strengthen. This is most pronounced in petrochemicals where a major expansion is underway but will not be on stream until 1978.

With participation by provincial governments and industry, the Department initiated a comprehensive study of the plastics processing industry to provide information on which to base growth policy and program.

The Department also began a study of the Canadian fertilizer industry to assess implications of potential raw material shortages, increasing world demand and international competition.

Textile and Clothing Board

At the beginning of the year 1974/75, the Canadian textile and clothing industries were experiencing high levels of activity. However, these industries were adversely affected by a sharp turnaround in international textile markets in mid-1974 which resulted in increased competition from low-cost sources and distress merchandise. Action taken under the National Textile Policy on the recommendation of the Textile and Clothing Board mitigated to some extent the problems experienced by these industries. During the year, the Board completed inquiries on cotton yarns, men's and boys' shirts, acrylic yarns, and nylon and filament rayon fabrics. The Board also reviewed the situation on double-knit and warp-knit fabrics, broadwoven polyester filament fabrics and terry towels and towelling. New inquiries undertaken by the Board and completed during the year included sheets and pillowcases, broad woven man-made fibre fabrics, double-knit and warp-knit fabrics, worsted fabrics, polyester/filament yarns. At the end of the year, an inquiry was underway on men's and boys' suits, jackets, co-ordinates and pants.

Metric Commission

Co-operating with the Metric Commission, the Interdepartmental Committee for Metric Conversion developed metric conversion policies and overall planning within the federal government. The Committee facilitates and co-ordinates timely conversions of measurement sensitive clauses in federal legislation. It identifies all measurement references in federal legislation and arranges metric conversion priorities of those standards.

In the House of Commons, Mr. Gillespie, to whom the Metric Commission reports, introduced the resolution on the guideline date program for metric conversion.

The four-phase national program developed by the Metric Commission involves investigation, planning, scheduling, and implementation. In his speech introducing the resolution, Mr. Gillespie said the program's investigative phase was virtually completed in 1974. Committee activities then were concentrated on the second, or planning, phase. By the end of 1980, metric measures are expected to be used by Canadians for all normal commercial and legal purposes.

Conversion to metric became a daily reality with the introduction of temperature readings in degrees Celsius.

More than 1,000 volunteers in some 60 committees representative of business, industry, education, government and all other facets of Canadian life are working to implement SI (International System of Units) as Canada's official metric measurement system. In all of this, the Metric Commission plays the co-ordination role, helping to minimize costs and maximize conversion benefits.

Primary responsibility for training the 10 million workers in the labour force rests with employers. The job of training those preparing to enter the work force rests with provincial departments of education. A task force is preparing a cost-benefit study of metric conversion in the post-secondary occupational and university sectors.

Increasing interest in conversion was reflected in the monthly volume of inquiries handled by the Metric Commission. This rose from 650 in April 1974, to 15,000 in March 1975. Besides distributing posters, booklets, slides and films, the Commission published six editions of "Metric Monitor", a monthly newspaper with a circulation of 200,000.

MARKET DEVELOPMENTOffice of Export Programs and Services

The Department now operates two programs to promote exports and develop new markets: the Promotional Projects Program (PPP) through which the Department plans and implements trade fairs, missions and incoming visitors projects; and the Program for Export Market Development (PEMD) which supports projects initiated by industry. In September 1974, the Office of Export Programs and Services was established by amalgamating the former Fairs and Missions Branch with the Program Office of PEMD to ensure more effective integration of the two programs and to improve export services to industry.

Under PEMD, the Department contributes to a company's costs in developing export business -- costs that might otherwise discourage such an attempt. The program has several sections each designed to deal more effectively with a particular marketing problem, in terms of regions, products or services, and techniques. These sections include bids on capital projects abroad, market surveys, participation in foreign trade fairs, incoming foreign buyers and the formation of export consortia.

As an example, of PEMD aid, the Department assisted in establishing an Eastern Cedar Shingle Export Consortium representing more than 90 per cent of the industry. The major promotion will be of cedar shingles for decorative interior wall covering and roofs. PEMD also supported an industry commissioned market study to evaluate the potential of eastern Canadian short and narrow lumber in EEC countries.

During 1974, significant changes were made to PEMD to further facilitate industry use of the program. These included simplification of the costing formula used to calculate the assistance and additions to the eligibility of two sections of the program. The increasing popularity of PEMD resulted in 20 per cent more applications in 1974 against which more than \$2 million in support was given to industry. From April 1, 1974, to March 31, 1975, export sales valued at \$53.7 million have been reported to the Department. Since PEMD's inception in 1971, 290 companies have reported sales of \$264.7 million as a result of PEMD assistance.

In 1974/75, a record number of projects was completed under the Promotional Projects Program: 471 companies were assisted in 42 international trade fairs; trade literature was distributed through information booths at nine other exhibitions abroad and Canadian products were sold at in-store promotions in Japan and the United States.

Ministerial missions to the Middle East, Brazil, Cuba and Venezuela were carried out; seven commodity-oriented outgoing missions took 110 Canadian businessmen to 16 countries; 20 incoming missions brought 170 foreign businessmen to Canada; and a further 954 foreign buyers visited Canadian suppliers. The total investment in this activity was \$3.3 million. More than \$400 million in sales have been reported.

As examples, the mission led by the Minister to Mexico in January 1974, resulted in the signing of Export Development Corporation financing agreements totalling \$18 million including \$8 million for steel mill equipment, \$4 million for gas turbines, \$5 million for railway locomotives and \$500,000 for sawmill equipment. A \$34 million order for milk powder has also been signed bringing the total business resulting from the mission to \$69.5 million.

The Minister's mission to the Middle East resulted in contracts for approximately \$5.4 million of air-conditioning and electrical equipment alone.

During the trade development mission to Brazil in October 1974, a short-term export potential of \$300 million was identified.

The missions to Cuba and Venezuela revealed that Canada could have a billion dollar market opportunity in Latin America over a five-year period.

In specific commodity areas, a group of Bulgarian agriculture officials was received by the Department and resulted in a contract being signed for approximately \$1.9 million for 120 tobacco harvesting machines. A delegation from Iran was present in Canada in December to sign an agreement for \$85 million of consulting services and equipment for a major forestry project. The Department sponsored an inaugural showing featuring ladies' leather wear in Montreal in April 1974. This Leather/Canada Show was one of the Department's more successful promotions as evidenced by \$3.25 million in sales.

Trade Commissioner Service

The Trade Commissioner Service deployed 240 Foreign Service Officers and 170 locally engaged Commercial Officers in a network of 86 offices in 61 countries. New commercial divisions were established in the Canadian Embassies in Finland and Saudi Arabia.

During the year, Trade Commissioner Posts were active in responding to more than 36,000 requests from Canadian businessmen for export marketing assistance and directed more than 45,000 inquiries from foreign buyers to Canadian industry. Posts assisted in establishing 2,183 new foreign agencies and provided some 3,400 new buying connections to Canadian firms. An increasingly active part was played in trade relations activities. In addition to reporting on local legislation affecting Canadian exports, Trade Commissioners worked closely with other departmental officials to identify impediments to Canadian trade and market access problems. Posts also collaborated with other branches and DREE to identify and encourage direct investment of significant benefit to Canada. In 1974/75, Trade Commissioners played a role in some 227 projects involving a potential investment in Canada of \$185 million.

In foreign markets where access for Canada's exports was difficult, Trade Commissioners directed more resources to Canadian investment and joint ventures. Posts assisted in 117 such projects involving some \$620 million of potential investment.

Regional Offices Branch

Work intensified in industrial and trade development and federal/provincial relations. The Branch also assumed responsibility for initial decentralization of the Program for the Advancement of Industrial Technology (PAIT). In preparation extensive training was given at all delegated Offices. Commitments of \$1,071,364 for 15 projects have been made through Regional Offices since November 1, 1974.

A new Regional Office was opened in Quebec City and the Departmental presence was reinforced in St. John's, Newfoundland. Regional Offices continued to promote export trade by increased regional commerce seminars, co-ordinating numerous missions and by increasing their information service to industry.

Publications

Canada Courier, the Department's 200,000-circulation tabloid newspaper that is distributed to foreign buyers, received a record number of inquiries about the Canadian goods and services it described: 17,978 compared with 12,729 the previous year. The growth in the inquiry rate has been phenomenal: only 579 inquiries were received in 1967. One issue alone in 1974/75 generated sales totalling \$4 million. Twenty-five issues were published in six editions, varying according to market area served: International, United States, French, Spanish, German, Japanese.

Canada Commerce, the Department's 25,000-circulation monthly magazine for contemporary Canadian business people, in its 71st year of publication, was given a more attractive layout, typeface and cover. The English and French-language publication aims especially at the small to medium-sized business. A survey revealed a majority of readers found it useful and informative.

Department-published brochures outlined the value of Canadian production. Capabilities of Canadian engineering consultants were promoted by a brochure, a lead article in Canada Courier, and by other publications.

Specific Activities

To sell more in the North Sea market, 127 Canadian companies participated in the Offshore North Sea Conference in Norway. Projected sales are estimated to range from \$2.7 million to \$27 million over the year. A mini-mission also went to Bergen, Trondheim and Oslo, visiting a variety of shipyards and offshore-related industries.

In the diversified British market, Canada has been concentrating on manufactured goods and high technology categories, including the oil and gas industry. Exports of apparel and apparel accessories to Britain totalled \$6.8 million in 1974. The Department sponsored industry participation by nine firms in the International Men's and Boys' Wear Exhibition and by 10 firms in each of the two Junior Fashion Fair shows.

In its British promotion, Canada also concentrated on equipment for packaging and labelling, garages and service stations, commercial food preparation and vending.

The Department was host to a major incoming Japanese Short Take Off/Landing (STOL) mission. Before leaving, mission members purchased an additional STOL aircraft. A South American airports mission was also briefed and given STOL flights.

The Department co-operated with the Departments of External Affairs and Transport in organizing a Commonwealth Air Transport Committee meeting in Canada. It arranged for Canadian aerospace industry participation in the technical sessions and for delegates to be fully exposed to Canadian STOL developments. PEMD supported several Canadian aerospace firms participating at Britain's Farnborough Air Show. PEMD also supported a tour by the firefighting CL-215 Water Bomber to the Philippines, Hong Kong, Thailand and Turkey. This followed a month-long visit of the CL-215 to Japan to demonstrate its firefighting capability in urban disaster situations.

The Department helped in the exporting of hydroelectric equipment. Hydraulic turbines and generators were delivered to Ecuador and Venezuela.

Several incoming buying missions were supported, including French original-equipment manufacturers seeking electronics components. Long-term export prospects were promising.

In promoting the timber frame residential construction in the European Economic Community market, Belgian, Dutch and French missions were invited to Canada. The Department participated in the Salon de Batiment in Brussels.

The Canada/Japan Housing Committee was formed to exchange housing technology and the first meeting was held in Tokyo. Three demonstration houses built in Tokyo were inspected by thousands of Japanese builders, government officials and consumers. With Department assistance, an export consortium was formed to market and sell housing component packages in Japanese and other Pacific Rim markets.

To encourage exports, the Department studied the northern United States market for manufactured buildings and components. Market areas have been defined and survey planning was underway for the mid-West and New England regions. The Department again participated with a national exhibit at the International Building Exhibition in Chicago in December. In spite of the downturn in construction in the United States in 1974/75, the nine Canadian exhibitors anticipated orders in excess of \$1 million. The Department sponsored a Canadian trade mission to identify markets for Canadian lumber and treated wood products in North Africa, the Middle East and Greece.

Under Department sponsorship, French, German, Japanese, Korean and Swedish business and government officials visited Canadian coal operations with a view to the supply of coal for new steel industries. Domestically, the Department worked with the Department of Regional Economic Expansion (DREE), provincial governments and industry on the further processing of raw materials. This resulted in the establishment, modernization or expansion of several plants producing ceramic tile, concrete, brick, glass, asbestos and steel products.

The Department initiated further promotion of opportunities for the construction industry by sponsoring a mission to Peru and Panama. This mission and a fact-finding trip undertaken by Department staff to the Middle East identified a significant market potential for contractors. An immediate requirement for prefabricated schools in Saudi Arabia was noted and an order for \$4.5 million of Canadian products anticipated.

Responding to demands from industry institutions, a revised edition of the Manual and Directory of the Brass and Bronze Foundries and Ingot Makers in Canada was produced in co-operation with the Canadian Copper and Brass Development Association.

Sponsored by the Department, 17 firms participated in a solo trade fair in Cuba promoting Canadian medical equipment and services which resulted in the development of new business which should increase substantially in the future. Many top government officials and buyers from abroad visited Canada under Departmental auspices. They were thoroughly briefed about Canadian capability in planning, designing, construction, equipping, training and managing in hotels, airports, industrial plants, tourism, health and education.

Foreign market knowledge was acquired in tourism, education, urbanization, agricultural production, health, transportation and other important development fields and was brought to the attention of appropriate commercial firms.

For the first time, a mission of consulting engineers visited China to acquaint the Chinese with Canadian capability and the role Canadian consultants could play in assisting to develop Chinese projects. Canadian consultants were prominent in the Minister's overseas missions during 1974.

The Department progressed significantly in developing assistance programs for Canadian industry to compete better for offshore capital projects. A risk insurance program was introduced to cover losses resulting from unforeseen or unknown contingencies in foreign work. Studies continued on bidding for large industrial projects. Engineering consultants and construction firms were encouraged to team with manufacturers in pursuing capital projects internationally.

Successes were achieved in obtaining capital project work in such diverse areas as the agriculture, health, commercial, education, resource and industrial sectors. New initiatives were taken in civil aviation. These were to help Canadian firms and consortia improve export performance and achieve sales of airport equipment packages and turnkey projects.

New product marketing and development assistance helped the snowmobile industry to diversify. This industry has a comparatively long development production cycle and many products such as motorcycles are highly competitive. Efforts will be continued.

The pleasure boat industry includes approximately 250 companies employing 3,200 people. Export sales increased to \$23 million, largely because of PEMD assistance. For the first time, the Department arranged for a Canadian company to exhibit at the Duesseldorf International Boat Show. The company set up enthusiastic dealerships. The Department now plans participation in two major United States boat shows.

Considerable effort was devoted to helping government-to-government export selling of telecommunications and scientific equipment. These industries, as well as geophysical and avionics equipment manufacturers, participated in a special Canadian electronics fair in Shanghai. A two-week microwave system planning seminar was presented in Abidjan, Ivory Coast, to engineering representatives from 35 African countries.

Promotion of Canadian expertise in cable television systems has begun in developed countries.

Three major appliance manufacturers co-operated with the Department in efforts to sell a specially designed cooker in Britain. The Department prepared protests against the Australian imposition of import quotas on appliances and liaison has been established with Britain to provide Canadian companies with information on new safety standards applicable to the EEC.

A growing market for computer systems and services exists in the economic and social modernization of Middle East and Latin American countries. The Department is identifying Canadian opportunities and some notable successes have been achieved. A Canadian-invented Arabic language processor simplifies machine printing of these languages.

Assistance was provided to 16 Canadian electronic component manufacturers for European promotion at the Electronica '74 fair in Munich. On-the-spot sales totalled \$555,000, with good prospects for expansion to \$8 million within a year.

To assist the automotive parts industry in its efforts to increase export sales, particularly to Japan and Europe, exhibitors were sponsored at the Automechanika Show in the Federal Republic of Germany and an auto service show in Tokyo. With continued use of PEMD a number of companies were assisted in their efforts to promote exports.

The first sale of Canadian-produced, original-equipment manufactured parts was made to Japan and increased sales to vehicle makers in Western Europe were also achieved.

To increase export sales of aftermarket parts and accessories, the Department sponsored an exhibit at the Automotive Industries Association Show. Increasing focus on the United States aftermarket was demonstrated by Canada's first participation in the Automotive Parts and Accessories Show in Chicago.

The Department promoted Canadian processed food products in five in-store and two restaurant demonstrations in Japan. On-site sales of Canadian fish, meat, cookies, candy and other processed foods totalled \$1 million, with substantial follow-up sales.

Department food promotion activity in the United States included solo shows in Pittsburgh, Minneapolis-St. Paul and Cleveland, as well as an exhibit at the National Fancy Food and Confectionery Show in New York.

The Fisheries Council of Canada received \$200,000 from the Department to promote increased cod, haddock and flounder consumption in the United States. The Department also assisted the Mackerel Development Program to increase mackerel utilization.

To guide Canadian firms seeking new and expanded markets, studies were made of the world market for pulses and poultry, and the South American market for livestock.

The Agriculture and Food Products Market Development Assistance Program (AGMAP) supported 23 projects with a total financial commitment of \$2.8 million since its inception in June 1973. AGMAP financial assistance helped develop marketing strategy for Canadian apples in Britain and carry out official testing of Canadian seed varieties for EEC certification.

The eight working groups established with the U.S.S.R. on co-operation in the industrial application of science and technology continued visits and exchanges. A key objective is to acquaint Soviet Industrial Ministries with exportable Canadian expertise. A Bulgarian delegation came to Canada to explore industrial technology.

Canada continued to co-operate with her allies in defence planning through co-operative defence research, development and production programs co-ordinated by the Department. Many of these programs have civilian applications and represent advanced technology in communications, navigation and transportation equipment. Defence export contracts placed in Canada by NATO and other friendly countries amounted to \$287.4 million in 1974/75. Imports of defence equipment amounted to \$264.2 million.

The Transportation Industries Branch took a leading role on an Interdepartmental Task Force seeking to establish a nationally based urban transportation development corporation. The corporation will be funded through federal and provincial equity participation. It will provide the urban transit industry with a strong national organization capable of developing new equipment and mobilizing and co-ordinating manufacturing and marketing. Industry is to be assisted in supplying the rapidly expanding domestic market and the equally strong international market.

Department-sponsored missions resulted in sales of 61 locomotives to Iraq, and 50 locomotives to Tunisia, Peru and Ceylon. Department initiatives resulted in Mexico ordering locomotives, freight cars, passenger coaches and steel rail through \$200 million in credit from the EDC. Gas turbine propulsion units were exported for prototype rapid transport cars in the United States market which the Department emphasized by bringing in missions.

Intra-urban equipment sales of rapid transit equipment, light rail vehicles, urban commuter equipment and ancillary components totalled \$175 million.

Grain and Oilseeds Program

Grains and oilseeds exports totalled 533 million bushels (14.3 million tons). The government credit program accounted for exports of about 129.5 million bushels (3.5 million tons) of grain, mainly wheat. Aid shipments of grain totalled 25.2 million bushels (669,000 tons).

A basic objective of the market development program is to increase the use of Canadian grains and oilseeds by the development of markets for traditional commodities and by promoting value-added processing of these. New Canadian and foreign markets are sought for protein, oil and starch components of grains and oilseeds in food product and animal feed industries.

By providing financial assistance, the Grains and Oilseeds Marketing Incentives Program (GOMI) encourages a segment of Canadian industry to expand and diversify in domestic and export markets, with emphasis on enhancing value-added processing. Ten projects approved under the program in 1974/75 involved financial assistance amounting to \$1.9 million.

They included the development of new products and processes; market development activity in the Far East, the Caribbean and United States and projects involving handling facilities for the export of grain and oilseeds products. One example of this was the feed grain seminar held in Japan in November 1974, the culmination of a joint two-year project with the Canadian Wheat Board to demonstrate the good performance of Canadian barley and utility wheat in Japanese livestock rations. The market for feed grain in Japan is 17.5 million tons a year. Another example was assistance in the form of a guarantee on throughput for an edible oil storage and loading facility at Vancouver.

Under the Prairie Grain Advance Payments Act, payments of interest charges in 1974/75 totalled \$1,792,405. Purpose of the scheme is to advance producers some of the proceeds they would eventually receive from pool grain sales. Under the two-price wheat program, payments of about \$78.7 million were made to the program.

Legislation to amend the Prairie Grain Advance Payments Act was placed before Parliament to increase the maximum advance available to a producer. An amendment to the Canadian Wheat Board Act was also introduced to guarantee payments under the two-price wheat program.

An electoral process was introduced to enable producers to elect members of the Canadian Wheat Board's Advisory Committee. The first election was funded by the government.

After a year of detailed consultations with all sectors of the industry, the government implemented a new domestic feed grain marketing policy in August, 1974. The main provisions are:

- . Maintenance and payment of carrying charges by government on reserve stocks of feed grain at Thunder Bay and Halifax, costing \$4 million annually.
- . Direct access by users across Canada to western feed grains.
- . Re-introduction of feed grain futures trading by the Winnipeg Commodity Exchange.
- . Substantial increases in cash advance limits.

Work continues on other policy elements, including price guarantees, freight rate inequalities and an overall storage program.

At the International Wheat Council, Canada agreed to the extension by protocols of the International Wheat Agreement 1971, to June 30, 1976, and supported appointment of a Preparatory Group to examine the possible bases for a new international wheat arrangement. In the context of a possible new agreement, reserves will be a major area of examination.

The POS (Protein, Oil, Starch) Pilot Plant Corporation, a joint industry and government initiative, expanded its membership to include 19 industrial companies, one university and one provincial government. The executive director was appointed and a pilot plant will be built in Saskatoon. The non-profit corporation is designed to develop new food technologies for Canadian crops.

The Rapeseed Utilization Assistance Program provides annual grants for research and development on rapeseed varieties and products to increase Canadian rapeseed use at home and abroad. The program, administered by the Rapeseed Association of Canada, received \$300,000 in 1974/75 to undertake 16 projects. These are to assess the nutritional properties of new rapeseed varieties and develop new products and processing techniques. Major research activities for 1975 are on vegetable oils, with secondary emphasis on meals.

Canada Grains Council activities were focussed through four major committees on areas of current and future significance to the grains industry. Committees on Grain Handling and Transportation, Metric Conversion, and Feed Grain Specifications are concerned with specific initiatives to improve and expand marketing of grains and their products. The Council is funded jointly by membership fees and contributions from the federal government.

In 1974/75, its second full year of operation, the Canadian International Grains Institute provided existing and potential customers for Canadian grains with an opportunity to acquire training in all facets of the industry. Seven different courses were given involving representatives from 23 different countries.

Centre for Joint Ventures and Turnkey Projects

A new Centre has been established within the Department that will be responsible for the promotion and marketing abroad of Canadian capability to participate in multi-disciplinary industrial projects either as a turnkey project or as a joint venture to establish a continuing industrial or service operation in a foreign country. The purpose of this Centre is to provide a focal point of contact in the Department through which businessmen can obtain information and guidance when pursuing such projects abroad. The main thrust of the Centre is to encourage and support the efforts of the private sector and in particular it will seek out Canadian companies interested in pursuing identified opportunities rather than initiating or co-ordinating a public sector response.

TOURISM

Despite the energy crisis, inflation and economic uncertainty, Canada's travel industry income exceeded \$7.3 billion. It generated employment for the equivalent of some 785,000 man-years for Canadians. Nearly 14 million non-resident tourists entered Canada and stayed one night or more, making Canada one of the world's eight top travel destinations. An additional 24 million, largely from the United States, entered Canada for stays of longer than 24 hours.

Domestic travel by Canadians increased substantially, balancing out a slight decrease in visitors from the United States. The estimated value of in-Canada travel during 1974 was \$5.7 billion. Income from international visitors during the same period was \$1.6 billion. The Canadian Government Office of Tourism (CGOT) is projecting a \$10 billion industry by 1980.

CGOT's tourism marketing budget for 1974/75 was \$17 million. Of this, \$9.2 million was spent on direct mail and advertising and \$527,000 on special exhibits and promotions.

Editorial material and photographs were sent to more than 1,000 travel editors throughout Canada, the United States and overseas. Fifty-five thousand colour photo transparencies, slides and prints were distributed throughout the world. In the United States alone, Canadian travel films were seen by an estimated 250 million viewers through television and direct screenings.

CGOT organized 27 cross-Canada familiarization tours for 905 travel trade representatives from 25 countries.

The 1974 World Travel Congress of the American Society of Travel Agents (ASTA) held in Montreal attracted 5,066 registered delegates. CGOT took 700 of them on cross-country tours as an investment in the promotion of more travel to and within Canada.

CGOT's leadership and co-ordination of federal tourism programs and promotion of federal-provincial tourism co-operation were prominent at the 29th Federal-Provincial Conference on Tourism held in Quebec City. Featured were seminars and discussions on improved tourism research, federal-provincial co-operation, opportunities offered by new transborder, Canada-United States air routes, profit potential of fast-developing incentive travel, and the further upgrading of Canada's tourism plant.

Through the CGOT's Travel Industry Development Program (TIDP), provinces were assisted in formulating tourism development strategies and in planning the implementation of major projects -- some of these by application of other programs such as subagreements (on Tourism) under the Department of Regional Economic Expansion (DREE).

CGOT assigned Regional Tourism Officers to Vancouver, with responsibility for British Columbia and the Yukon; to Edmonton for Alberta and the Northwest Territories; to Regina for Saskatchewan and Manitoba, and to Quebec City for the Province of Quebec. Tourism Officers will also be located in Halifax for Nova Scotia and Newfoundland and in Moncton for New Brunswick and Prince Edward Island.

Some new programs were begun by CGOT, including the Tour Development Program. Under this, the federal government contributes up to \$50,000 or 50 per cent, whichever is less, toward total cost of creating, developing and merchandising a new package tour.

The Canadian Government Office of Tourism launched a trial run of CANTRAV, a management information system. Accommodation operators benefit by using data from this electronic processing system. The objective is to help improve management decisions, profits and to attract investment.

A number of industry improvement publications was issued, including "Design in Tourism: Restaurants", a manual assisting restaurateurs in planning decor, facilities and improving efficiency. New studies were published on the impact and significance of tourism along with a supplement to the 1971 Canadian Travel Survey conducted for CGOT by Statistics Canada.

A 150-page Package Tours directory was produced as a reference guide for travel agents and industry. The annual directory listed tours to Canada from the United States as well as tours originating in Canada.

Canada's travel industry benefited from \$106 million in loans made by the Industrial Development Bank last year, 23.5 per cent of all lendings by this Bank in 1974. A CGOT interim estimate indicates approximately \$630 million of direct gross public and private capital formation is generated annually by Canadian tourism activity.

INDUSTRY, TRADE AND COMMERCE

Statement of Expenditures

Trade Industrial Program

Vote		1974--75
1, 1b, 1d	Operating Expenditures	\$ 63,233,564
5	Textile and Clothing Board--Operating Expenditures	199,041
10, 10b	Grants and Contributions	133,209,599
Statutory	Minister of Industry, Trade and Commerce--Salary and motor car allowance	17,000
Statutory	General Incentives to industry for the expansion of scientific research and development in Canada	26,549,137
Statutory	GAAP Insurance Losses	1,208,527
Statutory	Contributions to superannuation accounts	3,805,000
	Loans to assist manufacturers of Automotive Products in Canada	202,277
	Loans to assist Defence Manufacturers with Defence Plant Modernization	6,826,011
	Loans to assist the pharmaceutical industry in the manufacture of low-priced prescription drugs	350,000
	Loans to assist manufacturers under the General Adjustment Assistance Program	5,041,244
	Loans under the footwear and tanning industries adjustment program	653,041
	Loans for various special projects	29,458,782

Tourism Program

Vote		
30	Program Expenditures	22,341,426
Statutory	Contribution to Superannuation accounts	478,000

Grains and Oilseeds

Vote		
35	Operating Expenditures	1,314,469
40	Grants and Contributions	16,676,725
Statutory	Payments in connection with the Prairie Grain Advance Act	3,058,348
Statutory	Payments in connection with the Prairie Grain Provisional Payments Act	41,587
Statutory	Contribution to Superannuation Accounts	111,000
41a	Two Price Wheat	78,670,981
42b	Contribution Two Price Wheat Special Permit Book Holders	2,559,344
43b	Contribution to Canadian Wheat Board	1,849,215

INDUSTRY, TRADE AND COMMERCE

Statement of Revenues

Return on Investments	1974--75
Interest on loans to Export Development Corporation	42,837,642
Interest on loans to assist manufacturers of automotive products	1,825,053
Interest on loans to assist the pharmaceutical industry	66,430
Sundry	1,007,947
Refunds of Previous Year's Expenditures	
Repayments re DIP	548,156
Repayments re PAIT	80,537
Repayments re PEMD	130,317
Miscellaneous Refunds	1,444,444
Miscellaneous	
Sundry	1,251,163

