

HC  
111  
.A3  
1975/76

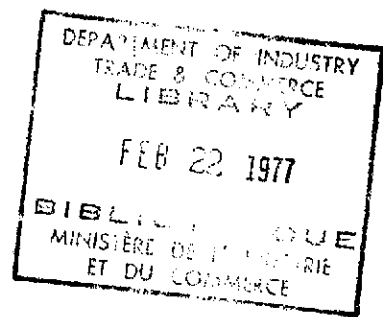
IC

# ANNUAL REPORT 1975-1976



Industry, Trade  
and Commerce

Industrie  
et Commerce



Department of Industry, Trade and Commerce

ANNUAL REPORT

1975-76

OTTAWA

The Honourable Jean Chrétien  
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, 1975 to March 31, 1976.

Respectfully submitted



G. F. Osbaldeston  
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, 1975 to March 31, 1976.

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

Respectfully submitted



Jean Chrétien  
Minister of Industry,  
Trade and Commerce

## INTRODUCTION

Adjustment to the realities of double-digit inflation and concurrent economic recession in many parts of the world featured the activities of the Department during fiscal 1975/76. This adjustment involved a re-assessment of priorities in programs for industry and international marketing, and developments during the year reflected the value of the Department's major incentive programs for product innovation.

A six-month decline in exports was halted at the beginning of the fiscal year and steady increases were recorded over the following 12 months, despite a brief but sharp slump in the third quarter of 1975. At least some of this improvement can be attributed to the development by Canadian manufacturers of highly innovative new products which began to receive broad acceptance in the international market during the year. Improved design and expanded research programs also contributed to the favorable result, as did the development of consortia and joint ventures. All of these developments were related, in part, to assistance programs for industry and international marketing launched by the Department in recent years.

In the light of improved performance, the Department began re-assessment of priorities and began studies on the impact of all its assistance programs. Recommendations will be made to improve further their effectiveness. A parallel study is directed toward improving the Department's interface with business and industry.

In these studies, particular attention is being paid to the needs of small business, which received a strong assist in October with the formation of the Federal Business Development Bank. This new agency's mandate is to provide comprehensive financial and managerial services to small and medium-size businesses. It embraces the former Industrial Development Bank, which came into being as an agency of the Bank of Canada, and various federal business counselling services formerly provided by I.T. & C., the National Research Council and the Department of Manpower and Immigration.

Establishment of the Centre for Joint Ventures and Turnkey Projects was another significant initiative taken to improve the marketing of Canada's goods and services throughout the world. This group works with Canadian firms to establish consortia to undertake projects which might be too large in scope for any individual firm. It will also seek partnerships between Canadian firms and foreign companies, since the joint venture approach is virtually the only effective method of gaining access to some markets.

Trade fair and trade mission activities were intensified to introduce Canadian goods and services to new markets and support promotional efforts in established markets. The Honourable Don

Jamieson led missions of businessmen to France and Southeast Asia. He also had trade talks in Switzerland. The Honourable Alastair Gillespie, Minister until late September, had trade talks in Japan and Korea and spoke of Canada's trading aims in San Francisco and New York.

The Canadian Trade and Tariffs Committee consulted with all sectors in preparing Canada's position for the Multi-National Trade Negotiations in Geneva, during which Canada will seek greater access for Canadian goods and services abroad through the lowering of tariff and non-tariff barriers.

The Government's war on inflation called for cutbacks in spending in both the private and public sectors. As one result, the Department had to withdraw its assistance under the Industrial Research and Development Incentives Act (IRDIA).

Details of some of the major activities of the Department follow in this report, which does not attempt to cover all projects undertaken during the year, but rather to give Parliament and the public an overview of the most significant developments of 1975-76.

#### PRODUCT INNOVATION

The Department has long maintained that, when Canadian manufactured goods come under heavy competition in foreign markets from countries whose low labour costs provide them with a built-in price advantage, the answer is not to cheapen the Canadian product, but to produce more sophisticated articles that incorporate our special technological skills. It has encouraged specialization in high-technology, sophisticated manufacturing in recent years through its Program for the Advancement of Industrial Technology (PAIT).

The validity of this belief was strengthened in 1975/76, a year during which markets for traditional manufactures softened in many countries. A number of highly innovative new products, such as a hand-held police radar, word processors, and advanced instruments for oil and mineral exploration, among others, have been developed with the Department's support and are now beginning to receive widespread international market acceptance. The success of such Canadian products in export markets helped to make possible a 16.6 per cent increase in sales of manufactured goods abroad, despite greatly intensified competition for more conventional end products.

The Department has continued to support the development of markets for Canadian instrumentation and process control equipment, with emphasis on capabilities in the fields of geophysics, cartography and photogrammetry, mineral processing, pulp and paper, and supervisory control instruments. Companies in these fields have secured significant portions of their business in export markets.

As an indication of the high standards of Canadian technology in the most sophisticated fields, practically all the electronic systems and equipment installed at Mirabel International Airport, including navigation aids, air traffic control, and passenger reservation and information systems, were produced in Canada, and there is reason to believe that some of these systems also have export potential.

There has been a trend toward the emergence of a growing number of small, high-technology, innovative companies in the western provinces. Departmental programs have supported them in the development of such products as computer software, geodetic and cartographic instrumentation, and supervisory control systems.

Canada continues to produce state-of-the-art products and systems for domestic and export sale, including airborne navigation equipment, aircraft simulators, and automated air traffic control systems.

Companies producing consumer products have also received departmental assistance in developing a number of new small appliances for the North American market.

Increased demand for intrusion alarms, airport security systems, and fire-warning devices, both domestically and internationally, has sparked the development and marketing efforts of a number of Canadian electronic firms during the year under review. Assistance has been provided in product development and the securing of foreign contacts for manufacturers of equipment and systems of this type.

New technology developments have also been taking place in the production of more conventional machinery, with assistance from the Department's incentive programs. Among them is a new paper-forming machine that is expected to revolutionize paper mill operations. It makes possible a continuous paper-making process, from the pulp to rolls of finished paper. Savings in time are considerable compared with the traditional multistage paper-forming process.

A Canadian company has perfected a portable rig, capable of drilling a two-foot-diameter hole in permafrost to a depth of 50 feet. It was designed for the placing of pilings to support oil and gas pipeline systems. The equipment has been sold for use in the construction of the Alaska pipeline, and negotiations are under way with the U.S.S.R. for possible sales to that country.

A record order for the export of packaged housing was received by a Canadian company. The buyer was the Iranian Nippon Oil Company in Iran. The order, covering 165 complete houses, including carpets and other interior finishing, was

to be shipped in April, 1976, and the houses were scheduled for erection on site by August. The company is currently negotiating for further contracts in Iran and Saudi Arabia.

A Canadian aerospace company has established a unique capability in remote manipulation devices particularly applicable to space systems and most satellites now incorporate antennas designed and manufactured by it. At present, the company is developing a satellite manipulator for the NASA space shuttle. It is being assisted to investigate other applications for remote manipulators in medical and nuclear instrumentation and in underground, underwater and industrial applications.

Canadair's CL-125 amphibian, which was developed as a water bomber, with the support of PAIT, has been further developed as a search and rescue aircraft. Forty-seven CL-125s have been sold, most of them to France, Spain and Greece, and the company is manufacturing an additional 15, in the light of interest shown by other countries.

A prototype battery-powered electrical utility vehicle has been developed by a Canadian firm. Its performance is sufficient to satisfy many of the needs for such a utility vehicle. Weighing 1,020 kg, it travels up to 75 km on a battery charge.

The world's largest logging truck (200-ton capacity), developed by a Canadian firm, has completed field trials and negotiations for the sale of these vehicles are now in progress.

A Canadian company has sold two "stretched" versions of its air cushion vehicle to the U.S. Army for a price in the neighbourhood of \$4 million. The vehicles will be field tested by the Army prior to a procurement of 26 more ACVs.

#### MARKET DEVELOPMENT

In addition to providing traditional export sales promotion support to exporters, in the form of trade fairs and exhibits, trade missions, and the early identification of opportunities in the field by the Trade Commissioner Service, the Department continued its marketing development efforts in other directions.

The formation of consortia among several companies in a given industry has helped to create export opportunities of a scale that no single company would have the resources to meet on its own.

In other cases, due to either the political structure of the customer nation, the sheer scope of the contemplated

project, or the nature of the product required (e.g. military equipment), it is essential that details be worked out at the government-to-government level and a joint venture arranged, in which Canadian suppliers pool their resources with a company or agency in the country concerned and combine to produce the end product, to their mutual benefit.

Neither the consortium nor the joint venture is new in international trade, but both avenues have been presenting themselves more frequently as logical solutions in recent years.

### Consortia

The Department assisted in the formation of several consortia during the year, in fields ranging from construction to agricultural products to sophisticated electrical and electronic instruments.

Canada's first housing export consortium, Homexpo Canada, Limited, was established and legally incorporated in February, 1975. It will undertake the development of export markets for packaged homes manufactured by six companies in British Columbia. The primary target markets at present are Japan, New Guinea, and the Middle East. First major orders are expected to be placed by mid-1976.

Two consortia -- Canacor and Canada Interexpo -- were established to pursue turnkey agricultural projects in the Middle East.

In co-operation with the governments of New Brunswick and Prince Edward Island, the Department launched a consortium of seed potato exporters to improve the marketing of their product.

The instrumentation and process control industry relies heavily on international markets, and the Department has started to place emphasis on the formation of a multi-company consortium to approach the international market.

A consortium of Canadian geophysical instrument and satellite survey positioning system manufacturing firms was supported by the Department at the U.S.S.R. geophysical exhibition in Moscow in November.

### Joint Ventures and Turnkey Projects

Because of the new emphasis on joint venture projects in the trade policies of some European and South American countries, the Department reorganized its administrative structure to meet the challenge.



The Office of International Special Projects was renamed the Office of International Projects (OIP). It now consists of three branches: the Defence Programs Branch, the Capital Projects Branch (formerly the Special Projects Branch), and the Centre for Joint Ventures and Turnkey Projects.

The latter acts as a focal point for Canadian businessmen wishing to investigate and pursue joint venture or turnkey projects abroad. Its function is to co-ordinate information on such projects with other branches of the Department and to offer guidance to Canadian firms in such matters as project description, bid specifications, foreign contacts, costs, insurance, bid bonds, local conditions, and legal implications -- all important factors in arriving at realistic bids.

The Joint Ventures Centre will draw the attention of Canadian companies to identified opportunities abroad and help them research such opportunities before a decision is made. Efforts will be concentrated on joint ventures which clearly have the prospect of providing significant benefits to Canada.

#### Capital Projects Branch

The Capital Projects Branch becomes the focal point in the Department for the pursuit of a broad range of capital project business and for the consulting and technical service industries which frequently are the forerunners in pursuit of capital projects abroad. These include consultants, architects, aerial surveyors, agronomists and other professional organizations. The branch is also responsible for co-ordinating a Canadian response to capital projects of a multi-disciplinary nature, involving, for example, consultants, architects, planners and capital equipment manufacturers from two or more industrial sectors.

During the year under review, the Capital Projects Branch processed more than 300 PEMD applications, most of which involved capital project business, as well as providing normal assistance to firms, exclusive of PEMD, in the pursuit of many other export projects.

The geophysical instrument and contract services industries are now rebounding after several years of declining business, as a result of increased world demand for new energy and mineral survey instruments. However, Canadian companies are now being forced to consider joint ventures in order to maintain the large markets they have enjoyed in countries such as Brazil, Australia and Poland.

The Department was instrumental in implementing a joint venture with the government of the Federal Republic of Germany and industry for the engineering and prototype development of Canadair's CL-289 Battlefield Surveillance Drone, which is a second-generation variant of the CL-89 Drone. The joint venture is under the control of Canadair, in recognition of its established systems management experience in this product area.

A number of geophysical instrument manufacturers exhibited at Poznan, Poland, in June 1975, during which arrangements were made to demonstrate mineral survey instruments in the Silesia mountains. Continued exchange of technical information with the various Polish organizations is expected to result in substantial sales of Canadian equipment and possible co-operative ventures in third countries.

Technological exchanges were undertaken with numerous foreign countries in the field of manufactured wood products. Canadian missions of manufacturers of houses, kitchen cabinets, and millwork visited Britain, Sweden, Norway and Finland. Opportunities for joint manufacturing and marketing ventures in these countries and in third countries were explored. Several specific opportunities were identified and are being followed up.

#### Office of Export Programs and Services

The Department's promotional support arm is responsible for two programs -- the Promotional Projects Program (PPP) and the Program for Export Market Development (PEMD). The first involves Canadian participation in trade fairs, trade missions and in-store promotions initiated and implemented by the Department; the second helps to develop sustained exports of goods and services through the support of industry-initiated activities.

In the year under review, 524 companies were assisted under the PPP to participate in 45 offshore international trade fairs; 18 outgoing missions took 110 Canadian businessmen to 16 countries; 20 incoming missions brought 118 foreign businessmen to Canada; and a further 1,046 foreign buyers visited Canadian suppliers. Total departmental investment in these activities was \$3,686,900, from which more than \$147 million in sales have been reported.

Through its PEMD operations, the Department provided some \$3.5 million in repayable contributions to companies to share their costs in developing export business -- costs that might otherwise discourage them from seeking foreign sales.

Between April 1, 1975, and March 31, 1976, 1,835 applications were received and companies reported export sales of \$20,556,611 resulting from the program. Since PEMD's inception in 1971, 5,873 applications for assistance have been received and total export sales of \$265,011,611 have been reported.

### Trade Commissioner Service

The Trade Commissioner Service deployed 240 Foreign Service Officers and 170 locally engaged Commercial Officers in a network of 89 offices in 64 countries. New commercial divisions were established in the Canadian embassies in Rabat, Morocco and Bucharest, Romania.

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 48,000 inquiries from foreign buyers to Canadian industry. Posts assisted in establishing 1,870 new foreign agencies and provided some 2,670 new buying connections to Canadian firms. An increasingly active part was played in trade relation 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 1975/76, Trade Commissioners played a role in a number of projects involving a potential investment in Canada of more than \$200 million. In foreign markets where access for Canada's exports was difficult, Trade Commissioners encouraged Canadian investment and joint ventures.

### Specific Activities

A Forest Products Industries Mission visited the European Community in March, 1976. Senior Canadian industry executives and officials of the Department examined opportunities for joint ventures with European partners and explored other possibilities for industrial co-operation.

A second meeting of the Canada/Japan Housing Committee, aimed at the exchange of housing technology, was held in October, 1975, when senior Japanese and Canadian government officials and industry representatives discussed a number of technical subjects ranging from the testing of wood-frame housing structures to problems of urban development. The next committee meeting is set for mid-1977 in Tokyo.

In addition, the Department led three construction-oriented missions abroad during the year -- one to Britain to discuss international co-operation in the pursuit of projects in third countries, and the other two to investigate opportunities in the Middle East.

The Department played a leading role in arranging two visits of Canadian businessmen to the U.S.S.R. and one visit to Canada by a Soviet delegation, in the context of industrial application of

science and technology. As a result of these activities, Canada obtained a \$9.7 million contract to drill an oil well in the Soviet Arctic.

A Chinese Bureau of Geology mission visited Canada in September and October, as a direct response to the Department's electronic equipment and scientific instrument exhibition held in Shanghai in 1974. The People's Republic of China has invited a return mission in September, 1976. These exchanges increase the possibility of substantial sales of aircraft, ground instruments, airborne survey systems, computerized mapping systems and data processing equipment to that country.

Telecommunications marketing activities resulted in incoming missions from Saudi Arabia, Peru and Iran, all of which were followed up by proposals and visits from Canadian firms.

Sales promotions for Canadian food and beverage products and livestock were pursued actively in the United States, Japan, the European Economic Community, the Middle East and North Africa.

Surveys of the market for processed foods were undertaken in Detroit, Seattle, Philadelphia and Boston, and solo shows featuring grocery and fish products were held in Cleveland and Minneapolis-St. Paul. The Department also sponsored an exhibit in the National Fancy Food Show in Chicago.

In Japan, food and beverage products were the subject of a number of in-store promotions. Several Japanese restaurants featured Canadian foods on their menus.

A special, reduced levy for aged Canadian cheddar cheese was negotiated with the EEC, effective April 1, 1975. Exports of cheddar cheese to Britain resumed immediately after with sales amounting to about one million pounds during the year. The Department also organized a cheddar cheese mission to Britain and Europe to determine the best means of regaining our traditional market for cheddar in Britain and to establish the product in other EEC countries.

Plans for an in-store clothing promotion in four countries were finalized. More than 200 C & A Europe stores in the Federal Republic of Germany, Belgium, The Netherlands and Britain will feature Canadian merchandise and support the promotion with advertising designed to reach 65 million consumers.

The first large-scale international book fair ever to be held in North America took place at Place Bonaventure, Montreal, in May, 1975. Close to 550 organizations from 57 countries exhibited at the fair, with foreign companies accounting for more than 60 per cent of the total.

With the slowdown of economic activity in Canada, the sporting goods industry experienced a significant decrease in sales. The estimated value of factory shipments declined 17.3 per cent from

the previous year. The value of Canadian exports decreased 16.5 per cent, but the overall value of imports increased marginally (4.9 per cent).

The economic slowdown did not seriously affect manufacturers of jewellery made of precious metals and stones. A number of firms moved to larger and more efficient plants to increase production to meet market demands. Exports increased by only 4 per cent over 1974, whereas imports increased \$7 million, or 15 per cent.

The adverse effects of the U.S. economic situation were felt by the clothing industry early in 1975. However, the third quarter presented a much brighter picture to Canadian exporters as retail inventories dropped and sales rose substantially. This was particularly evident in children's outerwear and women's leather garments.

Major export sales of power generation equipment included \$23.7 million of gas turbines to Indonesia, Iran, India and the People's Republic of China; \$7.2 million of power boilers to the U.S.S.R. and \$4.5 million to Israel. Hydraulic turbines worth \$4.6 million were sold to Brazil.

Under the free trade arrangement with the United States on agricultural equipment, Canada sold more than \$450 million worth of farm machinery to that market in 1975 -- 80 per cent of total Canadian exports in this category. Other major sales of farm equipment included \$8.2 million of combines to Mexico, \$8.1 million of tractors and parts to Algeria, and \$6.3 million of the same commodity to Australia.

Canada sold \$85 million worth of mining equipment abroad in 1975, of which \$13 million went to Iran, Chile, Indonesia, Brazil and Peru.

An electric power seminar on the design and construction of large waterwheel generators was conducted by the Department in Rio de Janeiro for the benefit of Brazilian electrical engineers and utility personnel. A recent contract, calling for a Canadian company to provide component parts and engineering for six generators to a large Brazilian project is but the first of several opportunities expected to develop from that initiative.

Companies in the avionics sector took part in an effective group marketing trip to Eastern Europe. Technical seminars were held in Czechoslovakia, Poland and the U.S.S.R. Specific market opportunities are now being pursued for major avionic requirements in the latter two countries. Initial equipment sales have also been made in Bulgaria and visits made to Canadian companies by Bulgarian, Soviet, Polish and Yugoslavian officials.

Telecommunications marketing activities resulted in incoming missions from Saudi Arabia, Peru and Iran, all of which were

followed up by proposals and visits from Canadian firms.

The Department was involved in a government-sponsored pavilion at Geneva in October, sponsored by the International Telecommunications Union. Thirty-seven countries participated and an attendance of 100,000 was estimated. Canada presented 12 technical papers out of a total of 120 during the technical sessions.

As part of continuing efforts to develop the telecommunications market in the People's Republic of China, an incoming eight-man mission on satellite communications was given a two-week tour of the Canadian space industry.

The Department assisted in negotiating various telecommunications projects in Africa and provided marketing assistance to industry in Africa and the Middle East. Officials also attended the Pan African conference in Kinshasa in December.

Similar telecommunications marketing assistance was provided for industry through incoming missions and marketing intelligence. Marketing visits were made to Central and South America to discuss specific projects in Peru, Ecuador, Panama, Costa Rica, Nicaragua and Mexico.

An outgoing Community Antenna TV mission, comprising government and industry officials, made a technical presentation at the First Italian CATV Exhibition in Milan, Italy. The Department also took part in the annual Canadian CATV convention and exhibition in Vancouver, making a presentation on "Export Possibilities in CATV."

During the year, the Department continued to place emphasis on penetration of the U.S. transportation market, sponsoring a number of incoming buyer missions and pursuing specific opportunities in co-operation with the Canadian urban transportation industry. This spadework is expected to produce orders of between \$75 million and \$100 million within the next few months.

Canadian aircraft sub-systems are improving their export positions. A Canadian company increased its sales of undercarriages from \$9.6 million in 1973 to \$19.1 million in 1975. Canadian designed and built undercarriages are now installed in aircraft built in Switzerland, Britain, the United States and Canada.

Two Canadian manufacturers of off-highway mining trucks are leading contenders for large Soviet orders for such equipment. One company received substantial orders from San Francisco, California and Dayton, Ohio, for its electric trolley buses, and another obtained a major repeat order from Australia for its MCI MC8 highway buses. An Australian bus line has indicated that it intends to standardize on MCI equipment for its whole fleet.

A stepped-up marketing program on behalf of Canadian off-road vehicles resulted in a new high of close to \$30 million in export sales being set during the year. One Canadian firm made two separate sales to the U.S.S.R. of more than \$4 million. Both were cash sales, the second being negotiated in the record time of three-and-a-half weeks by the use of Telex.

Thirty-three Canadian companies participated in the 1975 Paris Air Show under Departmental sponsorship. The exhibit highlighted Canadian aerospace industry in three areas -- innovation, manufacturing and services. It was not possible to exhibit the de Havilland DASH 7 prototype as it was undergoing certification tests in Canada, but it appeared on French television through live transmission by satellite from the Rockcliffe STOLport.

#### PRODUCTION EFFICIENCY

The destructive effects of inflation and stiff international competition have focussed attention on the pressing need for improving Canadian productivity. As a result, the Productivity Analysis Branch has been called upon with increasing frequency for information and advice. The requests have come not only from central government agencies, but from provincial governments, industry associations, research agencies and corporations.

To meet this demand, the Department issued a major report comparing the performance of Canadian and competing U.S. industries. It examined the interrelationships between employment, prices and productivity, and made an analytical comparison of individual companies within various sectors to show management in quantitative terms where their relative strengths and weaknesses lay, so that they could take corrective action.

During the year, 11 sector comparisons were completed, covering a variety of industries, such as the manufacturers of men's suits, knitted underwear, tanneries, steel construction, home furnishings, air conditioning, and chemical fabric and film. A start was made on 14 other sector comparisons, including furniture manufacturers, plastic producers, die casters, farm implement manufacturers and computer services.

In October, the Department was host to the directors of the European Association of National Productivity Centres and of co-operating agencies from all around the world. Purpose of the association is to promote international co-operation in productivity improvement and to search for ways of improving joint action toward the solution of this worldwide problem.

### University Activities

The Department's program to encourage universities and other organizations to establish research facilities in specific technical fields resulted in creation of a Biomedical Instrumentation Development Unit at the University of Toronto. The new organization joins nine industrial research institutes, eight centres of advanced technology and three industrial research associations already established under the program.

The new unit will enable Canadian industry to benefit from the accumulated experience of the University in designing and evaluating medical instrumentation.

Thirteen awards under the University Grant Program were made to eight universities and one independent research team. This program is aimed at increasing academic interest in technological innovation, while also providing information for policy-making purposes.

### International Science and Technology Activities

The Minister co-chaired the fourth session of the Canada/U.S.S.R. Mixed Commission in May. One recent activity under the Commission's aegis is being undertaken by the Canadian Drilling Research Association, which has begun testing Soviet turbo-drills in Western Canada and has also concluded a contract to supply the U.S.S.R. with Canadian equipment, technology and services for drilling a well in the Soviet permafrost.

### Metric Conversion

The Department continued to co-ordinate the overall implementation of metric conversion within federal government departments and agencies. The Cabinet, on recommendation of the Interdepartmental Committee on Metric Conversion, approved new procedures for amending legislation in order to facilitate metric conversion.

### Automotive Parts Industry

An improving climate for vehicle sales has gone a long way to recapturing the production efficiency of existing facilities. Capital investment is not buoyant, but continues to add to the Canadian inventory of manufacturing capabilities, notably in basic machine tools and automatic handling adjuncts.

A number of automotive parts orders have been single-sourced for North American requirements, rather than placed with two or more



vendors. Thus, some Canadian companies have been rewarded for their specialization with orders representing maximum possible runs, thus achieving greatly improved production efficiency.

### PEP Projects

The Program to Enhance Productivity (PEP) approved 38 projects with a total commitment of \$527,000, compared with 62 projects and \$660,000 in 1974/75. PEP underwrites up to 50 per cent of the cost of examining the feasibility of projects aimed at improving production efficiency. The average study is completed within one year and the Department's contribution ranges from a few thousand dollars to a limit of \$50,000. Support has been given to projects in all regions of Canada and in all secondary manufacturing and processing industries.

### Saving Energy

At the second Industry Energy Conservation Conference, sponsored jointly by the Ministers of Industry, Trade and Commerce and of Energy, Mines and Resources, the pulp and paper industry set a target to reduce its unit energy requirements by 12 per cent by 1980. This industry now uses 24 per cent of all energy purchased by Canadian industry.

### Wood Harvesting

The Forest Engineering Research Institute of Canada, jointly funded by the federal government and the forest products industry, began an active research program aimed at reducing the cost of wood harvesting and delivery.

## INTERNATIONAL ENVIRONMENT

### United States Trade

Trade between Canada and the United States in 1975 was more than \$44 billion, with Canadian exports standing at \$21.4 billion and imports at \$22.8 billion. As a result of the prolonged economic downturn in the United States, the total value of Canadian exports to that market increased only slightly in 1975 and in the first quarter of 1976; however, the relatively stronger demand in

the Canadian economy contributed to a substantial increase in imports from the United States. The significance of these figures can be appreciated when one realizes that Canadian exports to the United States are 65 per cent of total Canadian sales abroad while our imports from that country are 68 per cent of total Canadian imports. Canadian exports to the U.S. market account for 35 per cent of all goods produced in Canada.

The focus of policy makers in both countries, although not overlooking purely bilateral questions, was increasingly on the Multilateral Trade Negotiations taking place in Geneva. With the passage of the Trade Act of 1974, the United States had the authority to further its participation in the "The Tokyo Round" and to facilitate a more substantive phase of the negotiations being carried out under the General Agreement on Tariffs and Trade.

Bilateral discussions with the United States were carried forward in a number of bilateral and multilateral forums and discussions were held in Ottawa during the visit of Ambassador Dent, the U.S. Special Trade Representative. Factors that continued to influence our bilateral trading relationship were U.S. concerns over security of supply in the oil and gas sector and over certain economic policy initiatives in Canada, particularly as they might affect foreign investment. Representations were made to the United States on several issues, including the implications that U.S. regulations on trade with Cuba may have for Canadian exporters.

Agricultural issues continued to be an important aspect of Canada - U.S. trade relations. Bilateral discussions led to the joint removal of Canadian and U.S. restrictions on cross-border trade in livestock and meat. In support of a domestic supply management program, Canada introduced an import quota on eggs. This gave rise to a U.S. industry petition under "section 301" of the U.S. Trade Act urging retaliation against the Canadian import restrictions. A GATT Working Party confirmed that the Canadian action was in conformity with the GATT, and bilateral discussions led to a settlement of the dispute and a termination of the U.S. "section 301" investigation.

Recognizing the important changes taking place in the automotive sector, Canadian and U.S. officials met for discussions and agreed to undertake parallel studies of the North American automotive industry. At the request of the Senate Finance Committee, the U.S. International Trade Commission also investigated and submitted a report on the Canada - U.S. Automotive Agreement. Another development in the automotive area was the initiation of a U.S. antidumping investigation with respect to sales of automobiles and trucks from several countries including Canada.

The U.S. Trade Act's liberalization of the eligibility criteria for temporary import relief precipitated a dramatic increase in

the number of U.S. industry petitions for import-restrictive action. As a result of one such petition, the U.S. imposed quantitative restrictions on imports of specialty steels. The Department provided advice and assistance to Canadian exporters with respect to U.S. import relief investigations, as well as U.S. activities in the field of countervail and antidumping.

The Department was active in resolving access problems in the customs and tariff area. It also dealt with problems created by the introduction of regulatory and documentation changes resulting from the continued U.S. emphasis on consumer protection and safety.

Canadian exporters were assisted in maximizing their promotional efforts by concentration on the most suitable U.S. market sectors. These Departmental efforts helped to maintain Canadian export sales in the face of contracting U.S. markets which prevailed for much of the year.

Special attention was given to the U.S. automotive parts market and to the market for mass transit equipment and systems, a Departmental response to the recent formation of the Urban Mass Transit Authority, a U.S. government agency empowered to finance spending by U.S. cities on new mass transit facilities. More traditional Canadian export strengths in the U.S. market in clothing, furniture, recreational equipment, and various foodstuffs were reinforced through participation in regional and national U.S. trade fairs and by the organization of missions of incoming buyers to attend Canadian Trade shows and merchandise marts.

### Western Europe

Despite serious downturns in the economies of most Western European countries in 1975, Canada's total exports to them held steady at \$4.6 billion. On the other hand, total imports from Western Europe increased 10 per cent to \$4.1 billion.

Those countries of Western Europe, which are members of the European Community, form the world's largest trading entity. Excluding trade between member countries, the Community accounts for close to 20 per cent of world trade, and the value of its output in goods and services is second only to that of the United States. As a trading partner for Canada, the enlarged Community (now including Britain) ranks second. Canadian exports to the Community increased 10 per cent to \$4.1 billion and Canadian imports from member countries increased by the same percentage to reach \$3.3 billion.

Industrial raw materials and agricultural produce comprise the bulk of Canada's exports to Western Europe; finished manufactured goods make up only about 11 per cent of Canadian sales to this market. Canada's long history of diversified economic relations with Western Europe in terms of investments, intercorporate links

and scientific and technical exchanges, however, form a strong basis on which to pursue a strategy of upgrading Canada's exports to the region as a whole -- especially to the European Community -- and of further diversifying and deepening Canada-Western European relationships generally.

Negotiations with the Community in 1974/75 under GATT Article XXIV:6, following the accession of Britain, Ireland and Denmark to the EEC, gave Canada its first opportunity to improve access for Canadian products to the enlarged community. The multilateral trade negotiations currently provide a major opportunity for improving market access. Canada also began GATT Article XXVIII negotiations with the Community concerning its new tariff rates for lead and zinc which were to come into effect on January 1, 1976. These negotiations ended without agreement being reached, and at the end of the period under review, consideration was being given by Canada to a future course of action in this matter.

The Department participated in 27 trade fairs in Western Europe, exhibiting a wide range of products, largely of a fully manufactured nature. In addition, it sponsored more than a dozen trade missions to and from this area. More than 100 Canadian firms took advantage of PEMD to exploit market opportunities in Western Europe.

Following initiatives first taken in 1974 by Prime Minister Trudeau in meetings with President Ortolí of the Commission of the European Communities, the EC Council of Ministers agreed in 1975 in principle to the negotiation with Canada of a Framework Agreement for commercial and economic co-operation. The first substantive round of these negotiations began in March, 1976.

Meanwhile, Canada and a number of Western European countries as well as the EC Commission, moved forward with a program to foster various forms of industrial co-operation between Canadian and European interests by means of two-way investments; intercorporate links including joint ventures in Canada, in Europe or in third countries; science and technology exchanges; and an expansion and diversification of trade.

Canada also engaged in bilateral consultations with a number of Western European countries and with the EC Commission to review trade and economic matters at a senior level. Meetings with the Commission were held in Ottawa in May and in Brussels in November. The Canada/U.K. Continuing Committee met in Ottawa in October and the Canada/France Economic Commission met in Ottawa in June.

Pursuant to this meeting with France, the Minister of Industry, Trade and Commerce led a mission to France in December, comprising 28 Canadian business people, representing major sectors of Canadian industry. This visit resulted in the establishment of several promising trade and industrial co-operative contracts between Canadian and French firms.

One of the most tangible evidences of closer trade and economic relations between Canada and the EC was the opening in Ottawa of the Mission of the European Communities to Canada, in October, 1975. Arrival of the head of the Mission in February, 1976, coincided with a visit to Canada by President Ortolí who met with the Prime Minister and other members of Cabinet to pursue further the initiatives of their 1974 discussions.

### Eastern Europe

Exports to Eastern Europe reached a value of \$653.5 million, an increase of 245 per cent over the previous year. While 79 per cent of exports consisted of grains and oilseeds, the non-grain element increased from \$76.4 million in 1974 to \$135.8 million. Imports, on the other hand, declined by 10 per cent to \$178 million.

The Departmental-sponsored trade development missions led by assistant deputy ministers visited Eastern Europe -- one to Poland, Czechoslovakia and Bulgaria in May and one to Yugoslavia, Hungary and Romania in September. Both missions, which included businessmen representing a variety of industrial sectors, identified a considerable number and range of opportunities to increase exports.

Canada was host to two incoming missions, one from the U.S.S.R. and one from Poland, which were arranged to expose senior officials of those countries to Canadian capabilities in various industry sectors. Financing protocols were signed by the Export Development Corporation and the visiting officials, relating to capital goods exports in the amount of \$500 million to each of the two countries.

Canada and the U.S.S.R. began negotiations for a long-term economic agreement aimed at strengthening trade and economic relations. The agreement will establish a Mixed Commission to deal with future trade developments.

### Pacific, Asia and Africa

In 1975, Japan continued to be Canada's second largest, single-country trading partner, with two-way trade reaching approximately \$3.35 billion, of which some \$78.6 million represented Canadian manufactured products.

At a June meeting of the Canada/Japan Ministerial Committee in Tokyo, ministers agreed to pursue a joint approach to economic co-operation. A meeting of officials in November explored a range of potential areas for such co-operation.

The Honourable Don Jamieson led a high-level trade mission to Southeast Asia in March, 1976. In Indonesia, he inaugurated a

\$200 million line of credit from Canada, which had been agreed to during the visit of President Soeharto to Canada the previous year. Some \$110 million has already been informally committed to projects such as cement plants and gas-gathering systems. Mr. Jamieson also visited the Philippines, Malaysia, Thailand and Singapore.

At Manila, the Minister announced Canada's intention to contribute an additional \$78.7 million to the Asia Development Fund and to purchase additional shares of capital stock in the Asian Development Bank. The record of Bank-financed procurement for Canada showed substantial growth in 1975, reaching \$56.2 million, up from \$19.2 million at the end of the previous year.

A Departmental Task Force was created to develop a new and intensive Canadian marketing program in Iran, Iraq and Saudi Arabia. The Saudi Arabian Deputy Minister of Finance headed a mission to Canada to meet Canadian industry representatives. A Memorandum of Understanding establishing a Canada/Saudi Arabia Joint Economic Committee was signed by the Honourable Allan J. MacEachen during his visit to the Middle East in January.

The third annual meeting of the Canada-China Joint Trade Committee was held in Peking. The talks covered a wide range of trade and economic matters. Six trade missions visited the People's Republic of China during 1975/76, dealing with railway technology, geophysical instruments, high voltage transmission, large dam foundation construction, harbour technology and materials handling.

The then Minister of Industry, Trade and Commerce visited the Republic of Korea in June, 1975, to identify areas of new and continuing trade opportunities and to strengthen bilateral trade and economic relations.

On January 26, 1976, a Nuclear Co-operation Agreement was signed with Korea. This completed arrangements for the sale of a CANDU nuclear reactor by AECL which will result in Canadian exports worth approximately \$330 million.

Exports to North Africa and the Middle East continued to expand, reaching \$600 million compared with \$365 million a year earlier. The manufactured goods content of these exports increased to 35 per cent from 25 per cent.

The ADM Export Development led a trade mission to Morocco and Tunisia in April. Government members of the mission also visited Egypt and Libya. To give Canadian products additional exposure, the Department also sponsored trade fair participation in Algeria, Iran, Iraq and Turkey.

The Prime Minister of the Islamic Republic of Pakistan, Zulfikar Ali Bhutto, visited Canada in February, accompanied by a group of officials including the Pakistani Secretary of Commerce, who met

with the ADM, International Trade Relations.

Officers from the Canadian Embassy in Peking, which is responsible for relations with North Vietnam, made three visits to Hanoi during the year. On one of them, they were accompanied by Maurice Strong, President of Petro-Canada. At the invitation of the Vietnam government, they discussed a potential role for Petro-Canada in Vietnamese offshore oil development.

### Latin America and the Caribbean

Total Canadian exports to Latin America and the Caribbean maintained the record high levels of 1974/75 reaching \$1.4 billion. Three of Canada's major markets in the region showed substantial increases in purchases from Canada -- Venezuela (\$292 million), Cuba (\$230 million) and Mexico (\$217 million). A sharp drop in Canadian wheat sales to Brazil was not offset by increases in other Canadian exports to that country, but a contract signed at year-end is expected to restore Canada's position in the Brazilian grain market for future years.

Canada's expanding relations with the region were highlighted by the Prime Minister's visit in April to Guyana, Trinidad and Tobago and Barbados -- on his way to the Commonwealth Heads of Government Meeting in Jamaica -- and in January to Mexico, Venezuela and Cuba. During these visits, trade and economic issues were among the subjects discussed. The inaugural meeting of the Canada/Cuba Joint Trade and Economic Committee was held in Ottawa in September under the co-chairmanship of the Honourable Alastair Gillespie and Dr. Carlos Rafael Rodriquez, Vice Prime Minister of Cuba.

As part of Canada's ongoing trade promotion program, 10 of Canada's Trade Commissioners based in Latin America and the Caribbean held a series of seminars across Canada during April. More than 2,500 individual business interviews were completed during the tour and the seminars were attended by some 1,600 businessmen.

A major change in Canada's trade relations with member states of the Caribbean Common Market (CARICOM) took place as a result of their participation in the Lomé Convention with the EEC and their desire to qualify under the U.S. General Preference Tariff Scheme for developing countries. As a result, the CARICOM states terminated preferences for Canadian exports to their markets and introduced a single column CARICOM tariff on January 1, 1976. Negotiations were started between Canadian and CARICOM officials with a view to presenting a new bilateral trade and economic agreement to Ministers for approval.

### International Financing

The Department's international financing promotion program continued to assist Canadian exporters to take advantage of export opportunities through the financing facilities of the international development banks, the Export Development Corporation and the Canadian International Development Agency. Overseas project information now is reaching 1,400 Canadian addressees on a regular basis and, in addition, international financing seminars and workshops were being held during the year in Halifax, Moncton, Ottawa, Toronto, Winnipeg, Regina and Vancouver. The Export Development Corporation, which reports to Parliament through the Minister of Industry, Trade and Commerce, reported significant growth in the value of insurance, guarantees and loans extended for the financing of export business. EDC provided loans totalling more than \$1 billion to foreign buyers, to finance the purchase of Canadian goods and services.

### Canadian Industrial Co-operation Program

The Department continued to expand and diversify international co-operation with a number of Western European countries, the EC Commission and Japan. Joint ventures, technology agreements, two-way investments and intercorporate linkages were all explored.

The Assistant Deputy Minister, Industry Development, led a group of senior departmental officials to Europe for discussions with the EC Commission and officials of Britain, the Federal Republic of Germany, Italy, Denmark, Sweden, Norway and Finland. The opportunities thereby uncovered have been assessed and drawn to the attention of Canadian firms.

A number of promising opportunities for industrial co-operation with France were identified at meetings of the Canada/France Industry Working Group and recognized by the Canadian Minister and the French Minister of Foreign Trade at the June meeting of the Canada/France Economic Commission.

The then Minister of Industry, Trade and Commerce led a Trade and Industry Development Mission to France in December to explore these opportunities further. The mission emphasized possibilities for co-operation in third countries. The next Industry Working Group meeting was planned for the summer of 1976 and Canada invited a return French Ministerial Mission in the same year.



A senior Canadian government economic co-operation delegation visited Japan in November and identified a number of promising areas for industrial co-operation. They included the fields of forest products, coal, energy, automobiles, aerospace and electronics. The Japanese were advised of our assessment of these opportunities and the next stage will depend on the response of the Japanese government and industry to the Canadian conclusions.

### Grains and Oilseeds

All phases of the Canadian grains and oilseeds industry have been strongly influenced by the dramatic changes occurring in the international environment. Sharp fluctuations occurred in market conditions and prices, and in sharply increased costs of energy, fertilizer and labour.

The Department's primary objective in its Grain Program is to ensure a sustained market growth in an orderly marketing system. Major initiatives within the program included provision of credit to facilitate sales to developing countries, assistance under the Grains and Oilseeds Marketing Incentives Program (GOMI), stabilization of producer income, and the subsidization of domestic consumers.

The GOMI Program encourages increased use of Canadian grains and oilseeds by developing markets for traditional commodities and by promoting value-added processing of these crops into protein, oil and starch components for the animal feed and food product industries. Including the current year, 45 projects valued at \$7.4 million have been approved to date.

Exports of grains, oilseeds, and their products exceeded 700 million bushels (18.1 million tons) in 1975-76.

Due to strong market demand, which led to rapid expansion of delivery quotas, interest payments under the Prairie Grain Advance Payments Act were relatively small (\$1,011,239). Payments under the Two Price Wheat Act, which reduced the price of wheat to Canadian consumers to \$3.25 a bushel, were \$195 million. This amount included an unpaid balance owing from the previous year.

The Rapeseed Association of Canada received a \$300,000 annual grant through the Rapeseed Utilization Assistance Program for research and development of rapeseed varieties and products to increase rapeseed use. Administered by the Association, the program is guided by a research committee of which the Grain Marketing Office is a member.

### Resource Industries

The Department has entered into an agreement with the British Columbia Department of Economic Development and the Council of Forest Industries of British Columbia to share in a second five-year program of co-operative overseas market development. The new \$17 million project is aimed at improving market access for Canadian lumber and plywood in Japan and Europe. The first five-year program made considerable progress in this direction, winning official Japanese acceptance of the Canadian system of platform-frame house construction and standard Canadian lumber grades and sizes.

In keeping with the objective to identify and develop new markets, an officer of the Department undertook a study tour of selected countries in North Africa and the Middle East. A report is being prepared for distribution to appropriate industry sectors.

Under Department sponsorship, Japanese, German, Mexican, Korean, and Finnish business and government officials visited Canadian coal-mining operations to investigate the possibilities of supplies for their new steel industries and power plants. During 1975, Canada made coal shipments to seven countries, for a total value of \$477 million.

A Non-Ferrous Metals Mission from the EEC came to Canada in September to explore possibilities of industrial co-operation in non-ferrous metals. It examined Canadian policies affecting taxes, foreign investment and upgrading resources and discussed Canadian suggestions for the reduction of tariff barriers and for greater European participation in Canadian resource development.

The Department led a Canadian delegation to copper talks sponsored by UNCTAD in March. The meeting was called to consider uniting the copper-producing and consuming countries in the hope of stabilizing copper prices. The Canadian delegation favoured a study group approach, similar to the Lead-Zinc Study Group, rather than an international commodity agreement.

### Electrical and Electronics Products

The Department participated in international electrical standardization activities with the object of strengthening response to international standards proposals and was the host of the first meeting of the International Electrotechnical Commission's working group on quality assurance, in Ottawa. The Department continued to negotiate with the Canadian Standards Association and with testing station authorities in France and Germany on a proposed plan to provide pre-export testing and certification for Canadian exporters of electrical goods.

The effect of international trade groups and country pacts is being closely watched for the expected tariff and trade implications that may be generated when telecommunications groups in other countries become fully effective. Several Canadian companies have already established joint ventures or subsidiaries in the EEC, South America and the Middle East.

## DOMESTIC ENVIRONMENT

The Department continued to contribute to Canadian industrial development and committed increased resources to this activity during the year.

Assessments and evaluations are being made of the status and prospects of each industrial sector. To date, seven consultative committees have been established, each including up to 12 senior executive officers of the industry concerned. Committees have been set up for the Chemical, Machinery, Electrical and Electronics, Iron and Steel, Furniture, Construction and Forest Product industries.

Their function is to review developments in the industry they represent and ensure the Government is fully informed about them, to serve as a forum through which federal departments can test policy initiatives, and to assist them in communicating government policies to industry.

In addition, five special committees have been set up to provide advice on sector opportunities and restraints and to evaluate current and future prospects for the sector. Provision has also been made for more formal consultations with provincial governments and labour at the development stage of industrial strategy.

### Pulp, Paper and Wood Products

Demand for pulp, paper and wood products declined in 1975 as a result of worldwide economic recession. As well, the forest industries suffered the most severe series of labour strikes in their history. As a result, shipments and exports of pulp and paper both decreased by 25 per cent from the previous year. Lumber shipments declined by 13 per cent and exports by 21 per cent.

Shipments of pulp and paper amounted to 16.7 million tons, valued at approximately \$5 billion. Thirteen million tons were exported. Estimated capital expenditures by the industry on water pollution abatement were \$96 million, and, on air pollution, \$20 million.

Shipments of lumber amounted to 11.6 billion board feet of which 6.5 billion were exported. Shipments of softwood plywood were two billion square feet of which 0.3 billion were exported.

The Forest Industries Development Committee has been active since its founding in 1974. It has become the focus for a number of federal/provincial discussions on taxation, a resource data base for industry development prospects, and an agency for liaison on both short-term and continuing problems.

## Iron and Steel

Following the general decline in world steel demand, special efforts were initiated to achieve new market penetration for steel products such as bar, pipe and tube, stainless and specialty steels. A consultative committee comprising senior steel company executives was formed on the invitation of the Minister and met with senior Departmental officials in Ottawa to discuss the present state of and future developments in the industry.

Considerable assistance was provided officials in Saskatchewan and Nova Scotia in their efforts to develop steel mills, and to the Department of Regional Economic Expansion (DREE) and the Foreign Investment Review Agency, in connection with developments in the steel industry.

## Non-ferrous Metals

The economic downturn continued to adversely affect the non-ferrous metals industry throughout 1975. Prices of some metals, notably copper, dropped significantly against a trend of rising production costs. Further erosion of the industry's profits resulted from the conflict between federal and provincial governments over their respective rights to tax resource industries. These events had a markedly negative affect on the industry's exploration and development activity.

Metal manufacturing companies continue to form associations aimed at mutual problem-solving. The Canadian Heat Exchanger and Vessel Manufacturers Association has developed a market data generation program. Members of the investment (lost wax) casting industry are in the process of forming the Investment Casting Association of Canada and members of the metal die casting industry formed a steering committee to investigate the establishment of an association.

Three Departmental publications were favourably received by the industry. They are "Die Casting in Canada," "Canadian Non-Ferrous Forging Industry," and "Seller's Directory of the Canadian Metals Industry."

With encouragement from the Department, the first Canadian manufacturer of bone china started production in the Toronto area. The Department is actively encouraging the establishment of other ceramic tableware plants in order to replace the current high level of imports. A tour of ceramic plants in Europe uncovered several companies anxious to provide technology for interested partners in Canada.

Another development in the ceramic field resulted from close co-operation with DREE. A large new basic refractories plant is now under construction in Quebec and is expected to come on stream in 1977.

### Textiles

Activity in the textile industry continued at an unsatisfactory level during the first three months of 1975, with idle capacity, short work-weeks, and layoffs prevalent throughout the industry. Conditions began to improve in the second quarter, however, and the improvement continued throughout the year, with many firms returning to three-shift operation by year-end.

The reduced Canadian textile market, coupled with an increasing volume of imports from low-cost areas in late 1974, resulted in a series of urgent studies by the Textile and Clothing Board. In the case of four fabrics -- worsted, filament polyester, double and warp knits, and nylon -- injury or threat of injury was recognized and restraint measures were recommended.

### The Chemical Industry

Demand for most chemical products, which began to fall during 1974/75, dropped even further in the first half of 1975/76. Surplus capacity existed throughout the year for almost all chemical products. An improvement in demand began in the latter months of 1975, however, in nearly all sectors, with the significant exception of fertilizers. Buyer resistance to substantially higher price levels for this commodity left producers with increasing inventories, in contrast to the shortages of the previous two years.

There was a high level of activity in the construction of new plants, particularly for petrochemicals, but until these come into operation in 1978, there remains the risk of shortages developing as demand improves. New fertilizer capacity under construction in Western Canada should ensure adequate supplies over the next 10 years.

The Department completed a survey of 1,400 Canadian plastic manufacturing establishments, with the assistance of provincial governments, and a report to the participants is being prepared for publication. A number of sub-studies on the industry, covering such subjects as trade, competitive position, technology, and market outlook, are in progress.

The Department continued to support the operations of the Sulphur Development Institute of Canada (SUDIC) in its search for new uses for sulphur. Project activities were expanded in the areas of insulation, asphalt and concrete work, and another begun in the field of protective coatings.

### Nuclear Equipment

The Department, in association with Atomic Energy of Canada Limited and the Department of Energy, Mines and Resources, completed a study of the Canadian nuclear equipment industry. It contains an analysis of Canadian manufacturing and engineering industry capability to meet projected requirements of the CANDU nuclear power plant construction for the domestic and export markets to 1983.

### Electricity and Electronics

The Department is making a critical appraisal of the structure and future of the electronics industry, in the context of competition for world markets.

It is also seeking to enhance the capability of Canadian firms to supply major civilian and military products to government users, either by direct development or by obtaining licences to manufacture. Major customers are currently the Department of National Defence and the Ministry of Transport. Programs include the provision of long-range patrol aircraft, radar surveillance and the joint en-route/terminal system for air traffic control.

Ocean technology has become more important in recent years. Improved fish-finding equipment, weather and sea environmental reporting systems, communications and data processing equipment have become important. Development programs for ocean data systems, improved fishing sonar, and satellite navigation and positioning equipment are receiving increased support from the Department.

There is a growing market for computer terminals and a number of Canadian companies have established themselves in this field. Banking, insurance, retailing, manufacturing and communications all use computer terminals.

### Transportation Industries

The Government's purchase of de Havilland Aircraft of Canada, Limited, in 1974, and of Canadair Limited in January, 1976, represented a step in the implementation of a strategy for restructuring a major portion of Canada's aerospace industry. The Twin Otter, the Super Buffalo, and the Dash 7 from de Havilland, plus the CL-125 amphibian from Canadair, have particularly strong sales potential.

Government policy in natural resource development is to encourage Canadian firms to develop internationally competitive capability that will also be of significant long-term economic benefit to Canada. Its Advisory Committee on Industrial Benefits from Natural Resource Development has considered projects with a total value of almost \$1 billion and encouraged Canadians to increase

their participation in this business. Many engineers and equipment suppliers have for the first time been given the opportunity to bid on Canadian projects that would normally go to foreign-based companies.

During 1975, Canadian shipyards built and launched 61 vessels, totalling 248,000 gross tons. Thirty-one vessels, totalling 288,000 gross tons are now under construction, and a further 47 vessels or 512,000 gross tons are on order. Among interesting vessels begun during the year is the world's first commercial Arctic Class ice-breaking bulk carrier.

The collapse of the market for very large crude carriers may have an indirect effect on Canadian shipbuilding, since vessels under 100,000 dwt are again being ordered, and ships of this size are within Canada's of capability.

The rapidly burgeoning ocean industry is a market the Department and the industry in Canada are watching carefully. The major market is related to oil and gas resources off the shores of about 60 countries. The industry in this country is in the unusual position of having to develop its technological capabilities in the international market while waiting for a domestic market to develop. Canada has not yet found significant quantities of easily exploitable offshore oil and gas, and the domestic market is therefore small.

The world market for equipment and materials related to offshore exploration is forecast at \$3,500 million for the period 1975-81. If Canada could capture one per cent of this market, it would amount to \$350 million of exports. Therefore, international marketing efforts by the Department are critical to the growth of the Canadian ocean industry. To overlook it would be to leave a vacuum in the domestic market to be filled by foreign firms at a later date.

### Design

The Department's Industrial Design Assistance Program (IDAP) has produced the close liaison with industry and provincial departments of industry and commerce visualized at its beginning and increased the interest in industrial design throughout Canada. During the year, 36 applications for design assistance were received. A total of \$490,000 was awarded in grants to cover up to half the design and administrative costs of approved projects.

Product design and development programs were supported by the Department in four provinces by grants totalling \$165,000.

The Office of Design assisted the Society of the Plastics Industry annual conference in organizing a "product hatchery."

More than 150 product development managers, design engineers, material specialists and marketing managers from Canadian firms got together in workshop sessions with seven top-flight Canadian industrial designers to exchange ideas and approaches to the design of new plastic products and the improvement of existing ones.

Design capability programs, directed to Canadian students, were continued. During the year, 21 "Design Canada" scholarships totalling \$109,625 were awarded for advanced design studies in international schools. The Design Internship program again placed several newly graduated designers into industry. This program pays half of the intern's salary for one year, with a maximum contribution of \$3,000. Grants for courses in design management and industrial design, awarded to Canadian universities and colleges offering them, totalled some \$100,000.

This year the Department launched a Governor General's Award for Engineering Design to recognize the design achievements of Canadian engineers, resident and practising in Canada. The first awards were presented at Government House on Oct. 2, 1975.

Picker X-Ray Manufacturing Ltd., Bramalea, Ont., and its design team won the Award of Excellence for the design of a product named "Tomolex." Designers were C. K. Bridgeman, P.Eng., APEO; John W. Eckart, Suki Kooner, Assoc. P.Eng., APEO; Chris Lutz, P. Eng., APEO; Peter Neysmith, Assoc. P. Eng., APEO; Les Sill, Engineering Associate; and Don Wilson, Industrial Designer.

Six Awards of Merit went to the Pulp and Paper Institute of Canada, Point Claire, Qué.; Hauptmann, Green & Associates, Inc., North Vancouver; SED Systems Limited, Saskatoon, Sask.; Proctor and Redfern Group, Toronto; Hiram Walker & Sons Limited, Walkerville, Ont.; and Ritter Engineering Limited, Calgary.

### Regional Offices

The regional offices continued their traditional role of assisting active and potential exporters with the planning and implementation of marketing strategy, and took on new responsibilities during the year. Decentralization of the PAIT program, along with administration of PEP and IDAP, within defined financial limits, required intensive training in all regional offices.

Regional offices sponsored seminars and conferences in the areas of licensing, patents, joint ventures, international trade, and tourism. They also helped to co-ordinate the programs of incoming missions in their respective territories.

With the development of sectoral strategies by the Department and closer Federal-Provincial co-operation in areas such as multinational tariff negotiations and trade development, the



regional offices began playing an increasing role in Federal-Provincial relations.

The Minister authorized opening of a regional office in Prince Edward Island thus giving the Department direct representation in all provinces.

### 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: 18,247 (January to November) compared with 15,452 the previous year. Twenty-five issues were published in six editions, varying according to the market area served: International, United States, French, Spanish, German and Japanese.

Canada Commerce, the Department's 25,000-circulation magazine, continued to provide Canadian exporters with in-depth reports on trading opportunities abroad and drew attention to Canadian companies, large and small, which had successfully competed in international markets. The magazine has both English and French editions.

### TOURISM

Canada's tourism picture in 1975 was a study in contradictions. It produced record revenues of \$8.5 billion, equal to 5.5 per cent of the GNP and made tourism the country's fourth largest earner of foreign exchange after autos and auto parts, crude petroleum and wheat. And yet it produced a deficit on international travel account of \$727 million -- the largest deficit ever recorded.

International travel receipts rose to a new high of \$1.8 billion during the year, up from \$1.7 billion in 1974, and yet visitors from the United States declined by some 600,000 -- a drop of 1.7 per cent. Revenues from this source, however, were up by about \$9 million to \$1,377 million.

Visitors to Canada from countries other than the United States reached an all-time high of 1.3 million, up by about 108,300 or 8.9 per cent over 1974. They spent about \$478 million while they were here, making total income from non-resident visitors to Canada some \$1,815 million.

Canadian travel expenditures in the United States, however, increased by 32.7 per cent over the previous year, reaching a total of \$1,587 million and leaving a deficit in the bilateral balance of payments on travel account of \$250 million. With all other countries, Canada had a travel deficit of \$477 million.

The bulk of Canada's tourist income was derived from Canadians travelling in their own country, who spent approximately \$6.7 billion in 1975, up an estimated 17.5 per cent over 1974.

The Canadian Government Office of Tourism operated on a 1975/76 budget of \$21,938,270, with a staff of 372, including personnel operating 26 offices in eight countries. The Tourist Program was carried out through an integrated program embracing marketing, selective industry development, and a supportive policy planning and industry relations activity.

CGOT's marketing budget was \$16.9 million. Of this, \$8.5 million was spent on direct mail and advertising, and \$635,000 on special exhibits and promotions. The communications program was aimed not only at stimulating awareness of and interest in Canada, but at encouraging travellers, whether domestic or foreign, to utilize commercial modes of transportation

The direct mail activity was closely integrated with the advertising program. During the year, the outbound volume of direct mail was deliberately cut back from 9.5 million to 7.5 million letters yet achieved an overall increase in response of 2 per cent. Approximately 40 million pieces of printed travel literature in 16 languages were distributed through CGOT field offices and via direct mail.

Editorial material, including 140 travel features, was sent to almost 3,000 travel editors, outdoor editors, and other media representatives in Canada, the United States and overseas. Twenty thousand prints of 115 travel film titles were circulated. In the United States alone, Canadian travel films were seen by more than 270 million viewers through television and direct screenings.

Close to 400 media guests from all over the world were brought to Canada under the auspices of CGOT's Visit Canada Program (Media). Special exhibits depicting vacation attractions in Canada were set up at 75 seminars, exhibitions, conventions and other meetings in Canada, the United States and overseas.

The Department continued to integrate the activities of CGOT offices abroad more closely with the responsibilities of embassies and consulates. The office in Cincinnati was closed to utilize resources more effectively, coverage of that area being maintained from Cleveland and Detroit. An office was opened in Dallas to take advantage of new services to Canada authorized by the recently signed Canada/United States bilateral air agreement.

During 1975, CGOT operated 87 cross-Canada familiarization tours for 1,700 travel agents (compared with 25 trips for 500 agents in 1974) under a new concept called the Product Testing Tour. It also launched a new Tour Development Program to encourage the production of new package tours for travel to and within Canada, particularly in "shoulder" seasons and to areas with surplus

tourism capacity. When the new program was announced, 52 applications were promptly submitted. Virtually every category of the travel industry, from carrier to tour wholesaler, from a province to a group of provinces submitted and received approval of projects.

In total, 22 approved applicants shared \$350,000 in assistance and contributed a similar amount to introduce more than 100 new tours, covering every region of Canada. Sales to date indicate that some \$4 million in new tourism revenue will be generated in the Tour Development Programs's first year of operation.

Internationally, Canada continued its selective participation in international tourism relations. The Assistant Deputy Minister, Tourism, served as chairman of the Canada-Cuba Bilateral Tourism Committee and addressed a meeting of the World Tourism Organization in Istanbul. Canada's delegate continued as vice-chairman of the Tourism Committee of the Organization for Economic Co-operation and Development.

In June, two technical seminars on "Domestic Tourism" and "Testing The Effectiveness of Promotional Campaigns in International Travel Marketing" were held in Ottawa sponsored jointly by CGOT and WTO/IUOTO.

In addition to taking part in the ASTA World Travel Congress at Rio de Janeiro, CGOT participated in a joint seminar in Manila, P.I., on air transportation and tourism sponsored by the International Air Transport Organization and the World Tourism Organization.

Federal-provincial and industry collaboration in tourism intensified in 1975. CGOT participated in a series of regional marketing meetings, as well as in the Conference of Canadian Tourism Officials in September and the 30th Federal-Provincial Conference on Tourism in October.

A highlight of the latter meeting was the launching, by the Honourable Don Jamieson, conference chairman, of the Travel Industry Awareness Program, a joint initiative of CGOT and the Travel Industry Association to promote a greater awareness of the importance of tourism to Canada and Canadians.

CGOT expanded its representation of regional officers across Canada by opening an office in Halifax to serve Nova Scotia and Newfoundland-Labrador. Other regional offices operate in Vancouver, Edmonton, Regina and Québec City. The opening of a Toronto office was planned for late 1976.

Government expenditure restraints, part of the attack on inflation resulted in cutbacks of \$3.5 million and 28 man-years in the Tourism Program, with the termination of the Travel Industry Development Program begun in 1972. As a result, CGOT restructured its organization. In March, 1976, CGOT's three branches were reorganized into the Marketing Branch and the

Policy Planning and Industry Relations Branch, each headed by a General Director. The Marketing Branch now comprises all the functions related to improvement of the "travel product", market development and promotion through mass communication, while planning and research become the responsibility of Policy Planning and Industry Relations Branch.

As part of the reorganization, the general managers of marketing operations in the Eastern United States, Western United States and the Pacific, and in Europe will be re-located in Ottawa. Regional representatives across Canada have also been integrated into the Marketing Branch.

Industry, Trade and Commerce

Statement of Expenditures

For The Fiscal Year 1975-76

\$  
('000)

Trade Industrial Program

Operating Expenditures 75,058

Grants and Contributions

-Industrial Research and Development Incentives Act	33,018	
-Program for the Advancement of Industrial Technology	26,900	
-Defence Industry Productivity Program	39,000	
-Program to Enhance Productivity	500	
-Program for Export Market Development	4,245	
-Capital subsidies for the construction of commercial and fishing vessels	58,000	
-Industrial Design Assistance Program	400	
-Miscellaneous	10,774	172,837

Loans and Investments

-Loans to assist manufacturers of Automotive Products in Canada	265	
-Loans to assist Defence Manufacturers with Defence Plant Modernization	5,938	
-Loans under the Footwear and Tanning Industries Adjustment Program	1,152	
-Loans to Canadair for the financing of water bombers	12,938	
-Investment for the purchase of shares of capital stock of the de Havilland Aircraft of Canada Ltd.	9,977	
-Investment for the purchase of shares and notes of Canadair Limited	<u>36,650</u>	<u>66,920</u>
		<u>314,815</u>

Tourism Program

Operating Expenditures	20,237
Grants and Contributions	<u>1,096</u>
	<u>21,333</u>

Grains Program

Operating Expenditures	2,539
------------------------	-------

## Grants and Contributions

-Credit Wheat Sales	9,667	
-Payment to the Canadian Wheat Board to cover carrying charges on reserve stocks of feed grain	3,215	
-Payment to the Canadian Wheat Board for the purchase of covered grain hopper cars	40,639	
-Prairie Grain Advance Payment Act	1,011	
-Two Price Wheat	188,698	
-Other	2,540	
		<u>245,770</u>

## Total Department

248,309  
584,457

## INDUSTRY, TRADE AND COMMERCE

## Statement of Revenue

For the Year Ended March 31, 1976

## Return on Investments

Interest on loans to Export Development Corporation	\$59,139
Interest on loans to assist manufacturers of automotive products	1,376
Interest on loans to assist the pharmaceutical industry	72
Interest on loans to assist the footwear and tanning industries	69
Sundry	962

Miscellaneous Revenue 3,154

APR 15 1987

JUN 18 2010

SEP 06 2012



134423

