

To qualify for a grant, expenditures must be for scientific research and development which, if successful, is likely to lead to or facilitate an extension of the business of the corporation. Accordingly, corporations must usually undertake to exploit the results of the research and development in Canada. Also, corporations must normally be free to export products resulting from the research and development to all countries in the world.

Automotive Program.—The Canada-United States Agreement on Automotive Products, signed by Prime Minister Pearson and President Johnson on Jan. 16, 1965, provides for the removal of tariffs and other impediments to trade between the two countries in motor vehicles and original equipment parts. The basic objective of the plan is to provide access to expanded markets for Canadian motor vehicle and component producers. By increased production and specialization, they will be in a position to expand trade and employment and to improve the productivity and efficiency of the industry. In order to enable Canadian vehicle and parts producers to achieve these objectives, a number of important features were incorporated into the program. The most important of these was the undertaking of Canadian motor vehicle manufacturers to expand very considerably Canadian production by the end of the 1968 calendar year.

As a result of the new program, Canada is producing an increasingly larger share of the total North American output of vehicles and components. Canadian exports of vehicles and parts and employment in this industry have increased substantially since the implementation of the program and new investment in additional plants and expansions to existing facilities has been extensive.

Machinery Program.—A Machinery Program was introduced by the Department of Industry in 1967 with two main objectives—to encourage efficiency by permitting Canadian industry to acquire capital equipment at the lowest possible cost, and to facilitate the development of more specialized lines of production by the Canadian machinery industry. Under this Program, a new tariff item (42700-1) will replace 18 existing items. Rates on these items have ranged up to 22½ p.c., depending on whether a machine was of a "class or kind" made in Canada. This class or kind distinction will disappear, replaced by a common rate of 2½ p.c. British Preference, 15 p.c. Most-Favoured-Nation. At the same time, the new tariff rate will apply to any products under the item which Canadian machinery manufacturers can produce as soon as they are able to do so. (Former tariff provisions excluded Canadian-made machines from protective rates until such machines accounted for 10 p.c. of domestic consumption in their class.) This provision will especially encourage the production of custom-designed machinery in Canada.

The Program will provide for remission of duty where this is in the public interest and the machinery imported is not available from production in Canada. A Machinery and Equipment Advisory Board will advise the Minister of Industry concerning eligibility of machinery for remission of duty in accordance with the Program criteria, with final authority for granting remission lying with the Governor in Council. A Review Board will be established to deal with appeals on the Board's findings. Machinery producers may also apply for remission of duty on production parts included in Tariff Item 42700-1 which they must import. This provision should stimulate Canadian machinery manufacturers to specialize their production and enable them to compete more effectively.

Building Equipment, Accessories and Materials Program (BEAM).—In 1967, the Department of Industry introduced the BEAM Program to assist in achieving greater productivity and efficiency in the manufacture and use of building equipment, accessories and materials. The Program has five main objectives: to establish a comprehensive construction information system; to promote the adoption of modular dimensional co-ordination of building components; to encourage the industrialization of the building process; to promote the adoption of uniform building regulations and standards; and to