

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

COM.TD/W/88

7 February 1969

Limited Distribution

---

Committee on Trade and Development

Original: English

Group on Adjustment Assistance Measures

## CANADIAN ADJUSTMENT ASSISTANCE PROGRAMME

### Notification by the Government of Canada

The attached Press Release has been received from the Permanent Mission of Canada. In forwarding the text the Canadian mission indicated as follows:

"I have the honour to refer to a request made by the representative of India during the meeting of the Committee on Trade and Development in November 1968 on the subject of adjustment assistance.

"The representative of India, noting the reference in the documentation to the action taken by Canada following the Kennedy Round in the field of adjustment assistance, requested complete details. I am, therefore, enclosing a copy of the announcement by Prime Minister Pearson on 27 December 1967, regarding the introduction of an adjustment assistance programme related to the Kennedy Round."

ADJUSTMENT ASSISTANCE PROGRAMME RELATED TO THE KENNEDY ROUND

In recent weeks the Minister of Industry has had occasion to inform the House that work was proceeding on the development of a programme of adjustment assistance related to the Kennedy Round.

The results of the Kennedy Round afford a major opportunity for improving the productivity and speeding up the efficient expansion of Canadian secondary industry. At the same time, changing patterns of trade and production will involve transitional problems for particular firms. In these circumstances, two main objectives of Government policy are: first, to derive as much benefit as possible from widening markets and increasing scope for greater specialization and longer production runs; and second, to assist firms adversely affected to adapt effectively to more competitive conditions.

In circumstances of freer world trade, it is essential that Canada's secondary industry should develop greater competitive strength. In some instances, if firms are to survive they will have no option but to reorganize and re-equip. In other instances, where the Canadian tariff may not be reduced significantly, the forward-looking firm will, in any case, want to reorganize and respond to the challenges and opportunities of the new world trading environment. Adjustment assistance is intended to provide suitable financial and technical support, where sought and required, for these purposes. It does not represent a new device for governmental intrusion into the private sector of the economy. On the contrary, adjustment assistance seeks only to offer secondary industry the means, if it chooses to use them and where they are otherwise lacking, for improving its economic performance. Such improvement will clearly benefit the economy as a whole, and, by improving productivity in an important sector, help to provide a sounder economic base required to sustain and improve standards of living and welfare for all Canadians.

The importance of a general programme of adjustment assistance was stressed by the Economic Council of Canada in its 1965 Annual Review. It stated:

"The basic purpose of such a programme would be to bring about an effective and speedy transfer of productive resources from less efficient to more efficient lines of production. The resulting improvements in the productivity of the economy would amply justify the costs involved."

In this year's review, the Council reiterated this recommendation and emphasized the urgent need for such a programme.

Last May in an address to the Annual Meeting of the Canadian Manufacturers' Association, the Minister of Industry said that his Department was working on a programme of adjustment assistance and invited comments and suggestions. Similarly, during the Kennedy Round Trade Opportunities Seminars sponsored by the Minister of Trade and Commerce, and at other meetings, the Government asked for the views of businessmen. A number of carefully considered and welcomed suggestions were forwarded.

It would clearly be beyond the scope of adjustment assistance to encompass any general scheme for financing the expansion of Canada's manufacturing industries. The Government has formulated a special programme designed to provide assistance under certain specific conditions of eligibility.

The principal feature of the programme will be the offer by the Government of insurance of the major share of the risk of loss on these industrial adjustment assistance loans made by private lenders. A second element will be direct Government loans in case of carefully defined hardship up to a total of \$10 million in the first year of the programme. An important third feature of the programme will be the extension of technical assistance to manufacturers in preparing adjustment proposals for the purpose of improving their production, managerial, marketing and financial operations. The programme will be built on the experience gained from the automotive adjustment assistance programme but it will be administered by a separately constituted board. In essence the programme, as a whole, is designed to help accelerate the mobilization of resources in the private sector for the purpose of attaining our important national economic objective of an expanded and more productive secondary industry.

To be eligible for insured loans firms must, as a first step, establish that they have either been seriously injured or threatened with serious injury as a result of the Kennedy Round tariff reductions made by Canada or that they have significant export opportunities arising out of the Kennedy Round. There are also three further tests which have to be met by a firm in order to qualify for an insured loan. First, a firm must present a comprehensive plan involving a restructuring of its operations in order to improve its competitive position. Second, its comprehensive plan must be judged to be sound by the adjustment assistance board. Third, it must be clearly established that sufficient financing cannot be obtained on reasonable terms from other sources. The Government will charge a fee for insuring loans and the private lenders, in agreement with the borrowers, will set the terms of the loans subject, of course, to competitive forces in the financial markets.

For firms that have been seriously injured or threatened with serious injury as a result of reductions in the Canadian tariff and who are unable to borrow the funds they require to re-adjust from the private sector under the insured loan programme, the Government will be prepared to provide direct loans providing the firm undertakes to seek a viable solution to its problems in co-operation with the Board. It is expected that very few firms will experience these conditions and consequently only limited use will be made of direct Government loans.

Since many of the applicants for financial assistance under the programme will be small- and medium-sized firms which may not have the resources within their own organizations to formulate fully sound adjustment proposals, a provision for technical assistance is being included in this programme. Where necessary, applicant firms will be assisted in finding competent technical and professional advice in the private sector. The proposal is that the Government share the cost of such consulting services with the firm to the extent considered appropriate in each case, but the Government's share would not exceed 50 per cent.

Discussions of arrangements for insuring these industrial adjustment loans are now taking place with representatives of the banks and will be extended to other appropriate lenders who may be interested. Authority for giving the guarantees needed to implement the insured loans programme will be sought from Parliament in supplementary estimates this year. The main estimates for 1968-69 will include an appropriation for the direct loan and technical assistance programmes.

The adjustment assistance programme is specifically designed to provide assistance to manufacturing industries including, of course, the processing sector. This approach has been taken since it appears evident that these are the areas where the tariff changes will have the greater impact. Any adjustment and additional opportunities provided by changing patterns in secondary industries should be rapidly reflected in benefits to primary producers. The Government will, of course, maintain a very close watch on the impact of the Kennedy Round tariff changes on all segments of the economy including primary producers and will be prepared to consider if necessary further appropriate and workable programmes consistent with the programme which has been outlined.

A strengthened base of private industry is the principal source of expanding employment opportunities for our rapidly growing labour force. For this reason the programme is as much directed to the well-being of Canadian workers as to that of Canadian manufacturers. It will create jobs that would not otherwise exist. The manpower adjustment programmes of the Department of Manpower and Immigration will be geared to help workers take full and prompt advantage of these opportunities.

While the point of adjustment assistance is to create jobs by reorganizing production, there may be a few cases in which a company has to lay off workers during the reorganization; and there will be some cases in which part of the previous work force cannot be re-trained for the new jobs.

It will, therefore, be a condition of a company receiving a guarantee or a direct loan that it should give notice of such lay-offs to the individual workers and to the Government. The requirement will apply if the total lay-off during the reorganization involves twenty or more workers and is for two months or longer. The minimum notice period will be three months.

The notice period will give time for the Manpower Department and provincial authorities to arrange for re-training where needed, or for that Department fully to explore opportunities for temporary or permanent employment as appropriate.

When a company reorganizes production and introduces new technology, the occupational training legislation provides for the whole cost of an in-plant training programme so that workers who would otherwise be displaced can adapt to the new jobs. The federal manpower consultative service is available to management and workers to help develop agreed methods of making the necessary adjustments in the plant's work force.

For any workers who are displaced, the employment services of the Department of Manpower and Immigration will be brought into full action and will be supported when needed by re-training in public facilities, with the payment of training allowances of up to \$90 a week, and by the mobility programme which helps workers to move if the new jobs available are away from their present homes. By these methods the industrial changes necessary to take advantage of new trading opportunities can be made, and will be made, to work for the benefit of the people most directly affected.

Unemployment insurance arrangements, of course, are also designed to facilitate changes of this sort, as well as other adjustments that may be required in the economy. Obviously it is essential that a proper level of benefits be provided if the unemployment insurance programme is to work effectively. The Government is, therefore, proposing to introduce an amendment to the Unemployment Insurance Act later this session which will provide for an increase in the level of unemployment insurance benefits.

The Government believes that this programme of adjustment assistance will provide Canadian manufacturers with the assurance of financial and technical assistance which they need for improving their competitive strength in the post Kennedy Round commercial environment.