

Income Tax Act

the American operator because interest rates are higher in Canada. If he does not get this better dividend then he is not satisfied. In my opinion many of the Canadian subsidiaries in the United States will move their head offices to the United States. Not only that, but I believe a United States subsidiary in Canada is in a much better position. It is, as I have said, smaller in relation to the parent company, and it can plow back its dividends for two, three or four years until the tax is changed. Those are my reasons for saying this is a bad tax which will work against the Canadian economy.

I want to dwell for a few minutes on the matter of incentives to businesses in depressed areas. The first point I want to make deals with the basis of picking a depressed area, an area with 50 per cent of the national employment average over an eight year period, and an area of low employment over the summer months from May to October, again on an eight year basis. I understand the figures are supplied by the Department of Labour. This is all done on a statistical basis, and I object to that because it is open to all the mistakes statistics make when they try to analyse human reaction.

In one area I know of, cars full of people go to work in a neighbouring city 50 miles away. They have been doing so for years; and I wonder, especially with the populated areas in western Ontario, how one can pick out a depressed area when people travel back and forth from it, 50 and 60 miles, to work in another centre. Surely there is something wrong when the mayor of a city does not know he lives in a depressed area. The premier of British Columbia did not know his home town was a depressed area, nor did the people of Edmundston know their town was a depressed area.

I have here an article from the *Globe and Mail*, and I would like to put some extracts from it on the record:

In this Edmundston sets an example that might profitably be followed by many Canadians elsewhere, who now accept the proposition that it is the duty of higher governmental authority to establish that climate in which enterprise can thrive. Edmundston is undertaking that task on its own, creating a city where, as the mayor put it, their sons will want to remain and industrial executives will want to live. For an area that a welfare minded federal government has declared to be depressed, the climate is remarkably bracing. Would that some of our so-called prosperous areas had as much energetic enterprise.

But over and above all that, this is a direct contravention of provincial-municipal rights, and my own province of Ontario has a law which says no municipality shall offer incentives to industry.

Further, Mr. Chairman, I would like to know what research has been done in the

depressed areas. By that I mean have they a suitable climate for industry? Is industry likely to grow and expand in them? One has to ask those questions because otherwise you are wasting the taxpayer's dollar. At one time or another many of these areas had a great deal of industry, which has moved out of them. Have the reasons been ascertained why this industry moved out, or do they still exist and are they likely to drive industry out once more?

The tax incentives include tax free holidays, 50 per cent write-off in two years and a write-off of 20 per cent over a five year period. These are hedged in by specific regulations that will be, according to the *Financial Post*, a source of continuing friction.

Three types of industry will respond to these incentives. One is new industry just incorporated and establishing itself. This is the type needed. Another type is a presently established industry engaged in changing its manufacturing enough to qualify for the incentive, leaving its present location where its move creates unemployment, and going to another area to create employment, with no useful result following the expenditure of the taxpayer's dollar. The third type is the United States industry coming into this country, being subsidized and picking up hundreds of thousands of dollars to establish the very thing which the Minister of Finance decries. He has said the United States already has 60 per cent ownership of Canadian industry, and I think he added "It is later than you think."

In conclusion I say let us spread out our incentives, making it a little more attractive for the workingman, the businessman and the professional man to invest in the development of Canadian industry. Let us give the Canadian people, the people who work in industry, the people who work in shops across Canada, a tax free holiday on money that they put into Canadian industry. In this way Canadian ownership of our factories will be built up and our citizens will have a pride in owning them.

At the same time we should cut out our anti-Americanism with our discriminatory taxes on their investment in Canadian industry. By doing this we will allow our Canadian industry in the United States to flourish unhampered by discriminatory taxes in an area where they have huge markets. This bill is an immature bill, is very discriminatory and should be changed.

Mr. Otto: Mr. Chairman, I want to dwell on the section about which the hon. member for Simcoe East has just spoken, but before doing so I wish to say there has been a lot of talk in the past about Canadians owning