

Business of Supply

involved. The kind of incentive I have in mind would be one whereby (1) all capital expenditures may be written off in the period decided upon by the plant owner; (2) a plant would be rewarded in the form of a generous cash bonus at the end of the year in proportion to its increase in productivity during the year, compared to the base year—the last full year before the plan goes into operation.

This form of incentive has been very effective in increasing productivity in such countries as Japan and West Germany where spectacular results have been achieved since the end of the second world war. There is no reason why such an incentive would be any less successful in this country.

In addition to price, we know very well that quality and design are also very important in making our products competitive. It is obvious that we must spend at least as high a proportion of our GNP on research and development as our chief competitors do, if we are to hold our own in this important field. To see how we have been doing in this regard as compared to our major industrial competitors, we should look at the latest figures published by the OECD. These show what percentage of its GNP each of these countries spends on research and development. The figures are as follows: United States 2.8 per cent; United Kingdom 2.4 per cent; France 1.9 per cent; West Germany 1.7 per cent; Japan 1.5 per cent; Canada 1.3 per cent. It is obvious that we have been doing badly in comparison to our major competitors in this regard.

To capture new markets which are looking for new and better designed products, and to reduce costs and become more competitive, it is obvious that we must carry out a great deal more research and development in this country. To bring this about we should allow industry to write off 200 per cent of the cost of current and capital expenditures on research and development in excess of those made in the base year—the last full year before the program is introduced. In addition to writing off the full cost in one year, it will put a considerable cash reward in the pocket of a company undertaking the research.

The kind of program I have outlined has been successful in significantly increasing the volume of industrial research in countries where it has been introduced, and will prove equally effective in Canada.

Finally, what can we do, in addition to increasing productivity, to reduce the labour cost of the products we must sell? There is a great deal of business which Canadian companies are unable to compete for because of low labour costs in the foreign countries where the products are made. If Canadian companies are to be able to compete for a good proportion of this business, and thereby obtain additional employment for Canadians, they must have an incentive which will enable them to reduce their labour costs on this potential new business to a level where they are within striking distance of these low foreign rates. Then, by accepting a lower than normal margin of profit on this extra business in order to get started, they can compete for these orders and stand a good chance of obtaining a reasonable proportion of them. What kind of incentive will do the job?

The government should say to all business—not just manufacturers and processors—that it will reward overall

increases in employment during the year by way of an employment incentive which will be paid in direct proportion to the increases that are made. It is simply a matter of comparing the total number of man-years of employment by a company in the tax year under consideration with the last full year before the plan is put into operation—which will be the base year. The employment incentive would be paid in proportion to the increase in employment and the general wage level of the plant concerned, and the company will thus be able to calculate well in advance just what amounts of money it would receive for various increases in employment. This will enable Canadian businessmen to calculate in advance how much their labour costs would be reduced on additional business which the employment incentive would make it possible for them to go after. All such business obtained in this way will be a net gain for Canadian employment.

The three incentives which I have outlined will pay for themselves many times over in the years ahead, in the following ways: (1) We can drastically cut the present far too high expenditure on unemployment insurance by stimulating the economy and enabling people to find work. The potential in this regard is at least \$1.5 billion of the \$3 billion a year which we are at present paying out in unemployment insurance payments. (2) We can greatly increase tax revenues, because (a) more people will be working and paying income taxes; (b) more commodities will be sold, and will be paying additional commodity taxes, and (c) the increased volume of business will lower unit costs of production, and make available more profits to tax.

● (1530)

I think it is obvious that the government has shown great negligence in allowing our export trade to deteriorate seriously during the past 18 months without introducing the measures which were available to it for re-establishing the competitiveness of our products. It is equally obvious that the minister must take the primary responsibility for this sorry state of affairs, and has in no way justified the salary he is being paid as a minister.

I therefore move:

That Vote 1 of the Department of Industry, Trade and Commerce be reduced from \$67,157,000 to \$67,137,000.

Mr. Gillespie: Mr. Chairman, I rise on a point of order. I wonder whether you would explain the rules of this debate in terms of the minister's time to ask questions or to respond to each speaker within the 15 minutes arrangement that has already been made.

The Chairman: My understanding is that each member is entitled to 15 minutes and has the right to take his whole 15 minutes without allowing time for the minister to reply. This is why there might be 10 or 15 minutes at the end, so that if the minister feels he needs that time to reply to some of the questions raised, or arguments put forward by members which he did not have the chance to reply to within the 15 minutes allowed all hon. members, he can do so.

Mr. Gillespie: You recognize, Mr. Chairman, that if every member takes his full 15 minutes it will be impossible for the minister to reply during his 15 minutes at the end to all the points raised. It is my impression, based on