grams under which advances to companies are made. These changes would involve some companies in repayments which would not be in respect of scientific research and development in their entirety. The purpose of the proposed amendment is, therefore, to ensure that only the portion of such repayment expended on research and development will be considered an eligible current expenditure for the purpose of the act.

The third section has to do with amalgamated corporations. Some companies created by statutory amalgamations have applied for grants without including in their base periods the expenditures of their predecessor corporations. If this were allowed under IRDIA, companies would be able to circumvent the intent of the act by divesting themselves of base period expenditures by going through a process of amalgamation. These cases have been administered under other provisions of IRDIA, but for greater clarity, and to make the result more certain, it is proposed that the requirement be covered by specific wording to that purpose. This would be consistent with the intent of IRDIA to increase the level of research and development in Canada upon an equitable basis for all companies.

• (4:50 p.m.)

Finally, clause 4 has to do with the sale or transfer of property. The situation is the following: The act now requires that all or part of a grant paid for the acquisition of capital equipment must be repaid to the Crown if the equipment is sold or otherwise disposed of during a defined period. This provision is considered to work a hardship in some instances, notably in those where a company wishes to form a research subsidiary and the equipment is intended, upon sale or transfer, to be continued in use for research and development.

I had a discussion about this point. People who were not satisfied with this particular aspect of the bill came to see me. Since it would not be consistent with the intent of the act to recover grants as the result of such transactions, it is proposed to amend the act to permit the Minister of Industry, Trade and Commerce to annul the recovery provisions where he is satisfied that the equipment will continue to be wholly attributable to research and development.

So there you are, Mr. Speaker. These are four small, technical changes, and I am keen to see the bill go to committee where possibly my officials could give examples of the advantages of changing the act in respect of these matters.

Hon. George Hees (Prince Edward-Hastings): Mr. Speaker, we in the Official Opposition are perfectly agreeable to the changes proposed in Bill C-193. I have examined them. They tidy up the existing legislation, making it more operative, and therefore we are in favour of these changes. I want to speak for just a very few minutes on the need for tax incentives to increase productivity in this country in order to do two things; first of all, to help control rising prices, and secondly, to increase employment.

One of the principal reasons prices have been rising abnormally is that our productivity has not been increasing at a satisfactory rate. One of the principal reasons unemployment has been rising at an abnormally fast rate during the past few months is also that insufficient increases in productivity have made prices rise abnormally because costs have been rising far too fast.

Let us take a look for a moment at the productivity picture today and see how it compares with the productivity picture in the recent past. During the past 25 years productivity in Canada has been steadily increasing, due to the introduction into our economy of new machines and techniques year by year. In the 25 years that have passed since the end of the Second World War the average yearly increase in productivity has been 3.4 per cent. During the past ten of those years the average yearly increase was 3.7 per cent. During those past ten years, the first six of them had relatively high yearly increase in productivity, but during the past four years the yearly increase in productivity has fallen steadily, and during the past year, 1969, productivity in Canada increased by only 1.5 per cent.

During these last four years interest rates have been rising rapidly, as we all know only too well, and because of this increase in cost to companies requiring the purchase of new plant and machinery, and production systems to increase their productivity at a satisfactory rate each year, these new machines, plant and production systems have simply not been bought by industry to nearly the extent necessary to enable our yearly increase in productivity to maintain at least the rate of increase year by year of our principal competitors in world trade in the export market and to enable our industry here in Canada to compete against foreign competition