

The Budget—Mr. Irvine

had the opportunity, particularly the newer, growing institutions, and I would think this measure is encouraging them to borrow on the collateral they would receive from this saving at say 7 per cent, though the government is only going to give them 5 per cent on their own money. This could place another 2 per cent handicap on the operation of such businesses. I ask, how long can we continue to tax industry? Do we not by doing so price ourselves out of some very valuable foreign markets?

I would also refer to an item in the Budget dealing with the tax on production machinery and building materials. We are happy to see that the tax on certain production equipment is to be reduced by 6 per cent effective April 1 next year and that it will be entirely wiped out on April 1, 1968. But what about the tax on production machinery? The minister was questioned on this subject today and said he was taking the matter under advisement. I hope he gives it serious thought because it is my opinion that this tax is making it difficult for many Canadian firms to compete in foreign markets.

No intimation has been given that the tax on building materials might be changed, and I wonder why. It is a tax which is directed to everyone. It is a tax on a very sensitive sector of our economy. A young couple who want to build their first home at an approximate value of say \$20,000, of which half would be made up of building materials, will pay a penalty of \$1,100 for the privilege of buying a stake in our country. This is a great hurdle for them to jump and I ask, why impose such a penalty, particularly on young people?

This tax is daily increasing the cost of building. It is increasing the cost of building factories and manufacturing plants and of retail building. It is reflected in the retail prices of merchandise and it is one of the greatest inflationary pressures we are suffering at present. In my opinion the government is not only condoning this but actually is aiding and abetting it.

I have here another article written by a man well known in this house, Robert W. Needham of the *London Free Press*, dealing with restraints in the budget. He says:

On the demerit side, it can be argued with validity that it dulls individual incentive and hence could lead to a reduction in productivity—a prime necessity in conquering inflation. It can be contended as well that the taxes of themselves can be inflationary, in this instance by inspiring demands across the board for wage increases.

[Mr. Irvine.]

Mr. Sharp further might be accused of a psychological and political blunder in his tax treatment of individuals as opposed to corporations: the specific charge, discrimination.

The article goes on to say:

This special levy on corporate earnings will be payable for 18 months and then will be handed back, with interest at the rate of 5 per cent, during the succeeding 18 to 36 months depending upon the state of the economy.

This device is intended to "freeze" a modest portion of business cash profits that otherwise would flow into capital expenditures.

In effect it is a compulsory savings scheme that will result in amassing a fund of \$250 million. This will be freed and utilized to stimulate future economic growth.

However, the political if not the economic weakness of these two aspects of Mr. Sharp's program should be apparent. It might be summarized in the question: why tax increases for individuals, but compulsory savings for corporations?...

Mr. Sharp has promised to stand in the wings ready with a "baby budget" of readjustment should the need arise.

It's to be hoped that this will be unnecessary for what it would mean in terms, not of expansion, but of recession.

I should now like to mention one other thing upon which I have received many representations, as also has the minister. I myself have made representations to him. It is with respect to the tax on jewellery. I have here a letter from the large jewellery firm of John A. Nash and Son, London, Ontario, which states:

The war has been over for 20 years. At that time a special excise tax was put on so-called luxury items. It has since been removed from cars, refrigerators and almost everything but on retail jewellery items.

We all feel—the retail jewellers—that this is a discriminating tax and should be removed.

I would respectfully ask the minister that he give this serious consideration.

I should now like to speak about N.H.A. loans but I will not expand on the subject because several hon. members have already spoken about the difficulty. But I must make strong representations because the difficulty is country-wide. It affects every community, including the riding I have the pleasure of representing. I have here an article from the *London Free Press* of April 15 which reads as follows:

Finance Minister Mitchell Sharp's crystal ball appears to have been accurate. His brakes on the construction industry arrive at a time when it was reaching high gear, exceeding the record 1965 level by over 12 per cent, and when building trade labour was extended to meet the demand.

Home and apartment builders say that the cost of homes and apartments with sales tax and high priced mortgage money is making housebuilding too costly. Sharp's directives may spread sparse construction workers over the extensive contracts