Income Tax

Hon. George Hees (Prince Edward-Hastings): Mr. Speaker, tonight I would like to discuss the need for this country to process more of our raw materials to their finished state, and the use of tax incentives to bring this about.

For far too long we have been shipping out of this country a far too large proportion of our primary products to be processed to their final stages of production in other countries, which thereby gain the many advantages of employment, taxes and profits which accrue from this further processing.

We have in Canada the skilled manpower, managerial skill, cheap power, and excellent transportation facilities which are needed for this further processing, and it is about time we started doing something about getting more of this work for Canada. Now, what should and can be done?

Thirty years ago the government of Ontario introduced a plan which has been largely responsible for the spectacular expansion of the pulp and paper industry in that province during the intervening years. It required companies to process in the province a far higher proportion of the logs which they cut, a large proportion of which they had been shipping in the raw state to paper mills in the United States.

What has worked so well in the case of the pulp and paper industry in Ontario can work equally well in other primary industries right across the country. It should apply to all raw materials which we ship to other countries for further processing, and can succeed equally well because of the great dependence of other countries on our primary products to feed their manufacturing processes.

It is obvious that a certain proportion of the raw materials we produce must be exported in the raw state, but not nearly the proportion that is the case today. The Department of Industry, Trade and Commerce should now undertake an intensive study of our primary industries to determine what proportion of the primary products we produce can reasonably be required to be processed to their finished state in this country.

Having decided what proportions of our various primary products should be further processed in Canada, we must produce an incentive which will be sufficiently attractive to persuade those who normally export our raw materials that it will be profitable for them to build the plants which will be necessary to carry out this additional processing in Canada.

It has become painfully obvious that the grants now provided by the Department of Regional Economic Expansion, although useful, have not proved sufficiently attractive to bring to our areas of slow growth sufficient new industry to reverse the dangerously high rates of unemployment that have persisted in those areas for many years.

I believe that in addition to the DREE grants, which are now available to areas of slow growth, we must also make available an additional incentive in the form of a graduated scale of federal taxation which will permit a new plant processing primary products in an area of slow growth to pay no federal taxes in the first full year of profitable operation, and gradually increase its tax payments until it is paying full taxation in the fifteenth year. My conversations with leading businessmen across the country have convinced me that this incentive, added to the present DREE grants for slow growth areas, will prove sufficiently attractive to accomplish what has to be done.

The incentive which I have outlined will pay for itself many times over in the years ahead in the following ways: it will reduce the present far too high expenditure on unemployment insurance by stimulating the economy and enabling more people to find work. And we can increase tax revenues because (a), more people will be working and paying income taxes; (b) more commodities will be sold and will be raising additional commodity taxes; and (c), the increased volume of business will lower unit costs of production and make available more profits to tax.

In conclusion, the time is long overdue for us to stop shipping such a large proportion of our raw materials out of the country to provide jobs for other people. We must process a far higher proportion of them here in Canada for the benefit of Canadian production and employment.

Some hon. Members: Hear, hear!

Hon. A. C. Abbott (Minister of State (Small Business)): Mr. Speaker, I hope the hon. member for Grenville-Carleton (Mr. Baker) will have a chance to speak, because we will be very anxious to hear his remarks.

I want to add my congratulations to the Minister of Finance (Mr. Chrétien) for his excellent presentation the other night and for the great skill, frankness, and ability which he has brought to his post in these difficult times.

An hon. Member: Why are you smiling?

Mr. Abbott: I am smiling because I am speaking the truth, and because a lot of other Canadians are smiling with the knowledge that the Minister of Finance has the courage and the ability to make decisions.

We are facing difficult times now, and we are facing great problems. These problems are not simply those of Canada, but are shared by other countries, notably our great neighbour to the south.

I was interested to see the other day that the Bethlehem Steel Corporation was showing a loss of $450 million for the first nine months, the largest loss in the history of the United States by any single corporation. It even exceeds the loss the Pennyslvania Railroad faced when it went into bankruptcy. Therefore it is evident that great problems are facing the major corporations here and in the United States. These have been highlighted by the recent lay-offs which have taken place in our mining industry and in other industries in Canada. About these we are deeply concerned.

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I have been struck—and that is why I wanted to cite the mining problem—as I think many hon. members have been, by the enormous publicity and the extraordinary concern shown,