

Adjournment Debate

● (2200)

**PROCEEDINGS ON ADJOURNMENT
MOTION**

A motion to adjourn the House under Standing Order 40 deemed to have been moved.

[English]

**FINANCE—STATEMENT OF MINISTER CONCERNING LEVEL OF
CORPORATE PROFITS AND NECESSITY TO PASS ON COST
INCREASES**

Mr. Reg Stackhouse (Scarborough East): Mr. Speaker, some weeks ago I directed a question to the Minister of Finance (Mr. Turner) relating to the skyrocketing prices in the construction industry. I asked what measure was being considered to stabilize prices in this important sector of our economy. I raised that question because of the way in which prices are soaring. Many small construction firms are finding it all but impossible to continue in business. The report from one firm of chartered quantity surveyors, for example, indicated the following claim:

Material shortages and labor and material price increases will continue into the 1974-1975 period and contractors and sub contractors will be forced to carry substantial contingency sums in any estimate prepared during this period in order to cover costs that cannot be determined at the time of tender.

This is all but impossible for small companies to undertake. Many find this kind of provision all but beyond them because many of their would-be customers demand a firm price. Many of these small firms are not capable of absorbing the losses they risk in the present period of price instability.

To give an example, I draw statistics provided by the Department of Industry, Trade and Commerce. With regard to residential buildings, if we take as a base index 1971 prices and signify that by the number 100, we find that prices of material rose in 1972 from 104.1 in the month of January to 115.1 in the month of December. In 1973, they rose from 116.8 in the month of January to 125.5 in the month of September.

In the same period, the cost of labour rose in 1972 from 105.8 in January to 116.1 in December and in 1973 from 116.5 to 123.4.

In the non-residential building sector, the same process was followed. If we take as a base index the costs in 1961 and signify that by the number 100, we find that the cost of materials in 1972 rose from 138.1 in January to 146.7 in December and in 1973 from 148.9 in January to 160.1 in December.

From this can be seen the predicament that is challenging every firm in the construction industry. It is an almost impossible problem for many small firms that have very little margin to go on. The escalation of prices continues, so that between the time a firm submits a tender to a customer and delivers its product, the contractor is almost doomed to suffer a loss. This is a risk that small firms find they simply cannot bear.

To illustrate, I will cite an example of one company just outside the area of metro Toronto. It found that electrical conduits increased in price 100 per cent in one year. The

[Mr. Blenkarn.]

cost of small items like switches, outlet boxes, fasteners and so on rose from 50 to 100 per cent.

This kind of escalation of prices resulted in the following experience. They submitted a tender on October 30, 1973. They estimated that the job would require \$2,815 per 1,000 feet of cable. When the order was placed for supplies on December 18, 1973, the price had risen to \$3,303 per 1,000 feet of cable. When the cable was delivered in mid-January, 1974 they were billed \$3,517 per 1,000 feet. That meant an increase of \$702 per 1,000 feet, or 25 per cent, in two and a half months. It was for that reason that an officer of that company wrote that the situation is running wild and urged that the government put on controls to end these large price increases.

I cite the predicament of that small firm as an example of small business who have various people working for them. I plead with the government to take more seriously the predicament of these small companies in the construction industry. They simply cannot carry on. If the present price escalation continues, some action will be necessary.

I plead with the government to pay more attention to the plight of these companies and to give them more support. What we need is an effort at price control, an effort to stabilize prices so that small companies submitting tenders and offering contracts can have some assurance that prices will not run hog wild during the period between tender and delivery. It is all but impossible for a small company to absorb a 25 per cent price increase in a period of two months.

This is a serious matter not only for businessmen but for the consumers involved. We read in one newspaper a report that the cost of building or replacing the most unpretentious house in metropolitan Toronto in 1974 will be 25 per cent more than last year. We are all aware of the difficulties faced by would-be house purchasers. These difficulties are now becoming almost insurmountable by people contemplating the purchase of a home, with costs going up at this rate.

[Translation]

Mr. J.-Roland Comtois (Parliamentary Secretary to Minister of Finance): Mr. Speaker, it must be agreed that the profit picture varies from one industry to the other, and that the risks involved in doing business come from various areas and reach different levels.

Looking at Canadian industry as a whole, it may be seen that profits increased substantially in 1973. Their relationship to sales is not however at record level. Higher ratios were experienced in the 1950's.

Recent profit improvement derives mainly from the increase in prices relative to inventories. Disregarding gains on inventory revaluation, operating profits as compared to sales did not even reach in 1973 the average level of the period since 1949.

The profit increase was paralleled by very strong growth in capital expenditures by corporations. This is an encouraging sign for, in an inflationary economy, rising offer stemming from increased spending on capital goods will have positive results.

It must be remembered that a large part of those investments has taken the form of industrial and commercial