Effect of Budgetary Proposals

mentioned in the Speech from the Throne. Legislation will be forthcoming to deal with these problems as the Minister of Industry, Trade and Commerce (Mr. Gillespie) said in the debate on the Speech from the Throne. There is a wide area at which we can look. There is the broadening of GAAP, the General Adjustment Assistance Program, for which the machinery is in place. There are opportunities to provide working capital to companies in countries taking part in the Kennedy Round agreements. This machinery makes it possible to expand further, as the minister indicated.

There is, too, the greater role that the Industrial Development Bank can play. It has helped many thousands of small businessmen. We cannot go into ad hoc programs and I do not approve of the type of program we went into before. We have to be flexible and see our programs against new types of onslaught from abroad, particularly from the south. We have the employment support act of 1971, under which we allocated $80 million for companies adversely affected by the monetary crisis at that time and possibly by the DISC program. Of that $80 million I understand only $10 million was disbursed. It is difficult to prove who is being hurt or specifically how you are being hurt when you are in business, particularly if you are a small business and do not have the opportunity to have research assistants, such as we would like to have here. These businessmen know that something is going wrong; they know they have to be flexible and move to survive. I suggest that the corporate tax reduction is vital to keep us competitive in a highly dangerous economic situation in the world.

I do not think any program should be maintained forever, but we must maintain ourselves in a competitive position with our trading partners such as Great Britian, where the corporate tax rate is 40 per cent; Italy where it is 25 per cent; the United States where it is 48 per cent, and Belgium where it is 30 per cent. The rate varies between 23 per cent and 51 per cent in Germany. These are the countries with which we have to compete and it is only by being highly efficient that we will be able to compete. It is not only a matter of increasing employment; it is a matter of maintaining the employment we have now.

I was rather interested in the lead article in the *Financial Post* of March 3, its most recent issue, the reading of which I would commend to all hon. members. The article points out that to be competitive we have to give our smaller industries, our manufacturing and processing industries, a break. The closing paragraph reads:

> The strongest industries, and those with the highest quality jobs for a sophisticated work force, are, after all, capital intensive, not labour intensive. Manufacturing in Canada needs every break it can get to preserve and upgrade the jobs it now can offer.

This is an important point, and I would urge my friends from the NDP to read that article. This corporate tax reduction, however, is not going to all industry. It is not going to the service industries, but rather to the manufacturing and processing industries. It is not going to the extractive industries. They have all the breaks, as the minister pointed out in his speech on budget night. It is going to those people who need it to create jobs and to maintain the jobs, people who will keep the economy moving and create opportunities in the rapidly growing service sector. This is an area which we have to watch very carefully. Since 1966, the output in the manufacturing industry went up 28 per cent with an increase in jobs of only 6.5 per cent. This does not mean that it is a failure. It means that we have increased our output by 28 per cent and thus maintained our competitive position. The fact is that if we had not shown an increase of 6.5 per cent in employment we might have shown a substantially greater decrease.

[Mr. Danson.]

In the same years since 1966 employment in the service sector has gone up by 27 per cent. In my view, the service sector is integrally tied with the productive sector; it moves along with it. This is the area in our economy which needs a lot more study. We should know a great deal more about it. We know that with a healthy manufacturing and processing sector the service sector is healthy and grows at an even more rapid rate as we achieve greater productivity, thus producing more jobs for people working fewer hours and taking longer vacations.

• (1730)

The service sector is going to be highly important and there are opportunities for many improvements there. We should be directing more attention to it. It is not merely a case of hotel bus boys, although that is a legitimate job; it is a matter of social workers, teachers, people in the recreational field, architects and lawyers so that there is ample opportunity, in a society which is becoming wealthier, for these people to find jobs.

The capital cost allowance, Mr. Speaker, is an area in which I have had some interest, because in private life I am a small businessman—the longer I am here, the smaller I become as a businessman—in the capital equipment field. Interestingly enough, I started that business in 1952 or 1953. At that time we had double depreciation and it was the period of the fastest growth in the manufacturing sector in the history of this country. The manufacturing sector was built up at that time to the point that has allowed us to take advantage of the automotive trade agreement and progressive trade policies because we have this basic manufacturing infrastructure.

We got away from that and we prospered. The allowance has continued to drop. It is not held at that rate for a temporary period, as it was in the 1950s. We tried a modest approach to it in the budget last year or the year before by increasing capitalization on new equipment by 15 per cent and allowing normal depreciation on the declining balance. That did not work. We needed something with a greater psychological jolt so that people involved in investing felt that it was worthwhile to invest during this period of the accelerating capital cost allowance or those who were dragging their feet would come to an investment decision within a limited period of time. That is why I am particularly happy to see a limitation put on this provision for review at the end of 1974. I would not mind seeing it for a shorter period so that those who are contemplating investment decisions will make them even sooner. This presents difficulties, however. The same issue of the *Financial Post* refers to the importance of examining the whole area of capital cost allowances and the fact that the minister has committed the government to that. Certainly the government will be able to look well