

Supply—Industry

I have seen that happen in the retail business in my own district.

—the newcomer generally does not have such reserves and is driven out of the market. Then the giant restores the price to its former level.

These are only a few of the methods by which the existing dominant corporations maintain their hold on an industry.

How do many of these people acquire their capital? The minister has talked about incentives to promote industry in certain areas. We have provided massive incentives for these monopolies whether they are Canadian owned or United States owned.

• (2:10 p.m.)

I have an article I cut from the *Ottawa Journal* of May 18. I will read briefly from it because the figures are handy. Possibly I could have located the figures had I searched my files. This is a report of a speech made in the legislature of Ontario by Mr. Kenneth Bryden. He had this to say:

—the plain fact is that "only a very small and declining amount of U.S. investment funds," is associated with U.S. corporate control in Canada.

The went on to illustrate his statement that Americans are buying us out with our own money. He said:

—in 1964 about \$764,000,000, or 40 per cent of the total net U.S. financing in Canada, came from the depreciation and depletion reserves of Canadian subsidiaries of U.S. corporations.

The report continues:

He said an additional \$644,000,000 came from undistributed profits of these subsidiaries and the remaining \$423,000,000 came from stocks and bonds sold outside the U.S.

He said U.S. corporations "are re-investing funds generated in Canada which they have captured in depreciation allowances and undistributed funds."

As a solution to U.S. control Mr. Bryden suggested reform of provincial and federal corporation tax structures to tighten up provisions regarding depreciation and depletion allowances.

This really is a massive form of tax incentive which has provided a great deal of the capital throughout the years for United States controlled subsidiaries in Canada. I wish to draw this to the particular attention of the minister because it seems to me there should be some consideration of the larger investment in Canada of capital obtained in this way.

Before concluding I should like to offer to the minister a few suggestions from our New Democratic Party program. This is the present program; you can rely on it. If the minister would like to have one of these booklets I would be glad to send on over to

[Mr. Herridge.]

him later. What would happen, Mr. Chairman, if we should over the months ahead get a convert? We will do our best to see that he has the information.

Mr. Knowles: Maybe his applause means that he is being converted.

Mr. Herridge: I think we have a convert to our objectives but he is running on a different political railroad at this time.

New Democratic investment policy seeks to break monopoly control over Canadian industry and resources.

Modern corporate expansion is financed mainly out of huge corporation reserves.

And in the other ways I have mentioned. This briefly is our program to meet the situation:

The New Democratic government's taxation policy will be a basic part of its planning. It will divert funds from private to public investment, redistribute the national income on a fairer basis and help to regulate the pace of economic activity.

A large part of the accumulated investment funds of private companies must flow into the public treasury, there to be used to realize public economic objectives. This will be accomplished through:

(a) an increase in the corporation tax rate, especially on undistributed profits;

(b) reduction in excessive depreciation and depletion allowances;

(c) limitations on the deductions now allowed for advertising and sales promotion;

(d) a tax on capital gains;

Canada is one of the few countries in the western world which does not have a capital gains tax.

(e) increased succession duties.

The present tax structure will be reformed by such steps as:

(a) reduction in the tax burden on lower income groups;

(b) abolition of the special privileges which now go to the recipients of corporation dividends;

(c) stricter control of expense accounts and similar allowances, to eliminate tax-dodging;

(d) removal of the federal sales tax and special excise tax from the necessities of life.

In addition, I support every effort put forward by the minister and his officials in respect of research in this country. I trust it will be co-ordinated research as a result of co-operation with other governments, universities, and private industry to find things which will be of benefit with regard to processing our natural resources and our marketing opportunities at home and abroad.

I should like to support also those who have spoken about regional planning and who have suggested that it should not be localized