

*Government Administrative Policies*

sizeable outlay of money in the form of new plant, new machinery, new production systems. This is what our competitors all over the world are doing, particularly the eastern countries such as Japan. There is also West Germany and certain other countries which have set great marks in productivity and are doing so well as competitors against our goods. My first suggestion is that we offer tax incentives based on increases in productivity during the year, whereby a plant would be rewarded in the form of tax rebates at the end of the year, based upon a specific increase in productivity during the preceding 12 months.

• (5:30 p.m.)

The second suggestion is a tax incentive to induce those who produce and sell goods to keep price rises during the year within the 2½ per cent guideline which the government has set as an acceptable level. They have based the 2½ per cent figure on the fact that over the past 70 years since the Dominion Bureau of Statistics started keeping track of inflation from year to year, the average increase in prices has been 2½ per cent each year. The government has taken that figure and said that in its view, if it is not exceeded the economy will not be in jeopardy.

I have proposed to the government that if a producer keeps the price increase on all his products during the year within 2½ per cent, he should receive a rebate of 2½ per cent of his corporation taxes at the end of the year, and an additional 1 per cent rebate for each percentage point of price increase which he holds down steadily, going down to zero. In this case a company which did not increase prices at all during the year would be eligible for a 5 per cent rebate on its corporation taxes. That is a practical incentive and one that businessmen understand. It is the kind of incentive they will react to and it will make it worth their while not to exceed the government's 2½ per cent guideline. Businessmen will go a long way to obtain that tax incentive. Their goods would be more competitive and easier to sell if they kept prices rises within 2½ per cent.

The third measure which I suggest the government should adopt is the introduction of penalties against companies which do not keep price rises within the 2½ per cent per year guideline. A few months ago the government called the leaders of industry together and asked them to keep price rises within reasonable limits. All the industries concerned

said they would not increase prices more than their increase in costs. But, Mr. Speaker, there is nothing to induce them to limit those increases in costs. There is no penalty which can be applied against them if they do not keep their price rises within that range.

Businessmen across the country are literally laughing at this government for believing they will react as the government expects. They just will not do it unless they are rewarded for doing so or penalized for not doing so. Members who have been in business or have had experience of businessmen know that these are facts of economic life. I suggest that in order to induce our producers to keep within the 2½ per cent guideline, penalties must be set by the government and imposed against producers who do not comply.

My fourth suggestion is that the Minister of Finance (Mr. Benson) immediately call together the presidents of the chartered banks and of the main lending institutions of this country and point out to them the need for keeping interest rates well below the level they are at today. I believe the present levels are far too high and are adding unnecessarily to the costs of production, making our products uncompetitive and thus making it more difficult to provide jobs. The disclosure a couple of days ago that the profit achieved by the chartered banks of Canada in the first six months of their fiscal year was an increase of 27.7 per cent over 1969, when the increase was 26.6 per cent, shows that the banks and other lending institutions could well afford to lower interest rates and still make a reasonable profit. It is up to the government to call together the heads of these lending institutions and point out, in the national interest, the absolute need for reducing interest rates. The government should indicate clearly that if they are not willing to do this, it will step in and impose some kind of control on interest rates in order that costs can be kept within reasonable bounds and prices at reasonable levels. This action is necessary if products are to be sold competitively and jobs made available for our people.

The fifth suggestion is one that I last made about a week ago and have made on various occasions to the Prime Minister (Mr. Trudeau). In order to persuade the leaders of organized labour that it is vitally important for labour to play its part in keeping costs within reasonable bounds, thus making it possible for our products to remain competitive and thereby creating jobs for members of their unions, the Prime Minister should call

[Mr. Hees.]