

*The Budget—Hon. M. Lambert*

[English]

**Mr. Lambert (Edmonton West):** For the moment I have mislaid some material that I want to put on record. This is a case, you know, of saving the face of the hon. member for Calgary South (Mr. Mahoney).

**An hon. Member:** Have you found the material?

**Mr. Lambert (Edmonton West):** Yes, I have found it. I am about to refer to the Bank of Montreal survey on investment policy and capital spending in 1972. Some weeks ago, the capital investment intentions for 1972 of Canadian companies in the Canadian economy were released and, quite frankly, notwithstanding what the minister said, they were very disappointing. There is to be an increase of only 4.9 per cent over 1971 preliminary spending figures. If a price factor in the neighbourhood of 4 per cent is assumed, then total gain or growth for 1972 will be exceedingly slim. This is rather strange, Mr. Speaker, because the minister insists that there is a growing buoyancy in business activity. Remembering that during the second year of what we were told was economic expansion capital spending traditionally should have gathered strength, it would appear that this survey I hold in my hand should have shown more pronounced gains. The minister may have his explanation for what has happened. Yet, why was there this stagnation, shall we say, in the forecasts regarding capital spending in 1972 in the private sector?

First, let me say the low rate of growth indicates the rather large additions to plant capacity which were made in the previous two or three years. During 1969 and 1970, when inflationary psychology was particularly prevalent in the economy, producers in the manufacturing industries increased their investment outlays by an average of 19.4 per cent, at a time when one might have expected investment to drop under the pressure of the tight monetary policy prevailing at that time. May I interpose some other thoughts at this time. Since this 19.4 per cent evidently represents an overcapacity, the minister's incentives for the manufacturing and processing industries in the form of tax benefits and accelerated depreciation will not be as effective as he might think. It will be seen that during 1971 the mining industry also greatly expanded its investment outlays, thus increasing its capacity during a period when world demand was sluggish. Look at International Nickel and at many other companies with unused capacity. Does anyone think they will spend more money in 1972 and 1973 for machinery and expanded production facilities? I do not think so. Overall, these relatively large increases in productive facilities added inordinate weight to the high levels of excess capacity evident last year.

Second, possibly an even more important factor influencing capital spending intentions was the businessman's interpretation of future trends in the economy at the time the survey was taken. It was to be expected that some downward bias would exist, since businessmen were then still influenced by the poor performance of the Canadian economy in the previous year. In addition, the rather gloomy mood of the business community was further intensified last year by extraordinary events both in the domestic and international environment. There was the very unsettled international financial situation. Of

course, in Canada we saw the establishment of the surcharge and trade protection measures taken by the United States.

Last, but by no means least—and I want the Minister of Finance to pay particular attention—there was the avalanche of proposed Canadian legislation affecting business. I refer to matters like Bill C-256, Bill C-263 and a litany of other, infamous acts. While over-all investment outlays by business on plant and machinery are scheduled to increase by 3.7 per cent, individual industries face vastly differing circumstances which are reflected in a fairly wide inter-industry disparity in capital spending intentions for this year.

I spoke earlier about the pulp and paper industry and the forest industry. Let us see where the pulp and paper industry stands at the present. This industry, the pulp and paper industry, constitutes one of the weakest investment sectors within the business community, whereas in the sister industry, the forest industry, investment outlays are expected to increase at the rapid rate of 12.4 per cent. This wide discrepancy is not surprising, since the forest industry in 1971 enjoyed a buoyant demand for lumber in the midst of a North American housing boom while pulp and paper, beset by sluggish demands, intense competition in its traditional markets and a further squeeze on profits as a result of the appreciation of the Canadian dollar, has seen its profit margins dwindle by two thirds. Today, if I may interpose, the minister did not have much to say about the future of the Canadian dollar. If the present trend continues, the pulp and paper industry, the Canadian heavy chemicals industry and many of our export industries will be even more hard hit. The tax reduction in 1973 will not be of assistance to them, because it becomes effective only in 1974 so far as cash flow is concerned.

The mining industry, with the exception of iron ore and petroleum, has also experienced a softening in market demand as a result of the slowdown in manufacturing activity in Europe and Japan. After the heavy investment program in 1971, producers in that industry have indicated a considerable cutback, by at least 17.5 per cent, in capital spending as well. Because of the heavy capital intensity of these resource based industries and the large weight of their investment expenditures within the business sector of the economy, their scheduled reduction of capital spending will act as a significant drag on the over-all expansion of spending on business plant and equipment.

That is the sector that the minister wishes to encourage. What will produce immediate results, Mr. Speaker. Will it be tax reductions in 1973 and 1974?

**Mr. Turner (Ottawa-Carleton):** It will help corporate planning. We have given corporations the right to immediate depreciation.

**Mr. Lambert (Edmonton West):** The minister talks about corporate planning and thinks that this will help. Why did the minister not do something about Canada's multinational corporations and the matter of international income? He has only postponed the evil day when the axe shall fall. Instead of being in 1973, it is to be in 1975. And is there any area in which long range thinking and long range commitment is of greater importance than in the