

Almost in Mr. Deputy Speaker's own riding, United States automobile manufacturers have an incentive to acquire automobile parts companies in Canada, as parts used by the manufacturers of new cars can be moved across the border duty free. That sort of thing has been done. Do we think that the CDC would be able, by merger or amalgamation and infusion of new capital, to meet the price that was offered by a foreign purchaser? It is difficult to see what a development corporation could do to check foreign ownership in most cases except by making an unrealistically high bid.

What I have said has been based on one underlying thesis, namely, the continuation of the present Canadian tax system or some modification of the white paper proposals, which as far as the Canadian is concerned is a deterioration of his position vis-à-vis foreign taxpayers, particularly the United States taxpayer. Let us admit that the big bogey man of foreign ownership is the United States. Nevertheless, the United States taxpayer is in a far better position, either from the corporation point of view or from the individual point of view, than his Canadian counterpart. We have only to look at the estate tax and succession duty situation to see what an invidious position the Canadian taxpayer is in. In this regard it is not only the government of Canada that has to bear the responsibility; I point the finger at the government of the province of Ontario as well as of the province of Quebec.

[Translation]

—and particularly at the province of Quebec in matters of succession duties. One would never believe that a provincial government would wish to stifle industry in its own province. It is not surprising that Quebec businessmen are willing to sell when they are offered a good price, and this on account of succession duties.

In fact, a very rough study of the situation reveals that parochialism has been perpetuated in that province for generations. Government authorities kill all initiatives to protect Quebec businesses.

[English]

One has only to watch what happens in the case of shares of Quebec corporations that are held by people in, say, the province of Alberta who have had no contact whatsoever with the province of Quebec. Although the corporation may be a national one with a registered office in the province of Quebec, the province of Alberta will insist upon its pound of flesh on the transfer of any shares. Of course, corporations soon found ways to get around that situation. All they have to do is to have a registered office listed with the transfer registry in Vancouver, Calgary or Winnipeg and transfer the head office. They will never learn, and that can be said of Canadians as a whole.

Last year we had the not so amusing spectacle of the Minister of Finance bringing in a brutal and savage increase in estate tax. This is now combined with a proposal for a capital gains tax. And we want to maintain Canada's ownership of our business enterprises. Let us not laugh, Mr. Speaker. The situation is so tragic that it makes one wonder just what sort of logic is at work in

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the Department of Finance to propose these companion measures, followed by this proposal to establish a Canada Development Corporation.

The government claims it will be able to entice the public to invest in the shares of CDC. I would ask, how? There are two reasons for an individual investing. First of all, if there is a growth stock which offers opportunity for capital appreciation. However, with a capital gains tax, followed by a highly aggravated estate tax, what would be the advantage of investing in a potential growth stock? So I would say that principle would be negated. Certainly there is no encouragement offered Canadian investors, unless it be a corporate investment, so far as estate tax is concerned.

• (9:00 p.m.)

The other thing is that there shall be a record of dividends. Where are the dividends going to come from? Are they to come from the developments, as the minister indicated? I am sorry I did not have time to take copious and sufficient notes, but there was something said about different operations which might not be able to attract capital but might have great potential, for instance, in the development of natural resources and the development of the north. All of these are long-term potential. I am not decrying the possibility of returns on the development of natural resources, the north, new frontiers and many inventive ideas of Canadians, but these ideas all come within the long pull and it is not with this long pull that one builds up a record of dividends. Where is the money to come from to pay these dividends? I suppose that is why Polymer, Eldorado and Northern Transportation are being pulled in and turned over to this Canadian Development Corporation.

Is the \$13 million that Polymer made last year, which was paid into the Consolidated Revenue Fund, going to be used as the milk cow to provide the dividends for these corporations? If there is capital to be left over to these Crown corporations which are to be turned over to the Canada Development Corporation, where will the money come from? What are these corporations going to use for expansion and diversification such as Polymer has done, and as I suggest Eldorado and Northern Transportation may want to do? What about the financial requirements of Pan-Arctic, which is of a very different class? Pan-Arctic will not pay dividends for quite a long time. Who is going to provide that company with its cash source? Will the government provide this capital through some other procedure, or will Polymer have to come to the government for its expansion capital requirements?

It will not be the board of management of Polymer which will then control the affairs of that company. The owners will be the Canada Development Corporation and it may have a counter policy in many instances. Which authority is going to prevail? This is a question to which I would like an answer. This is indeed a strange business, bringing Polymer and Eldorado into the fold.

I have an article before me which was written in June, 1966. The author was a gentleman by the name of Edward Cape. I do not know whether at the time he was