

Anti-Inflation Act

somewhere near the 10 per cent or 12 per cent which was indicated by the government. But what about income which does not come from wages and salaries? What about professional people? I do not want to repeat in detail what I have said on other occasions but the minister knows—he would not want to admit it—that both he and the Anti-Inflation Board threw in the towel even before the fight began with the doctors.

The highest income earners in Canada have been told that the maximum increase of \$2,400 in one year, which was supposed to apply to all incomes, does not apply to them as individuals. It will apply to the doctors as a group on the average. I suppose that includes interns, people on staff, and all sorts of people who have relatively low incomes, and it will permit doctors who get fees for services to get more than \$2,400. That is the kind of equity the minister has provided and in which he believes. We say it is not equity.

The minister today asks us to look at what has been done to business and tells us that prices are not going up and profits have been restricted to 95 per cent of the average of the last five years. Let us look at the question of profits. I want to remind the minister that profits rose tremendously from 1972 to 1974. Corporation profits accounted for about 10½ per cent of the gross national product in 1972. By 1974 corporation profits as a share of the gross national product had risen to 14 per cent. If profits are to be restricted to 95 per cent of the average of the last five years that is just saying that they are going to be limited to something near the all-time high.

Corporations did not have a particularly good year in 1975, not because wages were too high but because of a world recession which cut sharply into the exports of a large number of the products that Canada sells in foreign markets. Minerals like copper, zinc, nickel, iron ore and coal, as well as pulp and paper, did not sell as well as they had from 1972 to 1974. The price for minerals fell very substantially. If rather than a continued world recession in 1976 there is an improvement in the economic conditions of the western world, Canadian exports like those I have mentioned will increase very substantially and prices may go up. What will happen then? The minister and the government already changed the rules of the game which they announced when they proclaimed this program with such great fanfare. They are proud of the fact that they have excluded profits on exports from the guidelines. Now we have what I consider to be a completely unfair situation.

The workers at INCO, STELCO, Hudson Bay Mining or Abitibi Paper, and I could go down the list, are having their wages controlled. The paper workers were on strike for almost seven months and had to return to work for substantially less than they were offered without a strike before the anti-inflation program was announced. But, Mr. Speaker, if the business for those corporations for which they work expands, then there is no limit, no restriction on the profits they can make.

I say to the minister that it is completely unfair and completely unjustified. But it is the kind of equity in which the Liberal government believes. The minister maintains that the government is monitoring corporations to see that they do not fleece the Canadian public. We have said repeatedly that the government does not have the will

[Mr. Orlikow.]

and ability to do that. The minister contends that this is an anti-business stance, that it is just socialist rhetoric and does not mean anything, and that they will do what they say.

Let me put on the record the comments of a senior official of Revenue Canada. This was not reported in some wild-eyed radical journal of the left but in the *Globe and Mail* of October 31, 1975. I am reading it from page 9444 of *Hansard* for November 25, 1975, as follows:

... James Gourley, Director General of Audit for Revenue Canada said:
... some of the multinationals use their intricate corporate structures to minimize the taxes they pay.

The *Globe and Mail* reported that:

He said he had no idea how much Revenue Canada is losing through tax avoidance by multinational corporations. He guessed that missing revenue from all sources—including multinationals—might be 10 per cent of total revenue.

I note the former minister of national revenue sitting in the House. I continue quoting:

... it is difficult for Canadian tax officials to decide whether the costs being charged by subsidiary companies in Canada are fair or are being inflated to boost costs and lower taxes.

A subsidiary in Canada may be supplied with products or services by its parent in another country. The subsidiary would write off those costs against its profit.

But Mr. Basford said, when tax officials try to find out whether the parent is charging a fair price they may be told that the subsidiary has no access to pricing information concerning sales of their foreign sister corporation.

So there you have a senior official saying precisely what we claimed from the beginning, that the government does not have the facilities to monitor the corporations. Mr. Speaker, we have it from sources which we consider to be reliable that the situation is even worse than when Mr. Gourley spoke in October. I am told that today fewer people work for Revenue Canada than worked for the department in 1975. More and more the department will depend on corporations and individual taxpayers filing honest returns.

● (2100)

Lastly, we said that this program would cause unemployment to rise. We were right. Statistics Canada now uses a new method for computing unemployment. Supposedly the new method will indicate lower rates of unemployment. Yet Statistics Canada shows a seven percent unemployment rate, seasonally adjusted, even with its new method of statistical computation.

Let me say a word about profits. The minister patted himself on the back and promised that we should not witness a rise in profits. Well, today I read the annual report of my friendly bank, the Bank of Montreal. What did it show? For 1974 the balance of revenue, after income tax, was some \$56,492,000. For 1975 the figure is \$102,134,000. The same pattern applies to all banks.

In March, 1976, all banks reported that revenue after taxes had increased by 37.3 per cent over revenue in the same quarter last year. Royal Bank profits this year were up 31.6 per cent; Imperial Bank of Commerce profits were up 54.1 per cent; Toronto Dominion profits were up 26.7 per cent, and the profits for all banks rose by 37.3 per cent, as I mentioned previously.