

who will be caught by this tax. We feel that the bona fide farmer and the disposition of land for a bona fide farming operation should be exempt from the capital gains tax. Of course, if the land is sold for a subdivision or if it is sold for speculative purposes, then, certainly I think it should attract capital gains tax. That is what the tax is for.

Mr. Ryan: The tax would be less on a speculation.

Mr. Lambert (Edmonton West): As a matter of fact, my colleague, the hon. member for Spadina (Mr. Ryan), says that the capital gains tax will mean that speculators will pay less tax than at present because they would be caught at marginal rates, and for many the tax will be less than it would have been in the past.

We have heard a great deal about the number of people being removed from tax rolls. I think that there will be an upward movement within the tax brackets as a result of inflation. In any event, I refer hon. members to the tables relating to the summary of the 1971 tax reform legislation. They will see that there is a reduction for some. Most of the recovery is to come from the lower middle income groups. I will refer hon. members, first, to Tables 1 and 2, and in particular to the last column on each page.

If we look at the present schedules of rates applicable to taxable income under Table 1, we shall see that from zero to \$1,000, the average rate is 14.8 per cent. Under the new rates, the rate from zero to \$500 will be 22.1 per cent and from \$500 to \$1,000 it will be 23.4 per cent. Actually, until you get to \$14,000 the new rates are higher than they were previously. After \$14,000 the rates drop. It is between the areas of \$500 to \$1,000 taxable income and \$14,000 taxable income that the real impact is going to come. That is where the greatest number of taxpayers are; that is where the rate is highest and that is where the crunch will come for those who are being exempt. I suggest that members of the House and people outside should place themselves in these brackets to see where they fit and what their rate of tax is to be, then the answer will be simply and readily understood. I am referring to Table 2 in the 1971 summary of the tax changes.

I do not want to talk about changes in respect of small businesses. Some of my colleagues will look after that. The same applies to mining and petroleum. May I say, in this regard, that the government has seen the wisdom of the recommendations in the House of Commons Committee report with regard to mining and petroleum. There are some changes. The minister had indicated to the industries concerned that he was making major departures from his white paper position. Of course, I think the minister recognized that those two industries occupy a particular position in the Canadian economy. To those people who suggest that the mining industry and the petroleum industry enjoy a special or a favoured position in Canada I say, no, they do not. Their position is different from that of other industries. Yet, when it comes to competing with mining and petroleum industries abroad, where the real competition is, we know that these indus-

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tries in this country are not in a special position. Lots of items are relevant in competition, such as the tax system of the country, the financial position of the company, the quality of ore, the distance it has to be moved to markets and the transportation available. All of these must be considered. These are conditions we must keep in mind.

It is the cost of the end product being sold to the customer that counts. All else is just one part of the factors of competition. Some suggest that these industries were favoured because they were given three year tax holidays and special depreciation allowances. Of course they were; they had to be there, because when you deal with those industries you must not consider them vis-à-vis other types of Canadian industries but vis-à-vis similar other industries outside the country. That is where the competition comes from. That is a simple answer.

• (2:20 p.m.)

I think perhaps with the changes that are made now, subject to some hidden details that are not apparent to us at the present time, I am reasonably satisfied with those changes. That is all I am going to say about taxes at the present time.

I want to come back to the burden of my speech, the main thrust of it. That is, the economic aspects of the budget. We talked about the elimination of the surtax and the encouragement of consumer spending. I would have liked to have heard the minister say something about the future of the Prices and Incomes Commission. We know the present legislation provides for the termination of the Prices and Incomes Commission as of December 31, but is it the government's intention, yes or no, to let that position stand? Is the Prices and Incomes Commission going to be replaced by another body, particularly if wage and price controls are as the minister, the Minister of Consumer and Corporate Affairs (Mr. Basford) and the Secretary of State for External Affairs (Mr. Sharp) spoke about a few weeks ago. What is the intention with regard to the Prices and Incomes Commission? I think it would have been right to have the minister examine what that body did with regard to control of inflation. The minister owed it to the country, and the Prices and Incomes Commission, to indicate what the government thinks of the operation and the effectiveness of the Prices and Incomes Commission.

The minister should have spoken in greater detail about the movement of interest rates. He did not indicate that the average of long-term interest rates troughed near the end of January and they have now moved nearly three quarters of a point above their low. If one examines the charts put out by the Bank of Canada every week, he will see this movement. As far as I am concerned, this is one of the circumstances that gives me the greatest unease at the present time. This indicates that people have not accepted the fact that inflation is supposed to have been mastered. It is going to have such an effect all the way down the line. It is the average rate on these government loans that establishes the rates for Central Mortgage and Housing Corporation loans, farm improve-