

*Anti-Inflation Act*

that is precisely what has been happening in terms of wage demands.

The second argument advanced by the government was that we were pricing ourselves out of our trading markets. This, if true, could be serious, particularly in view of the unemployment which looms ahead. Here again, though, the evidence was not presented in committee. The most recent evidence to come to hand was provided by Statistics Canada yesterday in the trade figures. If those figures supported the government's opinion that we were pricing ourselves out of trading markets, we in this party would be bound to look at the argument very seriously. But they do not. The information provided yesterday by the government's own agency shows that in the first ten months of this year Canadian export over all increased by 1 per cent but our exports of finished goods, goods with a high labour component, rose by 9 per cent. This is, surely, of fundamental relevance to the government's argument.

Members opposite were saying a year ago that export markets in 1975 and 1976 would be affected because of disproportionate Canadian wage increases. Well, the figures are in and for the first ten months of 1975, rather than experiencing a decline in our exports we have seen an increase, particularly in those in which there is a high labour content. However, the government does not seem to be concerned about this argument. It is not troubled by the facts. I would draw it to the attention of the House that with one exception wage rates in the countries with whom we trade are running well ahead of those in Canada. The exception is the United States, but as we all know, our trade with the United States consists basically of raw materials, where there is little labour content. Therefore, the labour component in relation to total cost is really negligible. In light of what I have just said, the two principal arguments used by the government to justify its present approach to inflation fall to the ground.

What about the price loopholes? I should like to have heard the official opposition express some concern about the lack of an effective mechanism to control prices.

**Mr. Stanfield:** I did.

**Mr. Broadbent:** The Leader of the Opposition says he did, and I will take his word for it. I did not hear him do so in the debate in the House. I assume, then, that other members have said something about it. I should have thought that the Conservative Party, had it favoured an approach which was fair to all, would have zeroed in on the loopholes which the government has specifically provided in the legislation for the benefit of corporations and others. For instance, just in case a corporation should have a problem in getting accountants to disguise its profits, just in case there should be some loss of ingenuity by the corporation in devising ways of getting around the price control mechanism, the government has provided substantial loopholes to work with. If a corporation can show that its productivity has increased, it is exempt. If it experiences favourable cost developments which had not been anticipated, it is exempt. If it cleverly transfers the profits of its operation back to a parent firm in the United States it will, in effect, be exempt.

[Mr. Broadbent.]

● (1720)

I remind the House that two weeks ago the chief accountant in the Department of National Revenue estimated that at the present time we are losing revenue amounting to \$2.75 billion annually because branch plants in Canada are transferring their real profits to the United States disguised as costs. That Mr. Speaker—\$2.75 billion—ain't chicken feed. This was before the present program was brought in.

Now imagine the pressure put on branch plants in Canada. As I have said, some 60 per cent of Canadian industry is foreign-owned, which largely means United States-owned. If the government is supposedly going to have some control over profits in Canada, the incentive for these branch plants to disguise their profits will be there as never before. They will be using every loophole to avoid paying tax in Canada as a result of intercorporate transfer pricing. I suspect that the annual loss of \$2.75 billion will rise in excess of \$3 billion, if I may give a conservative estimate of the revenue we are going to lose under this program.

This is why our party cannot accept the amendment proposed by the Leader of the Opposition to terminate the bill after 18 months. As I say, we cannot accept the bill beyond 18 months, and because we find the bill unjust beyond the period of 18 months we find it equally unjust for any period up to 18 months.

**Mr. Stanfield:** What logic.

**Mr. Broadbent:** The Leader of the Opposition says "What logic." I say to him, what logic is there in his decision to vote against a government bill that takes over his program holus-bolus, but because it does not restrict the program to 18 months they will not support it? I ask the Canadian people to judge who is being logical about this, the New Democratic Party which has consistently opposed this bill whether for 18 months or three years, or the Conservative position which says it is all right if the bill lasts for 18 months but not if it goes beyond that.

**Mr. Stanfield:** That is not what we say.

**Mr. Broadbent:** That is the logic of your position. The fundamental fault in the bill is this lack of control over the price sector, this lack of any serious attempt to keep down prices. The government could have imposed a freeze. It could have accepted the proposition that the New Democratic Party has been advocating for some years now, namely, dealing with inflation in the non-competitive sector by freezing prices and requiring corporations to justify any increase. Instead, the government has turned that idea upside down and permitted corporations to increase prices, putting the onus of proving unjust price increases upon the public.

The government's program is riddled with loopholes. It does not control prices and therefore is one we cannot accept. The government is not controlling professional incomes, either. The only effective way to hold down the incomes of professionals such as doctors, lawyers and accountants is to apply a 100 per cent tax on all income exceeding the \$2,400 increase. I know that a number of New Democratic Party governments have made this pro-