

business in the long run. Senator McCutcheon has had much to say on this point already, and consequently I do not intend to deal with it in great detail. But in my view good management is the basis of all profitable business operations, and it has to a large extent been through stock option plans that Canadian companies have been able to attract and hold good managerial material to work for them and to remain in Canada instead of going to the United States.

Hon. Mr. McCutcheon: And to bring them from the United States.

Hon. Mr. Thorvaldson: I am coming to that.

In my own personal experience and from association with companies, I am aware of the results of the previous legislation concerning stock options. It has in the past been possible for Canadian companies on many, many occasions to bring very eminent managerial material to Canada. Why were they able to attract this material? Not because of high salaries which are highly taxed, but by virtue of stock options granted to those people. Can anyone think, for instance, of a Canadian company getting a man like Mr. McNamara to come to Canada for a salary only? On the other hand, if at some time he might be available, he could be attracted only by stock options whereby he could benefit by the growth of the business that he entered, a growth which he had created and from which he would be entitled to benefit, and which at the same time would be of great benefit to Canada.

Hon. Mr. McCutcheon: Provided there was a growth and he had contributed to it.

Hon. Mr. Thorvaldson: I am most serious in referring to these two items as being pieces of legislation that are most harmful to this country—both this stock option legislation and the legislation in regard to the 5 per cent enforced loan.

I come now to another feature, to which I shall refer very briefly. That is the amendment in regard to capital cost allowances. In my judgment, this is a retrograde step and is something that should not have been done at the present time. I cannot understand what inexperience would dictate interference with the capital cost allowances which prevailed in the former act. What abuses are there which are being remedied? Those are some of the things to which we need answers, and if we do not get them here I hope we shall get them in committee tomorrow.

Again, I repeat that perchance some of the retrograde features of the Income Tax amendments may have been acceptable to the business community and the average taxpayer if these amendments had been accompanied by an indication from Government that it was intending to pull in its spending horns rather than indulge in the fantastic extravagances which have been such a notable feature of the past two or three years.

Honourable senators, I repeat what I said at the beginning, that I think this is one of the worst Income Tax bills that has ever come before this house—one of the worst for the taxpayer and for the people of Canada; and, above all, a retrograde step in respect to the economy of this country.

Hon. Mr. Hayden: Honourable senators, just a word or two—

The Hon. the Speaker: I must remind honourable senators that if the honourable Senator Hayden speaks at this time, it will have the effect of closing the debate.

Hon. Mr. Hayden: Honourable senators, I wish my friend Senator Thorvaldson could indicate in what fashion imagination could be worked into the Income Tax Act. It is a factual demonstration of what taxes you have to pay for all the different situations that the mind of man might conceive. Frankly, if he looks to the Income Tax Act for imagination, I would suggest that there are many areas where he is missing a much better opportunity to exercise real imagination.

My friend talked about capital cost allowances. The capital cost allowances in various classes are generous. The reductions of one-third and one-quarter, in some cases, are for a period of 18 months, to coincide with the 5 per cent refundable, and I am sure that my friend, with his great business experience, knows there are many companies that for corporate purposes do not deduct the full rates. In other words, they are prepared to attribute a greater life. I just cannot get excited at the suggestion that 18 months at these lower rates is going to mean the difference between success and failure in Canada.

I was interested in my friend's description of the 5 per cent refundable as being a gimmick. I wonder if he would take the first step with me, that there is the problem of