

*The Address—Mr. Stenson*

persuasion which would be far less disruptive than some of the approaches that have already been made. It is an established fact that there is not sufficient money available in Canada to purchase a 25 per cent equity in these foreign owned companies. I think it is highly desirable for equity in Canadian industry to have a higher Canadian content. This is certainly the feeling of many individuals, and I suggest that it can be accomplished by perhaps a gradual reduction of corporate taxes which would apply to Canadian companies that qualify under the 25 per cent ownership provision, rather than by using a club over their heads by increasing withholding taxes, which eventually can only result in retaliatory action on the part of other countries.

The continual efforts of the government to relieve situations or to solve problems by legislation such as the recent provision to declare depressed areas is an attempt to work against natural forces through temporary measures which can only result in ultimate failure. It is necessary that Canadian industry build up its export business, but I think the way this will be accomplished most effectively is by establishing conditions for industry in Canada that will make it competitive, which means a change in the tax structure; because any manufacturer looks at profits from a given sale based on his net profit after taxes. If a given market can yield more net profit by shipment from a plant in the United States, this might be the controlling factor with regard to where the goods are manufactured in the case of a company operating on a global basis. It also means that if taxes are lower in the United States, this would permit a manufacturer there to sell in an export market because of the difference between his taxes and those of a competitor located in Canada.

Mr. Speaker, I have two letters that I would like to read into the record. One is addressed to myself and the other to the Minister of Trade and Commerce, of which I have a copy. This letter is from a 100 per cent Canadian company which is very perturbed about the taxes in force at the present time. The following is the letter addressed to myself:

You will recall discussions which we have had in the past concerning the application of sales tax to production equipment, and regarding which I wrote to you and several ministers at Ottawa.

I have felt for some time that the full implication of this tax has not fully impressed itself even upon the managers of manufacturing establishments, possibly because its effect varies so widely. However, for a firm such as ours, engaged in export against very severe competition and where much equipment is built in our own plant, the situation

created by the tax is unbelievably complex. We cannot see ourselves carrying on with such a millstone around our necks.

It will be preferable by far to move our production operations outside of Canada and continue to manufacture the machines and tools here where they will be exempt from tax as exports. We will also avoid the heavy U.S. customs duties that are levied against many items that we export. In fairness to the U.S. customs, we must say that their customs duties on a number of items that we export have been substantially reduced. Procedures have been streamlined and the situation generally greatly improved for our exports to the U.S., to the extent that if we had favourable treatment in Canada we could continue to produce here and expand our exports to the U.S. In the last six months we have had nothing but discouragement on our side of the border.

In the enclosed copy of a letter to Hon. Mitchell Sharp, (similar letters have been sent to other ministers) you will note that we are not complaining about the high taxes, if they are necessary to bring Canada out of a difficult situation. If our trade was only inside the country, we would then all be subject to the same treatment, but we cannot be expected to export over high tariff barriers with added burdens at home. If we must move our production outside the country in order to survive, it would seem that government policy is defeating its expressed purpose.

Here is a copy of another letter which went to the Minister of Trade and Commerce:

Hardly a day passes that the news media of our country do not carry statements by government officials and others of prominence stressing the importance of manufacturing in Canada. The need to increase the export of manufactured goods and maintain a competitive position in international markets is generally recognized as vital to Canada's economy.

As a small but rapidly growing Canadian company, exporting over 85 per cent of our production, we cannot reconcile these statements with the recent drastic increase in the already formidable obstacles of secondary manufacturing in Canada. While it may not be common for a Canadian company to be exporting the major part of its output, it seems to be a desirable thing for Canada's economy that more companies should do so. However, recent government policy has effectively blocked our further expansion plans in Canada. The increased costs due to the new taxes applied to the means of production, and the impossible accounting situation created in trying to apply the taxes, are millstones that provide powerful incentives to move our production operations to the U.S. where the products are being sold.

In commenting on the tax situation, we wish to make it clear that we are not complaining about high taxes, if they are necessary to correct a difficult situation in Canada. However, we are working under conditions of adversity with which our U.S. competitors do not have to contend. We wish to point out that firms whose primary business is in Canada at least know that their competitors are subjected to the same treatment, but where the business is substantially export, we have to contend with factors with which our competitors are not concerned.

Machinery, tooling and competent personnel are the keys to economical manufacturing. Before the recent application of sales tax to production equipment, machinery costs in Canada were already much higher than in most other countries that are substantial exporters of manufactured goods.

Tooling is very costly, but the degree to which a product is "tooled" will largely determine its