

Income Tax Act (No. 2)

Canada. This will obviously have a much more beneficial impact on central Canada where most of the manufacturing is concentrated. It will not help western Canada or the Maritimes where exports are high but not of the category to fit into manufacturing or processing. For this reason, all the efforts of DREE will be counterproductive in this area. This legislation will not be beneficial in this peripheral area of the country. It will increase the disparity in favour of those areas of Canada that already benefit substantially from our economic system.

● (1730)

What about the ability of the manufacturing industry to carry its weight? The previous speaker raised some doubts about this and I am inclined to agree with him. Have we not made a fetish of expecting that everything we produce must be manufactured to the nth degree before it can be exported? The evidence shows that the manufacturing industry has found difficulty in maintaining jobs at a constant level. Jobs have certainly not been increasing. New job opportunities in the last few years have occurred largely in the service field; had this not been the case the rate of unemployment would have been much higher.

There are substantial disadvantages for Canada attached to carrying on a highly competitive manufacturing industry. Since the days of Sir John A. Macdonald a high tariff economy has been in operation—considered necessary in order to protect the manufacturing industry. So I question whether the impact of these tax cuts will achieve the desired results. In any case, it appears that those who are considering the manufacturing of new products are inclined to spend their money on labour-saving devices. This might be fine and necessary over a period of time but it will not provide the jobs we expect in the short run.

I should like, now, to make a point or two about the farming industry in western Canada. The world is short of food. We have passed through a period of abnormally low prices but it now seems likely that in the next two years we shall be able to sell all we want to sell, with the price of flax at \$7 a bushel and rapeseed at \$5 a bushel. These are unusual levels. It is interesting to note that the United States would have encountered an even more severe balance of payments problem had it not been able to sell its agricultural products on world markets. Last month the U.S. closed its balance of payments deficit with Japan largely because the price of soybeans and sorghum has almost doubled. This may only apply to one month's figures but it is an indication that food is expensive, and food accounts for a large part of United States exports.

I would point out, finally, that the legislation before us does nothing to benefit the western grain industry which is responsible for our biggest exports of food. That industry needs a great deal of renovation in the fields of handling and transportation particularly. Yet it will receive no help from the minister's proposal. This is another reason why it is not likely to be effective. Grain exports will total more than \$2 billion this year, and probably more than that next year, all of this exported from the North American continent.

The legislation contains certain features whose effect is likely to be good, but it seems to me it would have been

[Mr. Ritchie.]

much more logical, if reductions are to be given, to extend them across the board rather than to make them available to one particular segment of industry.

Mr. Knight: Mr. Chairman, we have been debating the question of the corporate tax cut since the budget of May 8, 1972. I believe that many of the most important points have already been stressed, as I am sure the minister will agree. I want to express my appreciation to a minister who will sit through all these lengthy debates on his bill. He has heard many of the arguments presented against, and for and halfway in between—as the hon. member for Dauphin just did—with respect to this legislation.

There is one area that, in the short time at my disposal, I wish to deal with this afternoon. How does this cut in taxes for the manufacturing and processing industry help certain areas of Canada? In the Speech from the Throne we heard about the intention to hold a conference, a western economic opportunities conference, in the city of Calgary where they are going to bring the four western premiers, the Prime Minister and all the hotshots together to discuss what they are going to do for western Canada. This conference is intended to bring about agreement on some kind of strategy, I assume, for the development of Canada as a whole.

We have seen in the last five years, in terms of the Department of Regional Economic Expansion, in terms of the regional incentive development legislation, in terms of the Department of Industry, Trade and Commerce, in terms of all the acts dealing with granting money and lending money, guaranteed loans, etc., that this money is concentrated in all areas but the west. The government, in the Speech from the Throne, intimated that it has supposedly some interest in reconstructing confederation, if you like, to meet some of the real problems which face western Canada. At the same time, it brings in a piece of legislation which would reduce the corporate income tax paid by the manufacturing and processing industry. What, in fact, it is doing is to give a larger rip-off to the corporations engaged in the manufacturing and processing industry, corporations which are concentrated in the southern Ontario region in the golden horseshoe which surrounds the city of Toronto.

How can a government say that one of its priorities is to bring about regional development while at the same time it brings in a corporate income tax cut for corporations which are in fact concentrated in the golden horseshoe in central Canada? Let us not be fooled. The majority of the half a billion dollars or more represented by this cut will in fact be going to one region of this country, not into the hands of the thousands of people who live in that area but into the select hands of corporations who will be able to do more or less as they like with that money.

Let me point out just how great the concentration of manufacturing is in the area surrounding the golden horseshoe in relation to the Regina district of Saskatchewan. We will do it in terms of manufacturing employment. Manufacturing employment has always been unequally distributed in Canada. In 1961, the central provinces of Ontario and Quebec with 63 per cent of the population had 81 per cent of the workers in the manufacturing industry, and things have not changed substantially since the time when over 400,000 manufacturing workers were employed