

Employment Incentive Programs

As an illustration of the tendency of this government to forget the west and be completely oblivious to the needs of British Columbia, I point to the case of Dominion Aircraft Corporation about which I asked the minister a question this afternoon. This company is seeking to manufacture STOL aircraft with the prospect of providing employment for between 400 and 500 persons on the lower mainland in the Sea Island plant it hopes to open there. I do not have the technical competence to say whether this is a good or marketable aircraft, but the company claims that it has firm orders for 23 aircraft, and it has orders held in abeyance for 17 aircraft at \$130,000 per aircraft.

This company did not ask for a grant. They merely asked the government to guarantee their loan from the bank for a figure, I believe, of some \$3.5 million. Their application was rejected. They have now been told to apply under PAIT. This company has been waiting months for an answer. The minister told me this afternoon that he expects to be able to make an announcement regarding the decision of his department within a week or two. This group has been waiting for months. When I recall that the two aircraft industries in central Canada, De Havilland and Canadair, have had grants totalling \$90 million, I find it extremely difficult to understand why the government could not underwrite a bank loan of \$3½ million to put 300 or 400 people to work in the lower mainland of British Columbia and to provide western Canada with an aircraft industry.

• (1540)

It is passing strange that of the more than \$2 billion we have paid out in incentive programs over half of it has gone to foreign-owned and controlled multinational corporations. We have been able to spend hundreds of millions of dollars helping foreign companies to come into Canada, acquire a stake in this country and take over part of our economy, but when a Canadian company seeks to get started in Canada the government seems to have no facilities to help it.

That brings me to the third reason why I think this incentive program has been a dismal failure, and that is that it has completely ignored small Canadian companies and small Canadian businessmen. After all, Mr. Speaker, these small Canadian businesses, these retail merchants and wholesalers and those in the service industries, provide employment for hundreds of thousands of Canadians in the cities, towns and smaller communities of Canada. They are being discriminated against. First of all, they are being discriminated against in the matter of taxation. Under the recent budget they are going to pay the full corporation tax, whereas the manufacturing and processing sectors of the economy will have their tax frozen at 40 per cent. And when the tax cuts of last December expire, as they will on December 31 of this year, and personal income tax goes up by 3 per cent and corporation tax goes up by 7 per cent, the small businessmen, the retailers, wholesalers and those in the service industries will find that in 1973 they will be paying a tax rate 20 per cent higher than the manufacturers and processors.

As the hon. member for Duvernay (Mr. Kierans) has pointed out, it is not only a matter of higher tax rates. It is also a matter of the higher or accelerated depreciation and depletion allowances that are given to the capital

intensive industries. He pointed out that a retail merchant pays taxes on 90 per cent of his book profits whereas the metal mining industry pays taxes on only 13 per cent of its book profits, and the oil and gas industries on only 5.7 per cent of their book profits.

The small businessmen are also discriminated against in that they do not have access to the capital markets to secure the money they need to expand their operations. Big corporations have little difficulty in this regard. They are able to borrow money. The latest figures show that the corporate sector of the economy in the last year increased its demand on term loans with the banks at a rate of 30 per cent annually. That has forced the Bank of Canada to increase the money supply at a rate of 25 per cent annually. That in turn has pushed up interest rates. It has encouraged short-term capital to move into Canadian banks, and pushed up the value of the Canadian dollar with disastrous results for Canadian exports.

As a matter of fact, what has happened has been that the corporations have been monetizing their debts. But what happens to a small businessman when he wants capital? Mr. Speaker, never in all the years that I have been in public life have I had so many communications from small businessmen and entrepreneurs asking how they can get some assistance to secure adequate capital to meet their needs.

The Small Businesses Loans act is a farce and everyone knows it. All of this was completely substantiated in the statement made by the newly elected president of the Canadian Manufacturers Association, Mr. Daniel Sprague, when he said:

If we want to maintain small Canadian companies then a source of capital definitely has to be created . . . Perhaps the new Canada Development Corporation could fulfil this function, but it would be better if the private sector took on the responsibility . . . In fact, the large private holders of funds, such as banks and trust companies, could devote some portion of their energies to supplying venture capital to Canadian companies.

I am not very hopeful that the trust companies and the banks will supply that venture capital.

There are three possibilities. The first is that the Canada Development Corporation will do it, but only if the government is prepared to remove the provision that an applicant must have assets of \$1 million or over. The second possibility is that the government will require the banks and lending institutions to set aside a portion of their liquid assets to help finance small business and housing. The third is that the government set up an agency to make capital available to these small entrepreneurs.

I want to point out that these small entrepreneurs, if they are able to expand, will provide jobs. They will provide jobs in many of the communities that the big corporations do not locate in and, even more important, these companies of Canadian citizens, if they are assisted in their development, will enable us to retain a greater degree of Canadian control of the economy. It seems to me that the government has to rethink its various incentive programs. It has to stop depending upon handouts to large corporations. The results prove that this has done nothing either to stimulate the economy or to provide jobs. Even more serious, it has done the opposite because half the money has gone to enable foreign corporations to

[Mr. Douglas.]