

Consequently, it would be premature to offer any firm or final judgment as to the probable outcome of this tariff conference. Nevertheless, I believe there are real possibilities for important tariff reductions.... It is in our interests that barriers to trade throughout the world be progressively reduced....

#### GOVERNMENT REVENUES AND EXPENDITURES

...Revenues exceeded all expectations because of the excellent improvement in the economic situation, a greater improvement than I could properly forecast a year ago. At \$7,136 million, they were \$436 million more than the figure in last year's budget. Expenditures are estimated at \$7,219 million, \$64 million, or less than one per cent, higher than originally forecast. This leaves a budgetary deficit of \$83 million, less than one-fifth the amount originally forecast....

These results - a deficit of \$83 million by our parliamentary public accounts, and a surplus of \$332 million by the national economic accounts - are the best in seven years. In practical terms it seems fair to say that after a long period of troublesome deficits the nation's finances are now under firm control....

#### CANADA DEVELOPMENT CORPORATION

...Parliament will be asked to approve a measure establishing a Canada Development Corporation.... to share in financing the initial development, or expansion, of large-scale industrial projects in Canada, and to provide financing, including refinancing, for large Canadian enterprises which might otherwise be led to seek funds outside Canada, with a consequent loss of ownership and control to non-residents. The Corporation would be expected to invest in projects and enterprises which are likely to contribute to the sound economic development of Canada and to be profitable in the long run.

The Canada Development Corporation would be authorized to purchase from the Government the equity interest in Crown corporations that have become viable commercial operations. In particular the Government would propose to sell to it Polymer Corporation, which has been a highly successful and profitable government enterprise of which Canadians can well be proud....

The Canada Development Corporation would have an authorized share capital of about one billion dollars. The shares would be of the mutual fund type, the shareholder having the right of redemption at values to be established by the Corporation based on the value of its investments. There would be restrictions on the ownership and voting rights of the shares of the Corporation to ensure that it is essentially Canadian owned.

The Corporation would be mainly financed by the sale of its shares to the public. Individual investors would be given priority in purchasing shares but support would also be sought from a wide variety of Canadian institutions, including insurance companies, banks, trust companies, pension funds, estates and trusts, credit unions, charitable foundations and, I may add, provincial governments and their agencies. No investor other than the Federal Government would be permitted to own more than 3 per cent of the outstanding shares.

The Government would subscribe on its own account for 10 per cent of the issued share capital. In addition, the Government might acquire additional shares from time to time, either as partial compensation for the sale of Polymer Corporation or in connection with underwriting the sale of shares to the public. In order to ensure the independence of the Corporation, any shares taken up by the Government in excess of 10 per cent of the issued capital could be redeemed by the Corporation whenever the Board of Directors wished to replace them with shares sold to the public.

The Government would have authority to purchase debentures of the Corporation or to make loans to it up to a maximum of \$100 million.

#### PUBLICATIONS

I turn now to a measure of a very different character. The Government has given considerable thought to the best method of dealing with the magazine problem, and to the equally important matter of preserving Canadian ownership and control of Canadian newspapers....

In the resolutions which I am presenting this evening, we propose that the Income Tax Act be amended to disallow, as a business expense of a Canadian advertiser, the cost of advertising primarily directed to a Canadian market in a non-Canadian periodical or non-Canadian newspaper. This measure would become effective next January. Advertising in the so-called "Canadian editions" of non-Canadian periodicals now being published and printed in Canada will not be affected by this provision.... The question of the subsidized postal rates now enjoyed by the Canadian editions of non-Canadian periodicals will be studied as part of a general review being made of postal rates....

I shall also be proposing tonight a resolution to amend the Customs Tariff to prohibit the entry into Canada of non-Canadian periodicals, such as split runs, containing advertising primarily directed to the Canadian market, as well as periodicals in which more than 5 per cent of the advertising contains specific references to sources of availability in Canada or conditions of sale in Canada....

#### SCIENTIFIC RESEARCH AND DEVELOPMENT

...We propose to bring forward a bill that will provide in 1967 and later years a grant or a credit against tax liabilities equal to 25 per cent of the defined amount of expenditures on scientific research or development carried out by a business, either directly by its own staff or by contract with others in Canada. For 1966, a business will be permitted to elect whether to get the benefits available under the Income Tax Act or the benefits under this new legislation.

It is proposed that the whole amount of capital expenditures for scientific research or development would be eligible to qualify for the bonus, subject to certain safeguards. In regard to current expenditure, it is proposed that the bonus be calculated on the increase in research and development expenditures in any particular year over the average of such expenditures in the three preceding years....