

Income Tax Act (No. 2)

country, particularly poultry farmers. What I am suggesting is that the United States may show the same lack of courtesy or generosity toward us if they introduce their proposed runaway plant legislation.

Another point that I want to make, and on which I believe the minister owes the country an explanation, is this. If corporations and manufacturing companies in this country do get greater tax incentives, I wonder what they will do with the money, how they will spend the money that they will gain from the greater tax cuts and tax benefits. I am told by officials of the Department of Industry, Trade and Commerce and of Statistics Canada that if a corporation increases its profitability, it does not necessarily invest more in capital expenditures in this country or anywhere else, no matter which country may be involved.

In 1970, for example, corporate profits of the manufacturing sector in this country were not that high. We found that \$3.223 billion was invested in capital expenditures for expansion of the manufacturing sector in this country. In 1971, when corporate profits went up, the investment in new capital expenditures actually declined to \$2.994 billion in Canada. In 1972, according to the Department of Industry, Trade and Commerce, profits again went up, but new investment by manufacturing companies again went down, this time to \$2.956 billion. So I think the Minister of Finance owes it to the country to guarantee us that the extra benefits and profits of corporations resulting from this tax cut will be reinvesting in this country, in expanding their facilities and creating more jobs, because I and members of my party have serious doubts that one will actually follow the other.

There are one or two more points that I want to make. I would like to see the Conservative Party clarify the position that they are taking on this bill. I think they are being somewhat hypocritical in many ways. I noted, for example, that just last Wednesday or Thursday in the House when I asked the hon. member for Dauphin, in reference to the corporate tax bill, whether he was satisfied with the fact that the benefits would apply only to the manufacturing companies, he said as recorded at page 5137 of *Hansard*:

In answer to that, Mr. Chairman, I believe in being fair: If we have it for one, we should have it across the board.

In other words, the hon. member for Dauphin said that if we apply tax cuts to manufacturing corporations in this country, we should apply them to the resource industry, the mining companies and all other industries operating here. If that is the position of the Conservative Party we have a right to know more about it. The oil companies are enjoying their most profitable year in the history of this country, and if we are to give them a corporate tax cut I think the people of Canada will be very interested in knowing more about the policy of the Conservative party.

Another point that I think should be made in this debate is that this cut for the manufacturing industry will help some areas of the country much more than others. I do not want to sound like a person who is concerned more about the prairie region or some other region, but I think that is a fact. Just consider where the manufacturing industries are concentrated in Canada. You will find them mostly in the golden horseshoe of southern Ontario, in Montreal and

[Mr. Nystrom.]

perhaps in the city of Vancouver, but particularly in southern Ontario. If the manufacturing industry is to benefit from this bill, if it is to expand its facilities and create more jobs, where will they be creating more jobs and investing? It will not be in northern Ontario, the Prairies, the Maritimes or indeed in much of Quebec or northern Canada.

I think that is another consideration that must be taken into account when parliament judges the bill before us and decides whether corporate taxes should be cut for the manufacturing sector, because this bill, along with much of the legislation presented to us, is a hodge-podge, and ad hoc approach to the economy of this country. It will not solve very much because it is a piecemeal approach. Instead, Mr. Chairman, what parliament and the government should be doing is developing an industrial policy that will apply to the entire country, that will benefit people in all parts of the country, not just those living in the golden horseshoe area and other such areas where there is a lot of secondary industry. This bill alone will not help the people of the constituency of Yorkton-Melville, or of the Nickel Belt riding, because we do not have large manufacturing bases in those parts of the country. This governmental policy, like so many others, will favour the have regions rather than the have-not regions. That is going about the solving of our economic problems in the wrong way.

● (1600)

I would argue with the Minister of Finance that we could more effectively build up the economy of the country if we spent the \$500 million that the corporate tax cuts will cost the taxpayers on equalizing freight rates. That would do more to strengthen the Canadian economy. If we were to put \$500 million into equalizing freight rates for the Prairies, the Maritimes and northern Canada we would be enticing a great deal more development to those parts of the country and we would be providing jobs in a much greater and real sense than we will be doing through the bill now before us. All too often I have heard small businessmen, farmers and ordinary citizens in my constituency say they would like to start a small business or manufacture some small items in that area, but they cannot undertake this because of the freight rate structure that discriminates against processed goods being moved from the Prairies to the markets in central Canada.

We would cure one of the economic ills of the country if we tackled this structural problem in our economy. This is something we should do, instead of outbidding the Americans, or trying to outsmart the Americans because of the DISC program or whatever other programs they may introduce to affect corporate activity in Canada. We must stop playing those games. We must tackle some of the real problems in the economy. Some time today I would like the Minister of Finance to give us his latest information on the proposed Nixon tax changes in the United States, particularly on the runaway plant proposals, so we can be sure that if we lower corporate taxes in Canada to 40 per cent, and indeed even lower than that, many Canadian corporations will not be caught by the runaway tax legislation in the United States and end up paying taxes to the U.S. treasury that they could be paying to the Canadian treasury. If that happened, this bill would be a complete