

The Budget—Mr. Pepin

strong in Canada; on the other hand, imports are also increasing at a very rapid pace in this country; by the way, during the first quarter of 1972, there was a 22 per cent increase.

A tremendous reduction in personal income tax would have above all contributed to boost imports. It was really necessary to put the producers themselves in a competitive position enabling them to compete with these imports. Of course, we have a right to do it. Second, it was imperative that they be able to compete on international markets, in the area of manufactured goods.

Mr. Speaker, I will now speak about the two reports, as promised. They are difficult reports. Therefore, I will refer quite often to the notes before me, which I do not usually do, and I ask you to excuse me beforehand. I regret having to do so. I would rather talk as easily as the hon. member for Témiscamingue and leader of the Ralliement créditiste (Mr. Caouette), who does not have to refer to very precise notes.

• (1750)

[English]

Mr. Speaker, I undertook last week to make a statement on DISC in the course of this debate. As the House knows, the government has been concerned that the introduction by the United States of the Domestic International Sales Corporation scheme might adversely affect the level of production, employment and investment in Canada, especially if a large proportion of U.S. companies with manufacturing facilities in Canada, exporting to this country or competing with Canadian goods in foreign markets were to take full advantage of this legislation.

DISC's effects are not, as everybody knows, confined to Canada. Canada is, however, highly dependent on exports, especially to the United States, and on imports from that country as well. We are also important users of U.S. investment. Canada is, therefore, uniquely vulnerable to any United States measures which might affect our trade or investment patterns. This is a fact.

The government has, therefore, been consulting since the DISC legislation was passed with Canadian companies likely to be affected and has, of course, been following developments very closely in Washington. We have given a great deal of consideration to the kind of policies which might become necessary if the DISC scheme became a serious threat to Canadian production and investment. Some people will ask why it takes us so much time to assess the situation. I think the reasons are pretty good. First, United States companies have been relatively slow in registering their intent to set up DISCs. Fewer than 1,500 firms are reported to have elected DISC status, out of some 25,000 U.S. companies now engaged in exporting and 500,000 with some export potential. Registration by March 31 did, however, qualify a corporation for tax deferral privileges retroactive to the beginning of this year and a company can still register a DISC at any time and qualify from the date of registration. What I am saying is that companies can come later and request DISC status, but the number that have already done so is limited in relation to the number of U.S. companies involved in exports.

[Mr. Pepin.]

Secondly, Canadian firms consulted do not yet know precisely how the DISC scheme may affect them. This is partly because the U.S. treasury department has not yet defined the full dimensions of this scheme, and also because many U.S. corporations have not apparently decided how and for what exports, if any, they will use their DISCs. So it is difficult for the government to be informed ahead of events. It is difficult to know what are the intentions of the companies before they have made decisions themselves as to their intentions.

Mr. Stanfield: I did not know the Liberal government was so modest.

Mr. Pepin: Mr. Speaker, I am not establishing a contrast this afternoon between the hon. gentleman and myself—we are both humble and, as was said about Attlee, for such good reasons. I am establishing a contrast between myself and the hon. member for Waterloo (Mr. Saltsman). I for one am quite willing to accept the idea today, yesterday and for the future that I do not have a monopoly on truth.

Some hon. Members: Hear, hear!

Mr. Pepin: I undertook to report particularly on my consultations with the major motor vehicle manufacturers regarding the use of DISC. My report is that of the four producers that were consulted, Ford of Canada confirmed that a division of the U.S. parent has been registered as a DISC and is including shipments to Canada under the provision of the DISC program to enable the parent corporation to take advantage of the income tax deferral provisions. This will enable Ford, U.S.A., to reduce its tax obligations to the United States government. The company says that it does not anticipate that the use of the DISC by this parent corporation will have any short-term effect.

An hon. Member: Short-term, yes.

Mr. Pepin: I said "short-term effect", and this is underlined in red in my text. It is not anticipated that DISC will have any short-term effect on their operations in Canada and, therefore, no immediate shift to U.S. sources, with a consequent lower utilization of company facilities in Canada, is expected. DISC would affect the company's longer term investment plans in Canada. I put it the way it is.

Mr. Speaker: Order, please. I wonder whether this might be a good time to interrupt the minister, if there is ever a good time. I must bring to the attention of hon. members that it is six o'clock.

At six o'clock the House took recess.

AFTER RECESS

The House resumed at 8 p.m.

Mr. Pepin: Your Honour, when I was so sweetly interrupted by Mr. Speaker at six o'clock—as he said, if ever I can be interrupted—I was explaining the reason why the