

*Canada Corporations Act*

cannot also own service stations. Then we would really get some market forces at work.

That is not such a far-out suggestion, Mr. Speaker. There has been three major investigations in the oil industry all of which came to the conclusion that too many service stations were being built, that operators were not able to make a decent enough living, and that the prices as a result of vertical integration were not cheaper but were higher than necessary. There has been an enormous amount of waste through the vertically integrated operation.

The minister pointed out that under the bill, in the case of conglomerates separate reports of their activities will be required and that there will have to be an indication of their profit and loss position. However, there is nothing in the bill to say that for tax purposes they cannot present a consolidated statement and be taxed on the over-all position provided they indicate their method of operation.

To make this measure effective, where you have a chain of supermarkets each store should report separately and be taxed on the basis of its profit and loss position. If this is not done, one store may take tax money that would normally go to the government and subsidize an inefficient operation or drive out a competitor; the profit from one store could be used to absorb the loss of another. This is really a distortion of the market system because there is no test of efficiency. In effect there is a vast subsidization of the corporation in this position, an internal subsidization at its own discretion.

There is much talk about providing money for old age pensioners, increasing the family allowance and even bringing in the guaranteed annual income. There never seems to be enough money to do this, but the tax laws permit this type of subsidization to go on. In the long run it destroys the small entrepreneur. If the small entrepreneur is destroyed because he is inefficient, that is one thing; but if he is destroyed because a competitor who owns a series of chain stores can open up a store close by and run it at a loss because it is subsidized by the other stores, that is another. That is an unhealthy situation and it illustrates to some extent the real problem that exists in vertical integration and conglomerates and chains. Under our present tax system you do not have an effective way of evaluating the efficiency of the structure of various corporations. Mere pious hopes or platitudes will not do; we need a taxation

policy that will force large enterprises into competition.

● (9:30 p.m.)

If you say that competition is good in some areas—and I think it is—then let us have it. Large corporations do not have to compete today except on their own terms; or if they do compete, often they compete with corporations that are organized exactly as they are. That is a very different kind of competition. The minister seems to be quite sincere, and I have no doubt that he is determined to make substantive changes to the corporate structure of this country. He may as well complete his task because he is being blasted in the press. He is not much of a hero to the establishment at this time and has not much to lose. On the other hand, if I keep on talking he may wind up looking like a Conservative. I think he must go beyond words and declarations and give strong assurances that there will be changes in the tax structure of this country.

Many large corporations grow not because they are efficient, although some of them are efficient and have good management and technical know-how, but because they are subsidized by the tax moneys of this country. Some of them grow because they can deduct selling and marketing expenses from income tax liability. Some of them obtain a head start in business and spend money on advertising and the promotion of brand name products, which in themselves are a form of monopoly. If you spend money to impress a brand name on the public consciousness, every 50 cents you spend is 50 cents that might have been paid in taxes. For that reason I say that potential tax money is being used to subsidize the advertising and enlargement of such corporations. Repeated over and over again, the brand name becomes a form of monopoly control. It is true that other people may use brand names, but a brand name is a powerful selling tool.

The abuse does not end there. Most of the brand names we talk about are United States brand names. When we permit a corporation to deduct from taxable income money spent on the advertising of brand names, we are subsidizing that corporation with our tax money. Actually, we are accepting the culture of another country. There is no way around this. If you buy United States products, look at their programs and accept their advertising, it follows that you must share their values. I say nothing about how useful these values may be to the people of the United States; they must consider them worth while