

The Budget—Mr. de Jong

The Auditor General estimates that there is between some \$30 billion and \$50 billion in these tax expenditures. Some of them are personal deductions, child care deductions, charitable donations and so forth. However, a great many of these deductions are those which are aimed to encourage economic growth. They are deductions which are placed there for use by the corporate sector and the wealthy in order to have them reinvest, and to be the "engine of economic growth".

I would like to give Hon. Members some examples of what would fall into this category. In one of Mr. Lalonde's later Budgets, when the Liberals were in power, he wanted to encourage research and development. Thus he implemented a tax credit for scientific research and development. It was estimated at that time that this one provision would cost some \$100 million in terms of lost revenues to the public Treasury. The darned thing has ballooned and the public Treasury has now lost some \$3.5 billion. The Tories claim some credit for this. They say that at least they closed the door on this major scam. They placed a moratorium on it in October of 1984. However, they allowed some loopholes to remain. In this respect they allowed a grandfather clause. In other words, if you and I had an agreement on the back of an envelope, Mr. Speaker, that agreement would be honoured. By October of 1984 some \$1.5 billion of public money had been lost as a result of this scam. The amount is now \$3.5 billion. In other words, since the Tories came to power and since the moratorium was put in place another \$2 billion has been lost through this one major loophole.

Mr. Ravis: Come on!

Mr. de Jong: It is true. The Hon. Member doubts what I say. He says: "Come on!" I invite him to check the figures of Revenue Canada. This moratorium caused the loss of an extra \$2 billion when the Tories came to power.

We must now ask the question: Did we have \$3.5 billion in new research and development in the country? No one in their right mind would claim that we have had an additional \$3.5 billion in new research and development. It was nothing but a tremendous waste of money. Our universities are starving for funds, as is the National Research Council. Yet, they have been cut and cut again. We have blown \$3.5 billion of public moneys for nothing as a result of what is called tax expenditures. Those are loopholes and ways of avoiding the payment of taxes.

I would now like to give some specific examples in this regard. We find that Northern Telecom chalked up \$3.3 billion in sales in 1983 and showed \$325 million in profit. Yet it managed to end the fiscal year without paying any taxes. We see that in 1982 TransCanada Pipelines Limited had \$4.7 billion in assets with pre-tax earnings of some \$182 million. Yet it paid just a 7 per cent effective tax.

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We mentioned the case of Shell Oil, with assets of \$4.7 billion and pre-tax earnings of some \$302 million, not paying a cent of tax. How is that possible? Is that just?

Canadians are demanding a change, tax reform and justice. As a people we are not afraid to tackle the deficit, but surely Canadians have every right to expect that when we tackle the deficit the Royal Bank of Canada and Shell Oil will pay their fair share, rather than it being left on the backs of working Canadians.

How dare the President of the Royal Bank of Canada, Mr. Rowland Frazee, sent all of us a nice letter saying how much he is concerned about the deficit and how we must reduce it to save our country? He sits at the top of a corporation, a financial institution, which can get away without paying a cent in tax on over \$300 million worth of profits. The gall of the man, the very gall of those who sit in high corporate board-rooms and dictate to us sanctimoniously that we should reduce Government spending—in other words, reduce social programs—and tighten our belts.

Of course Mr. Frazee and the leaders of the corporate sector say: "We have tax breaks so that we can create jobs. There is nothing illegal about them. We have them so that private industry can be the engine of economic growth". We have some grave doubts about whether it is an efficient engine of growth. Studies have shown that it takes some \$77,000 in corporate tax cuts to create one job, but that general Government expenditures—in other words, direct government expenditures—create a job at \$13,000. If we are really interested in creating employment, I suggest that it should not be done through corporate tax cuts but through general Government expenditures, direct expenditures and grants. It certainly is a heck of a lot cheaper.

I should like to refer to the fallacy that if the guys at the top do well, eventually they will reinvest in new plant and equipment thus creating more jobs. I have in front of me a study of the top 100 Canadian corporations. It reports their annual profit increases from 1981 to 1984. These corporations saw their profits increase by some 97 per cent or almost 100 per cent, almost double, from 1981 to 1984. I know many workers who would like to have seen their income, salaries or wages double in those few years. Be that as it may, these corporations have been doing quite well. However, have they been reinvesting in new plant and equipment? The figures show that in actual fact the number of people working for them has declined by some 3.1 per cent. Some job-creation strategy!

Defeating the deficit is now our major goal. We hear that from the President of the Royal Bank of Canada. We hear from Government Members that we must bring down the deficit. I do not disagree with them; indeed we should decrease the deficit. The amount of money going to pay interest is scandalous. Of course we have to decrease the deficit, but these folks across the way say that the reason for the deficit is that the country is living beyond its means and that we have to learn how to tighten our belts. Also, they suggest that our social programs are a little too rich and it is time that we cut back. How sad it is to hear this reasoning being enunciated in the House and in newspaper columns from day to day.

Let us look at the statistics on what we spend as a country, as part of the Gross National Product, on social programs—