

*The Budget—Hon. M. Lambert*

the depreciation penalty. In the majority of cities this penalty is going to have practically no impact at all in 1970. After all, building costs went up almost 11 per cent last year. When I say costs, construction wages and salaries went up 11.2 per cent on average last year, from 9.1 per cent the year before.

Since there appears to be no prospect of the situation easing, and with building materials prices also on the rise, how can we expect a developer to defer construction for two years? Because that is what the minister wants him to do. Developers will find that the longer they wait the more their costs will go up. Interest on the additional capital that would be required to meet this higher cost would far exceed the cost to them of deferring depreciation for two years. Developers know what a project is going to cost them now and therefore they are going to go ahead.

In addition, it is mere delusion to say to developers in Calgary and Edmonton, where there is a shortage of good office space, "Defer your projects for two years and we will thereby reduce inflationary pressure". With the increasing scarcity of prime office space, rents on new leases and on renewals must go up in order to reflect market conditions. Therefore, what the minister suggests is a deflationary move, on the one hand, will be more than countered by the inflationary pressure on increased rents. And remember, Mr. Speaker, that these increased rents will be on longer term leases. Therefore I cannot see the wisdom of this move at all.

Let us look at the proportion of construction that is going to be affected. I suggest that in Ontario the proportion will be minute. It is estimated that investments in new commercial buildings, machinery and equipment used in commercial enterprises in Ontario will rise by between \$140 million and \$150 million in 1969, or roughly 24 to 25 per cent. The total outlay in the area in question as affected by the federal budget change is estimated as follows: In 1968 construction was estimated at \$279.7 million and machinery and equipment at \$306.7 million, for a total of \$586.4 million. As for the stated intentions for 1969, construction is estimated to be \$368.2 million and machinery and equipment \$361.4 million, for a total of \$729.6 million. In percentage figures there is a 24.4 per cent increase, a dollar difference of about \$143 million.

In am told that 45 new jobs are the result of \$1 million worth of construction activity in Ontario. So the increase in construction activity to which I have referred will produce

close to 1,400 extra man-years of employment. Machinery and equipment purchases will probably be less job intensive because of the greater reliance on imports in this category of goods. If we assume about 30 jobs per \$1 million of outlay for machinery and equipment, the employment gain for this year amounts to 550 jobs. Combining these two approximate estimates, we get a total employment gain of roughly 1,950 man-years during the year.

The increases in investment in this area of activity are high when compared to the change in expected total investment, including government departments, of 15.5 per cent with a monetary value of \$856 million. If we assume that the maximum area of vulnerability of the Ontario economy to the new budgetary measures is the growth in investment in commercial facilities—that is, the \$143 million and 1,950 jobs—then this should be measured against the anticipated total growth in 1969 investment of \$846 million. The vulnerability on the employment side should be measured against the present low levels of unemployment in the province.

I have a table indicating that the effect of this proposal in Ontario will be minute. In fact, in Ontario, British Columbia and Alberta the amount of commercial construction compared with total construction, including residential and institutional, is so small relatively that this measure is going to have no impact in so far as controlling inflation is concerned. The minister has moved to attack the problem of inflation, but his proposal affects but a small part of construction activity. Therefore I suggest it does not do the job properly.

It should also be noted that an investor has the right to delay taking advantage of depreciation allowances for up to five years, so that the new provisions are not going to affect those companies which would normally have waived the right to claim depreciation within the first two years of operation. Therefore many companies, frankly, could not care less because they will not be claiming depreciation in any event. Why say, then, that you are going to defer depreciation on commercial buildings if that depreciation will not be used? That is an additional reason for my saying that this particular move will not have the results the minister would like it to have.