

The Address—Mr. Hees

ment during the year by way of an employment incentive which will be paid in direct proportion to the increases that are made. It is simply a matter of comparing the total number of man-years of employment by the company in the tax year under consideration with the last full year before the plan is put into operation, which will be the base year. The employment incentive would be paid in proportion to the increase in employment and the general wage level of the plant concerned, and the company would thus be able to calculate well in advance just what amounts of money it would require for various increases in employment. This would enable Canadian businessmen to calculate in advance how much their labour costs would be reduced on additional business which the employment incentive would make it possible for them to go after. All such business obtained in this way would be a net gain for Canadian employment.

• (1412)

As Your Honour knows, persons receive two-thirds of their former pay or salary when they are out of work and receiving unemployment insurance benefits. If one-third of their former pay scale is made available to potential employers who can then bid on previously obtainable contracts, and in this way provide work for those unemployed persons, they would have the satisfaction of working instead of remaining in idleness; they would be removed from the UIC rolls; they would be making a positive contribution to the economy, and they would begin paying income taxes to the government. To pay for this employment incentive we would have available to us a considerable proportion of what the government pays out each year as its contribution to UIC benefits. This year it is estimated that the government's contribution will be at least \$2 billion of the more than \$4 billion which will be paid out as such benefits.

The second matter I should like to deal with is the need to induce greater productivity in our economy so that we can further lower costs, selling prices and become increasingly competitive in the marketplace. To do so, we must offer incentives which will persuade producers that they will be able to pay for the new plant, machinery and production systems they will have to buy in a reasonably short space of time, and in this way make it as easy as possible for them to make the usually high expenditures involved.

The kind of incentive I have in mind would be one whereby all capital expenditures may be written off in two years, and a plant would be rewarded, in the form of a cash bonus at the end of the year in proportion to its increase in productivity during the year, compared to the base year, the last full year before the plant goes into operation.

This form of incentive has been very effective in increasing productivity in such countries as Japan and West Germany, where spectacular results have been achieved since the end of the Second World War. There is no reason why such an incentive would be any less successful in this country.

Some hon. Members: Hear, hear!

[Mr. Hees.]

Mr. Hees: I should like to deal with the steps which should be taken to increase the amount of research and development work which is carried on by industry in this country. One of the reasons we have had to rely so heavily on foreign investment in the past is that investment brought with it technology which was produced by research done in the country where the capital originated. In order to be less reliant on foreign investment, to capture new markets which are looking for new and better designed products, and to lower costs and become more competitive, it is obvious that we must carry out a great deal more research and development in this country.

To bring this about, we should allow industry to write off 200 per cent of the cost of current and capital expenditures on research and development in excess of those made in the base year, the last full year before the program is introduced. In addition to writing off the full cost in one year, it will put a considerable cash reward in the pocket of the company undertaking the research. This kind of program has been successful in significantly increasing the volume of industrial research in countries where it has been introduced, and I am convinced it will prove equally effective in Canada if the government will introduce such a plan.

The fourth incentive which I suggest is one designed to promote greater sales in the export market. Because of this country's great dependence on the United States market—we make 70 per cent of our export sales in that market—and the steady move of that country toward protectionism, the development of additional markets has become particularly necessary if we are to increase our volume of exports or even maintain our present level of export sales.

Making sales in other countries depends to a very large extent upon doing four things successfully: first, going abroad and making personal contact with potential buyers; second, finding out what is required to meet the competition in those markets; third, returning to Canada and producing a product which can compete successfully; fourth, displaying the product effectively before potential customers.

The incentive would allow producers to write off 200 per cent of all expenses connected with making trips abroad, displaying their products at foreign trade fairs, and any other expenses incurred in sales promotion in the export market in excess of those made in the base year, the year before the plan goes into operation. Not only would all such expenses be completely written off in the year when they are made, but a considerable cash bonus would accrue to the company for its additional sales promotion activities. The kind of incentive I have mentioned would greatly encourage the kind of activity which is essential if increased sales are to be made.

Another thing the government should do to help increase the sale of Canadian products abroad is to organize "fly and buy" missions, whereby the important buyers from the principal foreign markets would be brought to Canada once a year to see Canadian products displayed in giant trade shows in Montreal, Toronto, Winnipeg and Vancouver, and our heavy machinery in the factories where it is made across the country. Such operations have produced spectacular results where they