

Hon. Mr. MACLENNAN: There is one section here I do not understand, if you will excuse me. You say in your brief, page 10, "For every dollar that manufacturing makes in net profit, dominion and provincial governments take one dollar in income tax." They would have nothing left.

Mr. SHEILS: We should have said, for every dollar we have left after we pay our taxes. If we make two dollars before taxes we pay one to the government and have one left.

Hon. Mr. MACLENNAN: Well, that is not bad.

Mr. SHEILS: We have to pay our shareholders out of that dollar.

Hon. Mr. CRERAR: Would you express an opinion on our taxation, Mr. Sheils, as to what effect it is having on the expansion of industry? In other words, may I put it this way, that industry requires to make savings out of its earnings in order to improve its plants, keep its plants modernized, and to make for more efficient production. Would you say the existing scale of taxation is detrimental to that?

Mr. SHEILS: Yes, sir. I think that was admitted by no less a person than the Minister of Finance a year or so ago, when he said he did not think taxation could be maintained at its then level without detriment to our economy. The point we as manufacturers consider is something like this, sir. Taking an average of all the industries which we represent, it takes \$8,400 to provide a job for one man, that is, in plant and equipment, and that plant and equipment, as you very truly said, must be kept modernized or else production costs go up and we are priced out of our market. That \$8,400 is an average, I might emphasize. I was talking to the general manager of a taxable industry the other day, walking through the rows and rows of machinery and seeing one or two people in two or three or four rows of this mass of setups, I said, "What is the figure in your industry? My idea of an average is \$8,400." He said, "In our industry it is three times that—the cost to provide a job for one man or one woman." So we feel, when governments are thinking of taxation programs which have to do with an industry that that is a figure they would do well to keep in mind.

Hon. Mr. CRERAR: Have you any suggestion as to how the revenue could be replaced.

Mr. SHEILS: No sir, I am not a tax expert.

Hon. Mr. TURGEON: In the revision of tariffs for industry, would you suggest that that class of industry should be kept particularly in mind? That is, do you think the question of cost for the maintenance of employment should be studied from the standpoint of various new industries, or on industries generally.

Mr. SHEILS: I think that tariffs, sir, need to be applied having particular industries in mind. You could not have a flat tariff across the board.

Hon. Mr. MACLENNAN: No, but I meant in working out what tariffs should be, those industries which have a higher cost for employment should receive special attention?

Mr. SHEILS: It would be compensated by every factor in the turning out of goods for production. Taking the taxable industry, percentage of labour costs per output might not be as high as in an industry which costs only \$5,000 to provide the equipment per man.

Hon. Mr. EULER: You said a minute ago, in reply to a question of Senator Crerar's, that the high taxes in Canada do seriously, in your opinion, handicap industry. I think you said that?

Mr. SHEILS: Yes.