

*The Budget—Mr. Gordon*

There are, however, three points which the minister may wish to consider and possibly enlarge upon at the appropriate time. The first is that most large companies are in a position to raise money for expansion purposes in the capital markets when this seems necessary or desirable. Canadian subsidiaries of foreign concerns normally can look to their foreign parents for capital when they need it, although this may be a little less easy for some of them to do under the United States guide lines policy. Neither of these courses is available to small or medium sized Canadian owned businesses. The inherent disadvantage, under which the moderate sized and small Canadian owned companies operate vis-à-vis their much larger competitors, or vis-à-vis Canadian subsidiaries of foreign concerns might, I suggest, be taken into account and compensated for when the new regulations are being drafted. At the same time consideration might be given to the position of the independent automobile parts manufacturers who must expand their facilities under the United States-Canada automobile agreement, if they are to stay in business.

My third point under this heading is to point out to hon. members that the minister reminded us and the public that the special rates of capital cost allowances, for manufacturing companies with a degree of Canadian ownership, which have been in effect for the last three years are due to expire at the end of this year or April 1967, as the case may be. It might be helpful, I think, if the minister were to state that when the present threat of inflation is over and the old rates of capital cost allowances are restored, the principle of granting a subsidy to assist the financing of new capital expansion—because that is what a rate of capital cost allowance in excess of the so-called engineering life of a piece of equipment essentially is—will be continued for Canadian companies and companies with a degree of Canadian ownership. This would be consistent with government policy expressed yesterday in the guide lines for Canadian subsidiaries announced by the Minister of Trade and Commerce (Mr. Winters). I should like to take this opportunity to congratulate the Minister of Trade and Commerce and the government on yesterday's announcement; I thought it was an excellent announcement as I am sure all hon. members will agree. At the same time I would urge the government to take whatever steps are necessary to see that these guide lines are realized in practice.

[Mr. Gordon.]

Exhortations and guide lines are fine, but they need to be enforced.

To revert back to the budget, in so far as the public sector is concerned the 10 per cent deferment or stretch-out of capital expenditures by the federal government is a logical move in present circumstances. We know however that capital expenditures by provincial and municipal governments at the present time are much higher than those contemplated by the federal authorities. It will be important therefore to urge provincial and municipal governments to adopt a similar policy of deferring or stretching out their capital expenditure programs, except in those regions of the country where there is still an appreciable amount of unemployment.

I believe the minister should be commended for his efforts to restrain inflation. He is in a position to reverse these measures quickly when and if it should appear that the present business up-swing may be coming to a close. On the other hand, if the present measures should prove to be inadequate, I am sure he will not hesitate to bring in additional proposals to supplement those outlined in the present budget.

I am sure all hon. members will be particularly pleased that the minister has found it possible to grant an immediate exemption from sales tax for production tools, jigs, dies, and so on, and to eliminate over a two year period the sales tax on production machinery and equipment. I have said often that I agreed with hon. members opposite that this was not a good tax, and it is one which I am delighted to see the end of.

**Mr. Pugh:** Hear, hear.

**Mr. Gordon:** I had a feeling that if you would keep quiet for a little bit you would have a chance to cheer.

I also wish to congratulate the minister on his decision not to impose the 15 per cent withholding tax on interest payments to non residents on new government bond issues after April 15. This will reduce the cost of borrowing in New York and is to be welcomed for that reason.

I have been watching the clock a bit, and there is not time for me today to comment on all of the other budget proposals, but I shall look forward to further participation later and in more detail when the various budget bills are brought forward. However, at this point, I would like to digress for a few minutes on another slightly different topic.