

Anti-Inflation Act

which have said that, in view of the way things are going, the state of the economy, and the regulations they have to operate under, and in view of the fact that they cannot get any clear decisions from the Anti-Inflation Board, that they cannot understand the regulations, or that they have to hire an expert to interpret the regulations and even then they are not sure that the interpretation is correct, they are going to shelve their expansion programs or cancel them altogether.

Our serious balance of payments problem and our disastrous trade deficit are not going to be solved by the Anti-Inflation Board. These will only be solved by decisions made at the corporate level. You cannot expand any business over the long term with prime rates at the level they are in Canada today. We see our neighbours to the south pulling out of their recession and expanding their business sector. This recovery is being partially fuelled by prime rates that are one half of ours. In New York city today with a triple A rating you can get a rate of 5 per cent. Rates of 5¼ and 5½ per cent are average. Our rates are 10, 10½ or 11 per cent. You cannot expect a businessman to embark upon long-term expansion with rates at that level; therefore pressure is building either to drop or to modify extensively the profit regulations.

I think it is neither proper nor productive for a manufacturer or producer or any businessman to have to plead his case before the administrator. Many will not do it. They will simply hold back projects and expansion until either the anti-inflation program is altered or ended, one or the other. I think the Minister of Finance and those charged with the responsibility of administering this legislation will have to consider this factor very carefully.

Our unemployment level is rising and is now slightly above 7 per cent. One would have thought that once this program had got under way there would have been a real drop in the unemployment rate. The fact of the matter is that the rate is staying at 7 per cent, and the projections of many economists, as well as opinions expressed in letters from various financial institutions, predict that unemployment will stay at the 7 per cent level, that real growth is not going to be that significant.

The dilemma facing the government is that, having removed the surcharge on profits derived from exports as a result of charging a higher export price than in the domestic market, recognizing that the profit squeeze will hold back recovery, and realizing that funds for expansion cannot be borrowed at current bank rates, there is little that the government can do but drastically modify the profit regulations or be prepared to accept slow growth and the continued loss of markets in the future. This is a factor about which I think the minister is concerned. I understand from a recent report that the minister said he would look seriously at the profit side this October. I urge him to look at it long before October, because I think that by that time some very important decisions under consideration right now may have been cancelled.

The political reality is that only then, of course, will the legislation control wages and salaries. This is the accusation of labour and salaried people today. It would be very difficult for the government to keep the legislation in force if it controlled only wages and salaries. Labour leaders have charged that this was the real intent of this legisla-

[Mr. Kempling.]

tion in the first place. If this was in fact the case, the political consequences would be very difficult for any political party to handle. In order to remain at all credible, the government will have either to move to price controls much more rigidly than is the case now, or drop the program entirely. The elements of both these moves can be found in the actions of the Anti-Inflation Board and in Bill C-89, which provides for an earlier expiry date of Bill C-73 than December 31, 1978.

I should like to close my remarks by commenting on a matter referred to by the hon. member for York-Simcoe (Mr. Stevens). We saw a ridiculous act at the standing committee on Tuesday when Liberal members of the committee voted against reducing the estimates of the administrator of the Anti-Inflation Board in spite of the fact the administrator agreed he had \$198,000 more than he really needed. Regardless of the technicalities or the perception that the government would not reduce spending, even when the administrator clearly stated he would not need it, this was a thoughtless and ridiculous act.

● (2140)

When this bill goes to the committee, if we have a repetition of the shenanigans that went on when we had Bill C-73 there, I can assure you we will do all in our power to oppose the passage of this bill. On the other hand, if we go to the committee meetings and the minister and his officials give us the information we ask for, in a proper form, I would suggest we will probably take a different attitude. The actions of the members on the government side at the committee examining Bill C-73 were absolutely deplorable. This was a mockery of the whole committee system.

If that sort of action continues in committee, then what we are going to see when bills are before the committees is that they will not be debated to any extent and everyone will withhold amendments and propose them at the report stage proceedings, so that the proceedings in the House will drag on and the whole process will slow down. I hope, when we consider this bill, we can reverse that process. Give us the hard information we ask for, in a realistic form, and we will do what we can to push these bills through.

Mr. Dan McKenzie (Winnipeg South Centre): Mr. Speaker, when I spoke on the anti-inflation legislation, Bill C-73, last fall I expressed serious reservations about the hastily prepared piece of legislation. It was obvious that it was prepared in haste because the Prime Minister (Mr. Trudeau) did an about face and imposed controls when he realized that, once again, the government was failing to deal effectively with inflation. The Prime Minister, on the eve of two federal by-elections, suddenly decided that a new gimmick was needed to save face, and out of this was born the Anti-Inflation Board.

The Progressive Conservative party has been consistently showing leadership in drawing attention to the need to control inflation, even with controls. But in the government's case it was not so much a desire to bring about effective controls as it was to save face.

Those of us on this side of the House pointed out the flaws last fall, and Bill C-89 could have been avoided if the