Mr. Deputy Speaker: Has the hon. member unanimous consent to withdraw the bill?

Some hon. Members: Agreed.

Order discharged and bill withdrawn.

Mr. Deputy Speaker: The hour appointed for the consideration of private members' business having expired, and it being six o'clock, I do now leave the chair.

At six o'clock the house took recess.

AFTER RECESS

The house resumed at 8 p.m.

THE BUDGET

ANNUAL FINANCIAL STATEMENT OF THE MINISTER OF FINANCE

Hon. Walter L. Gordon (Minister of Finance) moved:

That Mr. Speaker do now leave the chair for the house to go into committee of ways and means.

He said: Mr. Speaker, somebody was kind enough this afternoon to give me my horoscope for today, which reads: "Don't worry over money matters". I do not think that is an appropriate horoscope for tonight, because in delivering tonight the first budget of this new government I am aware that it is my duty to present the facts as we found them on taking office. It is also my duty to ask hon. members and the Canadian public to face up to these facts and, having done this, it is my further duty to indicate the kind of measures which are needed to put our national affairs in order once again.

This then will be a "face the facts" budget. If we face the facts, and if we conduct ourselves accordingly, we in Canada can look forward to an exciting and prosperous future. If we are afraid to face reality, if we are afraid to take the actions and the decisions that are called for, then the consequences cannot be long delayed.

I shall begin my remarks this evening with a few words about the importance of the annual budget presentation and then go on to discuss the condition of our national economy.

We on this side of the house take the budget very seriously. We look upon it as an annual occasion of great national importance. It is an occasion when the government is expected to give to parliament and to the people a clear appraisal of the nation's financial and economic condition. It is an occasion when the government must outline the short and long term economic and financial policies it proposes to pursue to overcome the problems and to convert the prospects into realities. Above all, it is an occasion initiating a grand scrutiny by parliament of the financial affairs of the nation. It is an occasion which should not and must not be avoided or delayed.

It is now almost exactly two years since there was a budget debate in this house. I remind hon. members that in the fiscal year which ended last March 31, the estimates for only six departments were called in this chamber, and even they were not approved. We have been financing for far too long a period on interim supply and Governor General's warrants. In a period of 14 months over $5 billion has been spent by the government of Canada with no parliamentary authorization other than warrants and interim supply votes.

In the last parliament, no one was more critical of this state of affairs than we who are now on this side of the house. We protested vigorously in that parliament, and when it was dissolved we took the question to the people. The results indicated their conviction that an accounting before parliament for the nation's financial and economic affairs was due, and indeed long overdue. It is that accounting which will be presented tonight.

The year 1962 was a remarkable one in Canada's economic history. It was marked by an exchange crisis which followed upon five years of economic stagnation. It was also marked by the adoption of a fixed rate of exchange for the Canadian dollar, an action which was taken three weeks after the government of the day had indicated that it was not its policy to do so.

Despite the exchange crisis, and perhaps partly as a result of the devaluation which had been resisted for so long, the year 1962 was for Canada an improvement over 1961. This was evident in the industrial part of our economy, while in agriculture, too, incomes were up and acreage under cultivation increased. Details are to be found in the budget papers tabled last Tuesday.

It is encouraging to record that the prospects for the current year are also favourable both in agriculture and in industry.

An hon. Member: What about prices?

Mr. Gordon: I will come to that. But the improvement we are now experiencing leaves no room for complacency. Our rate of growth over the past six years as a whole has been quite inadequate. We have had a falling rate of new investment. We have had chronic deficits in our international balance of payments. And most important, we have had chronic unemployment.

All of these problems are interrelated; if we can cure one, we shall relieve the others. For example, our international balance of payments deficit on current account has averaged almost $1.2 billion annually in the past six years. This has meant that we have been importing goods and services which we should have produced at home, and that we have failed to find export markets for goods which we should have sold abroad. If this situation had been corrected, the increased production in Canada might well have meant not less than 150,000 more jobs and our unemployment problem would have been reduced accordingly.

The added investment needed to provide this increased production and employment, and the increased production and employment itself, would all have produced higher government revenues. This would have been reflected in reduced budgetary deficits.

I could go on to describe our difficulties and what we propose to do about them strictly in terms of economics. But perhaps hon. members will forgive me if I speak in more human terms tonight, and about the human tragedies that inevitably result when economic conditions are unsatisfactory and our national affairs mismanaged.

The grim experiences of continuing unemployment are to be found in nearly every part of Canada, in nearly every constituency. Most members of this house know of men and women and of whole families whose lives have been warped and whose futures impaired by long periods when they were looking for non-existent jobs.

My own riding of Toronto-Davenport is a high unemployment area. Many of the people who live there came to Canada quite recently, and they are not fully familiar with either the language or the customs of their new community. They face frustrating disadvantages in their battle for a decent life. Similar conditions I suggest prevail in most other constituencies across the country.

The prevalence of unemployment is a wrong that must be righted. Any Canadian, young or old, who wants a job must be able to find one. Any Canadian must be able by his work and his savings to make his own direct contribution to the well-being of his family, his community and his country. This is a basic tenet of Liberal philosophy. It is an aim which we are dedicated to achieve.

It is the view of this government that unemployment is the most serious domestic problem facing Canada today. I shall review briefly the steps which we are taking to combat it.

A measure has been placed before the house providing for the creation of a department of industry. This new department will contribute to the long term solution of our national economic problems by actively promoting more employment opportunities in our manufacturing industries. Its aim will be to see that we produce more manufactured goods for export and for our own domestic needs, and that we process more of our natural resources in this country.

The minister-designate of the proposed department has already held preliminary discussions with officers of the automobile industry, both the car assemblers and the parts manufacturers. These discussions have been designed to ensure that we produce in Canada a larger volume of automobile parts and components for incorporation in Canadian cars or for export. The value of our net imports of automobile parts and components this year will probably exceed $400 million. The objective in the years ahead is to reduce very greatly these net imports. The government is counting on the full co-operation of the industry in realizing this objective.

These discussions with the automobile industry will be followed by discussions with the officers of other Canadian industries designed to achieve similar results. In the search for new employment and increased economic strength we shall not be satisfied with half measures. Wherever major changes in our industrial structure are found to be necessary, we shall energetically promote them.

It is important that the new employment we are seeking to achieve in the Canadian economy, and the new investment required to produce it, be directed wherever practicable to areas of slower growth and surplus manpower. To this end the special area development agency within the department of industry will seek to encourage new investment in areas where it will do the most good.

The Atlantic provinces are an area of slower growth which for many years has not shared adequately in our economic progress. The house will be asked to strengthen the Atlantic development board through the provision of a substantial capital fund. This fund will enable the board to promote capital investment on its own initiative.

The full effect on the economy of the important measures I have been discussing will not be felt for a few years. Loans made by the proposed municipal development and loan board are intended to have a more intermediate effect. Their impact should begin to make an impression within six months to a year from the time when parliament approves the legislation contemplated. These loans should result in a marked increase in social investment and in the employment it involves.

As a further means of combating unemployment, I shall propose later this evening a number of measures to promote new capital investment by providing special financial incentives in the private sector of the economy.

In addition to these long term and intermediate term measures, I should refer to the various proposals the government is making for providing more jobs this coming winter.

We have advanced a proposal to increase the percentage of winter works assistance in designated areas. This measure is also designed to reduce unemployment by promoting investment in social capital, and to do it in areas where and at times when unemployment is most severe.

Earlier this week my colleague the Minister of Labour announced that he would propose a program designed to reduce winter unemployment by encouraging house construction in the months when activity in the construction industry reaches its seasonal low. This program will apply to rural as well as to urban housing.

The minister also announced that he would propose the expansion of the existing program for retraining the unemployed in cooperation with the provinces. And he announced that a new program would be proposed to encourage basic training, increased apprenticeship training, and the retraining of those presently employed but whose jobs are threatened by industrial change.

There is one aspect of the unemployment problem that is of particular concern to the government. That is the persistent difficulties encountered by older workers in securing steady employment after they have been out of work for some time. An improvement in general employment levels and the correction of regional unemployment problems do not seem to be enough to overcome these difficulties. Something more is needed to look after the problem of this hard core of our unemployed.

The house will therefore be asked to provide by way of supplementary estimate for the payment of a special allowance to all employers, other than governments or municipalities, who increase the number of their employees this winter in a specified manner over a base level. The allowance will be paid on employment of workers aged 45 or older who have been out of work for six of the previous nine months and who are not in current receipt of unemployment insurance benefits or pensions. The allowance will be conditional on the employer providing the worker with a significant amount of approved training. It will be paid at the rate of 50 per cent of wages or $75 a month, whichever is less, for each month of employment and will continue for up to 12 months. It is proposed that this program apply to workers hired between November 1 this year and January 31 next year.

Hon. members are only too well aware of the costs to this country of allowing people to remain unemployed, particularly for extended periods. These costs include substantial welfare payments. They also include far more important costs in terms of production forgone in our economy and in terms of misery and frustration for the individual concerned.

The proposal I have just advanced to deal with prolonged hard core unemployment is a novel one, and it is not without difficulties and risks. It will require careful administration, and adequate safeguards against its abuse will be provided. It is directed specifically to assist that group of men and women in our society most in need of a chance to earn a living for themselves and their families. These people deserve their chance.

While our major domestic problem in Canada today is unemployment, we must not overlook the problems which accompany it. The most serious of these is the continuing deficit in our current balance of international payments. The budgetary deficits of the federal government are also a matter of concern.

In dealing with our balance of payments, let me summarize first our current international transactions for the past ten years.

During that period our imports of goods, including both capital goods and consumer goods, were $2 billion more than our exports of goods in the period. In the case of travel we spent $1.4 billion more abroad than visitors spent here. Steeply rising capital imports in the form of foreign direct and indirect investment led to interest and dividend payments abroad that were $4.2 billion greater than our receipts of this type. Other transactions further increased our deficit by $2.5 billion.

The result in the aggregate was that our sales of goods and services abroad and our foreign investment income were $10 billion less than our purchases and payments.

The implications of this deficit have been a matter of grave concern in Canada. They have been extensively discussed in the press, by economists, by businessmen and by the general public. There is a clearly recognized danger that if deficits continue at this rate, they will lead to a growing measure of control of our economy passing abroad. There is a danger that in allowing these deficits to continue we are sacrificing our birthright, the birthright which our forefathers laboured so hard to hand on to us.

An analysis of the problem shows clearly that if we are to overcome it we must centre

[Mr. Gordon.]

our attention on our merchandise trade. Historically we have had a continuous and substantial deficit balance in our trade with the United States, both in merchandise and in invisible items. This has been to a greater or less extent offset by a surplus in our trade with the rest of the world. In the past two years we have had small over-all trade surpluses.

Some hon. Members: Hear, hear.

Mr. Gordon: I am not quite clear why hon. gentlemen opposite are so pleased about this; we should have had far greater trade surpluses.

Some hon. Members: Hear, hear.

Mr. Gordon: Over-all trade surpluses must not only continue; they must be increased substantially by increasing exports and efficiently replacing imports. Such an increase will not only help to solve our balance of payments problem but will also help to solve the unemployment problem that goes with it.

We must now consider the growing series of budgetary deficits of the federal government. In nine of the 11 immediate post-war years there were annual budget surpluses, and the net debt of the federal government was reduced by $2.4 billion. In more recent years, however, under conditions of slowed economic growth and high unemployment, our revenues have been insufficient to meet expenditures. In the past six years there have been large deficits and our net debt has increased by $2.9 billion, almost $3 billion.

I do not propose, Mr. Speaker, to enter into a detailed discussion of the pros and cons of deficit financing. Government deficits can be justified in periods of depression or recession when the resources of the nation are underemployed, provided the expenditures and revenues are so designed as to stimulate the economy and provide more jobs. Unfortunately the budgetary deficits of recent years were not planned in this way. Because of this, and because it seemed as if the government of that day was unable to cope with our financial and economic problems, confidence in the Canadian economy was damaged both at home and abroad.

There has been a resurgence of confidence since the election.

Some hon. Members: Hear, hear.

Some hon. Members: Oh, oh.

Mr. Grafftey: He said it with a straight face too.

Mr. Gordon: But if this is to be justified and maintained it is important that we begin to put our national house in order: that we begin to move toward balancing our federal budget under conditions of high employment. We must take the first step in this direction now.

I have discussed in frank terms, Mr. Speaker, our unemployment problem, the problem of the deficits in our balance of international payments, and the problem of our federal budgetary deficits.

In seeking solutions to these problems our salvation does not lie in isolationism; it does not lie in withdrawing unto ourselves and ignoring the currents of progress and change around us. Let us remember that we are a great trading nation dependant on our relationships with our friends throughout the world. We must not at the first storm signals of economic danger simply throw up a ramshackle tariff against imported goods and imported ideas and imported obligations and seek to bury our heads in the sand. That way lies stagnation.

The way of the future, the way of prosperity, the way of national pride, involves the fullest participation in the world around us in an economic sense as in every other sense. It involves expanding our trade in conjunction with our friends. It does not involve isolating ourselves from the trend toward international co-operation and freer interchange of goods and services. Rather it involves participating to the fullest in these new movements and moulding them to our best advantage.

These are the views, the broad economic philosophy if you will, of this Liberal government. It is our purpose to see these views are translated into action.

I shall have something to say in a few minutes about efficiency and economy in government.

An hon. Member: We have not had any yet.

Mr. Gordon: Be patient. But the need for increasing efficiency and productivity is equally great in the private sector. To increase our employment and decrease our dependence on foreign capital we must compete successfully for markets, both at home and abroad. If markets are to be retained and captured, both business and government and labour must know where we are heading, not merely from month to month or from year to year, but over the years ahead. For this reason the proposed economic council of Canada will be of benefit not only to Canadian governments but also to Canadian labour and to Canadian business.

Following the review of our major problems which I have just concluded, I should like to state briefly what the policy of the government will be in a number of important fields. I shall begin with a word regarding monetary policy.

This government favours the kind of credit conditions which will encourage economic expansion. In saying this I am aware, of course, that our balance of payments situation must at all times be kept in mind. The governor of the Bank of Canada has made it clear in his public statements that he shares these views. Close and continuous consultation has been going on between the governor and myself since I became Minister of Finance. I am looking forward to a continuance of this consultation in the future.

I wish to say a further word about the relationship between the government and the Bank of Canada. In the last analysis it is the government that must take responsibility for monetary policy, as for all aspects on economic policy. There can be no misunderstanding on this score. At the same time the government recognizes that this does not relieve the bank of its own responsibilities in these matters.

I am in substantial accord with the views expressed on this subject by the present governor of the bank shortly after his appointment to that post. The royal commission on banking and finance will no doubt be considering whether the Bank of Canada Act should be amended to clarify these matters. The government will give careful consideration to any recommendations it may make. But for my part, I do not think any statutory arrangement will work satisfactorily unless there is close and continuous consultation between the government and the bank. I have already made it clear that such conditions exist at the present time.

Just over a year ago the government of the day decided on a fixed exchange rate for the Canadian dollar. I shall not discuss the causes of the exchange crisis which led to this decision, or rather I should say I shall not discuss them tonight. I do want to make it clear, however, that this government intends to maintain the fixed exchange rate at its present level.

I should now like to say a few words about federal-provincial fiscal relations. This is not a subject to be treated in detail at this time, since the Prime Minister has indicated the government's intention to propose a conference with the provinces in order that there may be a full review of it.

The summary of our financial position which I shall give shortly will make clear that the federal government is no less pressed for sources of revenue than are the provincial governments. This government assumes no rigid position on the sharing of joint tax fields. It is clear from the record of the past that readjustments of revenues and responsibilities are possible. But naturally no federal government can ignore the problems of federal finance in seeking to lighten the burdens upon provincial treasuries.

There is a further consideration that has a bearing on this subject. The federal government has a special responsibility in the matter of ensuring adequate production and employment throughout our country. Fiscal policy is an important means of achieving this objective. Most people will agree, I am sure, that if the federal government were to give up a major part of its present revenue sources, even in exchange for compensating expenditure adjustments, its ability to exert an influence through fiscal policy over the level of economic activity in Canada would be weakened.

However, despite the inherent difficulties in federal-provincial fiscal relations I believe the present arrangements can be improved upon, but always within the letter and spirit of our constitution. We shall endeavour to bring about such improvement.

I should now like to discuss the question of non-resident ownership and control of Canadian industry. The latest figures prepared by the dominion bureau of statistics show that in 1959, 57 per cent of our manufacturing industry, 75 per cent of our petroleum and natural gas industry and 61 per cent of other mining and smelting in this country were controlled by non-residents. Anyone familiar with the financial pages of our newspapers can hardly be unaware of the extent to which these figures have undoubtedly increased since that date, that is, since 1959. The Canadian Oil, Atlas Steel, Royalite and Bailey Selburn takeovers in the last 12 months alone will have had a significant effect.

Canada derives material advantages from the associations of our industry abroad. Foreign direct investment in Canada has enabled us to achieve a relatively high standard of living much more quickly than we could otherwise have done. We must never forget this. But we must recognize that the extent of non-resident ownership and control which it has produced in Canada goes far beyond anything found in other countries is a comparable stage of industrial maturity.

In view of this situation we are entitled to take pride in the harmonious relations which have been maintained with the holders of foreign capital in Canada. These relations are based on fair treatment of those who have invested their capital here in good faith. These people must, and they will, continue to be treated fairly.

We shall continue to need substantial net inflows of foreign capital for quite a few years to come if we are to avoid further exchange rate difficulties and if a reasonable increase in our standard of living is to be achieved. This is a fact of life in Canada. It would be the height of folly to ignore it. Having said that, I should add that nevertheless there has been considerable public discussion of, and public concern about, the increasing extent of foreign control of Canadian industry. Writing about Canadian-American relations in the Washington *Post* of May 16 this year, Walter Lippmann had this to say:

> I have an impression from talking to certain Americans with interests in Canada that they are beginning to realize how undesirable and potentially dangerous is the excessive United States control of Canadian industry. I hope nobody will fly off the handle at that remark. But the fact that more than half the capital of Canadian industry is controlled in the United States is a perpetual irritant.
> The solution of the problem is not one for legislation or treaty but for voluntary action by the United States interests in co-operation with their Canadian associates. Canada is the kind of country in which this kind of problem can be handled unexcitedly in a spirit of mutually enlightened self-interest.

In these circumstances it may be useful for me to outline the views of this government as to how harmonious relations with foreign investors here can best be preserved.

We believe that industry in Canada, wherever it is controlled, should operate with due regard to the over-all interest of Canadians and the Canadian economy. This means that Canadian raw materials should be processed to the greatest possible extent in Canada, in order to provide employment to Canadians and contribute to prosperity in this country. It means that export markets should be sought actively wherever they may be found, and should not be limited out of regard for the interests of parent or associated companies abroad. It means that industry here should make a conscious effort to purchase its raw materials, components and supplies from Canadian sources whenever these sources are competitive.

It means that industry should employ Canadian service firms wherever possible. I am thinking of Canadian engineers, architects and other professional people, Canadian insurance and advertising firms, and Canadian consultants of all types.

It means that industry should exert itself to expand in Canada all the industrial functions which can efficiently be carried on here; and I am thinking particularly of increased basic industrial research and design. It means that industry should seek to provide the fullest opportunity for Canadian employees at all levels, including managerial, scientific and technical personnel.

Above all, I am convinced that a growing partnership between Canadians and investors abroad is the best way of strengthening the harmonious relations with foreign capital which it is our object to preserve. Foreign investors can further the growth of this partnership by selling minority interests in their enterprises to Canadians; and by electing a number of independent Canadian directors to represent these interests.

I suggest that a 25 per cent equity interest is in most cases appropriate to ensure that a Canadian point of view is always available when company policy decisions are arrived at. A smaller percentage would probably not be sufficient for this purpose. A larger percentage would be neither necessary nor in many cases practicable. In fact even a 25 per cent interest in most new or existing enterprises is not something that could be realized overnight. It is an objective to be worked toward over a period of years, although I hope this period can be a relatively short one.

And now we come to the heart of the budget, which I suspect some hon. gentlemen may not like quite so well. The heart of the budget is the condition of our expenditures and revenues. We shall first review the balance for the year just closed. Then we shall look at the outlook for the current year, with some regard to the following year, on the basis of the present tax structure and tax rates.

First, then, there is the balance for the fiscal year that ended last March 31. I shall only indicate the main items; detailed figures, still preliminary and subject to change, are to be found in the budget papers.

My predecessor, in his revised budget appraisal delivered last October, forecast a deficit of $570 million. This forecast was optimistic. Revenues turned out to be $54 million lower than estimated, and expenditures $85 million higher. It now appears that the actual deficit for last year was $709 million, which together with the deficit of $43 million in the old age security fund makes a grand total of $752 million.

I should point out that this large deficit was incurred after taking credit for some $75 million of non-recurring revenue from tariff surcharges, the legality of which has been challenged. I shall have more to say about this later.

There are a number of other items that should be mentioned in any recapitulation of the financial situation inherited by the new government. These include the condition of the old age security fund and the unemployment insurance fund, the railway subsidies, and the deficiencies in the superannuation accounts.

The old age security fund, which was solvent on April 1, 1962, incurred a deficit of $43 million during the last fiscal year and was forced to borrow from the consolidated revenue fund. On the basis of the present outlook and tax structure the old age security fund would incur a further deficit of $25 million this year, and would have to borrow this additional amount.

The unemployment insurance fund contained over $900 million in 1956. When this government took office last April the fund was bankrupt and in debt to the consolidated revenue fund.

To avert a freight rate increase or a railway strike resulting from a 1958 wage award, the previous government began the payment of special railway subsidies. The initial series of payments has continued since, and we have been forced to provide $20 million for this purpose in the present fiscal year.

In light of the continuing confusion in railway matters, the previous government appointed a royal commission on transportation in 1959. The reports of the commission were tabled in this house in April 1961 and January 1962, but no action was taken. Instead, a further $50 million annually has since been provided as an "interim" measure to forestall a new change in freight rates.

The failure of the previous government to deal effectively with the railway question thus means that we are faced with special railway subsidies this year aggregating $70 million.

The previous government throughout its six years in office failed to provide for any amortization of the mounting actuarial deficiency in the superannuation accounts. As of March 31, 1957 the unamortized deficiency in these accounts had been reduced to $139 million. In his 1957 budget speech the then minister of finance, Mr. Harris, undertook to reduce the deficiency still further, to $89 million. His successor refused to do this or to take any subsequent amortization action. Consequently, and as a result of pay increases in the interim, the deficiency in the superannuation accounts has now mounted to $880 million.

Other matters could also be mentioned. There is the shipbuilding subsidy, which was reduced, effective last April 1, in such a way as to lead to a sudden irrational surge of expenditure and activity in that industry which is unlikely to be sustained. This surge of activity places a substantial burden on this year's budget without producing any continuing benefit. And then there is the Dawson city festival fiasco mentioned by my colleague the minister of northern affairs the other day. The previous government made no provision to meet its guarantees to the Dawson city festival foundation. The baby was left on the doorstep of the new administration.

The problems posed by the condition of the old age fund and the unemployment insurance fund, by the railway subsidies and the deficiencies in the superannuation accounts, can no longer be neglected. This government intends to deal with these matters and with any other skeletons that may still remain to be uncovered in our national financial closet. Nothing will be gained by delay or by trying to sweep these problems under some convenient rug. They must be faced up to and disposed of.

An hon. Member: Another book.

Mr. Gordon: No, not another book. Unfortunately it is the Canadian taxpayer who will have to bear the cost of six years of mismanagement of our affairs.

I should now like to discuss the revenue and expenditure estimates for the current fiscal year. We have built our present estimates of revenues on the assumption that our gross national product will be about 5 per cent greater in 1963 than it was in the previous year. For this purpose we have assumed a normal crop, a relatively stable price level from now on, and no external trouble. About one third of this 5 per cent represents price increases which have already taken place mainly as a result of last year's exchange devaluation and import surcharges. On this basis, and if there were no change in the tax structure, our revenues would amount to about $6,880 million including $730 million into the old age security fund. I should like, with consent, to insert a table in *Hansard* at this point showing our estimated revenues before tax changes and comparing them with revenues in 1962-63.

As there are one or two other tables to be presented, perhaps the house would give consent for leave to table them at the same time.

Mr. Speaker: Does the house give consent?

Some hon. Members: Agreed.

Budgetary and Old Age Security Fund Revenues
(millions)

	1962-63 October Forecast	1962-63 Prelim-inary	1963-64 Forecast before tax changes
Personal income tax	$1,750	$1,745	$1,875(1)
Corporation income tax	1,180	1,183	1,300
Non-resident withholding tax	125	129	135
Estate tax	90	87	85
Customs duties	680	645	585(2)
Sales tax	825	806	840
Other duties and taxes	640	642	675
Total taxes	5,290	5,237	5,495

Non-tax revenues	640	639	655
Budgetary revenues	5,930	5,876	6,150
Old age security fund revenues	670	691	730
Total revenues	$6,600	$6,567	$6,880

Footnotes:

(1) After abatements already enacted for provincial personal income tax collections of about $45 million in excess of the previous year.

(2) The lower forecast of customs revenues is due to the cessation of the import surcharges which were imposed in June 1962.

Mr. Gordon: It is more difficult to estimate the budgetary expenditures for this year than to estimate the revenues.

The main and supplementary estimates for 1963-64 tabled on May 29, plus the estimated disbursements of the old age security fund, total $7,300 million.

I indicated when I tabled these estimates that we have been forced to bring forward for this budget the expenditure estimates prepared by the previous government. We are not satisfied that these estimates reflect the most efficient and economical way in which our national affairs can be run. A thorough reappraisal of government expenditures has been initiated, in the course of which all existing spending programs will be reviewed, and some will be reduced or eliminated. While the initial results of this reappraisal will be apparent in the next budget, its full effect will take some time to make itself felt.

The government is also pressing forward with a review of the recommendations made by the Glassco commission. Those recommendations that may be expected to result in greater efficiency in the public service or in useful reductions in expenditure will be implemented as quickly as possible.

As in other years, there will be some further supplementary estimates before the end of the fiscal year. They will include among others the new programs this government will be introducing, programs that will add $70 million to government requirements this year and will add considerably more next year when they are in full operation. The cost of several of these programs should fall again a year or two later when they have run their course.

Hon. members will appreciate that there are too many imponderables involved for me to make an exact estimate of what the total expenditure for this year may amount to. Subject to these cautionary remarks and qualifications I am prepared to set the total figure at about $7,600 million, including $755 million for the old age security fund.

On the basis of the revenue estimates mentioned a few minutes ago this means, if there were no major tax changes, a deficit this year of some $720 million. The deficit next year might be even greater.

It would be irresponsible for us not to face up to this situation. As I said earlier, Canada is beginning to recover from the loss of confidence resulting from the financial and economic mismanagement of the previous administration.

Some hon. Members: Hear, hear.

Mr. Diefenbaker: Tell a big lie often enough.

Mr. Lambert: You are smiling now.

Mr. Gordon: No, I do not smile when I say that. I mean every word of it. And a restoration of confidence in ourselves and in our country, a restoration of confidence both at home and abroad, is a necessary prerequisite to business expansion and the creation of more jobs.

I would like to say to the hon. member opposite that confidence is not something one can count on or measure in any concrete way. It is a state of mind. It is psychological in character. And its recovery might well be shattered if we failed to take clear and positive steps toward some reduction in present budgetary deficits.

Hon. members will appreciate from the outline I have given of the problems that confront us and of the state of our finances that our opportunities for manoeuvre are severely limited. This means, Mr. Speaker, that we have no alternative but to look to our tax structure not only with a view to providing incentives for increased employment and industrial growth, but also in a search for additional sources of revenue.

An examination of the tax structure shows clearly that taxes are already very high, but that the revenue they produce continues to fall short of necessary expenditures. It shows also that, as all of us know, our tax system is outdated, is too complex and has a disturbing number of loopholes.

A thorough review of it, which I am sure will be most valuable, is being made by the royal commission on taxation. The commission had not planned to submit its report to the government until some time in 1965. I have discussed this with the chairman, and in view of the pressing nature of the problem he has promised to revise the commission's schedule and to submit its report by the end of 1964. However, we cannot wait even that long before beginning to make changes in our tax system. I shall propose some of those changes tonight, and I hope to propose a good many others when the next budget is presented.

May I now proceed to summarize certain proposals which I shall put before the house tonight.

In order to encourage employment by reviving private capital expenditures, which have lagged so conspicuously for the past six years, I shall propose important new tax concessions. Effective on the date of enactment new manufacturing and processing enterprises located in designated areas of slower growth will be given an exemption from income taxes for three years from their inception. I shall also propose that such enterprises be entitled to write off new machinery and equipment which would otherwise fall in class 8 in as little as two years thereafter. And I shall propose that any taxpayer be entitled also to write off the cost of new buildings located in designated areas of slower growth at the rate of 20 per cent per annum straight line, or in as little as five years. If these proposals do not stimulate very marked activity in the Atlantic provinces and in other areas of slowed economic progress I do not know what will. These are major incentives to new industry locating in those areas.

I am also proposing that, effective tonight, manufacturing and processing enterprises anywhere in Canada be allowed to deduct depreciation for tax purposes on new assets which would otherwise fall within class 8 at the rate of 50 per cent per annum on a straight line basis. To encourage Canadian participation, this privilege will be restricted to Canadian residents and to companies having a minimum of 25 per cent beneficial Canadian ownership. It means in effect, Mr. Speaker, that manufacturing and processing enterprises anywhere in Canada having a fair minimum Canadian participation will be able to write off new machinery and equipment for tax purposes in as little as two years.

It is intended that the measures I have mentioned so far should provide an immediate impetus to increased activity. Accordingly, new assets must be purchased and new businesses must be certified to have come into existence in the period of 24 months following the initial date of these measures if they are to qualify.

The incentives I have just described will supersede and replace three other tax incentives which have been adopted in the past two and a half years. They are contained in section 40A of the Income Tax Act pertaining to increased sales, about which there was quite a debate in the house last fall, and in income tax regulations 1108 and 1109 concerning new products and re-equipment and modernization programs.

I shall propose that section 40A be repealed in so far as it applies to 1964 and subsequent taxation years. And the measures contained in the two regulations I have quoted, both of which expire by their terms within the next 12 months, will not be renewed.

I should now like to refer to further tax proposals of two types. One is designed to plug loopholes or otherwise improve the existing structure of taxes; the other is designed to eliminate certain anomalies.

First there are the measures designed to fill in gaps, plug loopholes and prevent avoidance of the intent of our tax law. There is a double purpose here. One is to increase our revenues and the other is to reduce the justifiable sense of inequity and frustration of those taxpayers who are unable or unwilling to engage in prolonged and often expensive efforts at tax avoidance.

We are particularly concerned about the way in which certain taxpayers seem to be able to eat, drink and entertain on a lavish scale on the basis of what is called a business expense but which is actually financed in large part at the expense of the public revenue. The government is directing the Department of National Revenue to tighten up its administration of the law and to pursue a policy of vigorous enforcement. We intend to give continuing support to this objective. I am sure that hon. members will agree that any excesses of expense account living are unfair to those who do not indulge in such practices. They should be stopped.

I shall propose one specific change in the Income Tax Act relative to a general tightening up of its administration in regard to business expenses. Hitherto a few taxpayers have been able to buy expensive cars and then recoup a large part of the cost out of the public revenue. I shall propose a measure to disallow in full capital cost allowances in respect of a passenger automobile acquired after tonight at a cost in excess of $5,000. I expect that this measure will produce some increased demand for less expensive cars, most of which are made in Canada and whose manufacture provides jobs for Canadian workmen.

Another type of tax avoidance about which the government is particularly concerned is the proliferation of methods of moving undistributed income from a corporation into the hands of its shareholders without the payment of tax. This abuse, and it is an expensive abuse to the public treasury, has become increasingly prevalent in recent years. It is time something was done about it.

I shall therefore propose that, effective tonight, the Income Tax Act be amended to give the Minister of National Revenue power to look through so-called dividend stripping transactions and to deem shareholders to have received dividends in these cases.

To eliminate another method of tax avoidance I shall also propose that effective tonight section 18 of the Income Tax Act be repealed. This section, dealing with lease option arrangements, has given rise to repeated abuses by allowing rental agreements to be cast in a grossly distorted form in order to avoid tax. Action in connection with this section has been urged by the joint committee of the Canadian Bar Association and the Canadian Institute of Chartered Accountants.

As a further measure to close loopholes, I shall propose an amendment to stop the device whereby a company that has experienced losses is purchased for the purpose of applying those losses against income from another business.

I shall also propose that the practice concerning certain annuity contracts which are converted into cash, or have settlement options other than an annuity for life, be changed and that all the interest earned on the funds invested in such contracts made after tonight shall be subject to tax.

I want to make it clear that this will not be retroactive.

Turning to the elimination of anomalies and anachronisms, the government is putting forward a number of proposals.

The excise duty on exports of electrical energy should have disappeared long ago. We propose that it be abolished at the end of this month.

The base of the sales tax on gasoline is to be altered. Wholesalers have almost entirely disappeared from this field; therefore the wholesale discount of some 25 per cent which has existed for tax purposes for many years is no longer appropriate. Its elimination will bring increased revenues of perhaps $25 million in a full year, of which $7 million will accrue to the old age security fund and the balance to general revenue.

It is also proposed that a change be made in the taxation of rebuilt or remanufactured goods. Recently there has been a considerable increase in the production of goods using old parts or materials, with or without new components. These goods compete with similar goods manufactured from new materials, and they should be equally subject to sales tax. On behalf of my colleague the Minister of National Revenue I am therefore giving notice that his department proposes to examine carefully the operations of persons engaged in such work, and, where necessary, it will license them as manufacturers under the Excise Tax Act.

I am also proposing that companies whose business is the transmission of oil or gas through pipe lines be allowed to deduct from their income the expenses they incur in exploring or drilling for oil, gas or minerals. This concession will be a useful incentive to increased exploration activity in this essential industry and should increase Canadian participation in an industry now principally owned abroad.

I shall now propose a number of changes in the Customs Tariff. There are some increases and some decreases but on balance they represent a reduction.

I shall make several proposals relating to textiles, the two more important of which give effect to the recommendations of the tariff board in its last three reports on this subject. These proposals will involve both increases and decreases in duties, and will lead to a modernized and simplified tariff schedule in this area. They will therefore be of assistance to Canadian textile producers.

The proposals I have just referred to also include certain compensatory concessions on products other than textiles which have arisen from renegotiations under the general agreement on tariffs and trade.

I shall propose further a miscellaneous group of other tariff changes providing for reductions in rates or representing merely technical alterations. I shall also propose that the level of customs exemptions given to returning Canadian tourists which was introduced on an emergency basis last June be continued by statute.

Before leaving the tariff field, I have a further word to say about the surcharges imposed last June. As I stated in the house on May 21, the legality of the surcharge on imports order has been challenged, and the matter is before the courts. This poses a difficult problem. In many cases those who paid the surcharges, and who might now be entitled to claim refunds should the order be found to have been invalid, passed the amount of the surcharges on to their customers. These customers in turn may have passed the amount on to their customers, and so on. As I said in my statement, it would not be possible to unscramble a situation of this kind. Accordingly I shall propose legislation on the surcharge order whose principal effect will be to prevent any massive attempt at obtaining refund of moneys in fact paid by people who are not now identifiable.

I should now like to propose a number of measures connected with foreign investment in Canada.

I referred earlier this evening to the need for a continuing inflow of foreign capital. To facilitate the sale of Canadian bonds and debentures to certain investors abroad, I shall propose that the Minister of National Revenue be given power to issue to any non-resident bank, company or trust which is free of income tax in its country of residence, a certificate of exemption from withholding tax on interest payable on Canadian bonds and debentures issued after tonight.

With a view to promoting a growing partnership between Canadians and non-resident investors in Canadian corporations, I am proposing some amendments in our withholding taxes on dividends paid abroad. These amendments will not become fully effective for a period of three and a half years. This will give ample time for us to revise a number of our tax treaties with other countries, some of which revisions are overdue. It will also give ample opportunity for those concerned to assess the situation and to make decisions in their own time and under no form of pressure to act quickly.

As hon. members will recall, our withholding taxes have, since 1960, stood at 15 per cent on dividends paid to all non-residents except in so far as modified by tax treaties. Prior to 1960 the rate of the withholding taxes on dividends depended on the degree of foreign ownership of the companies in question.

I am proposing two changes, one upward and the other downward, in the withholding taxes on dividends paid to non-residents. Effective from tonight a new and reduced rate of 10 per cent will apply when the paying company is beneficially owned by Canadian residents to the extent of 25 per cent or more. Effective from January 1, 1965, an increased rate of 20 per cent will apply to dividends paid by other companies including those which are the wholly owned subsidiaries of foreign parents.

If before January 1967 a company is able to bring its percentage of Canadian ownership from below 25 per cent to above 25 per cent, certain refunds of the non-resident withholding tax will be made. Any non-resident who can show that he has borne the tax will receive a refund, without interest, to the extent of the difference between the 15 or 20 per cent rates and the 10 per cent rate.

In order to avoid advantage being taken of this advance notice, a tax of 5 per cent—the difference between the present 15 per cent and the proposed 20 per cent rate—will be levied on the amount of any increase in dividends paid after tonight and prior to January 1, 1965, by companies with less than a 25 per cent Canadian participation. This will be a special tax payable by the company and not by the recipient of the dividend. It is proposed, as of tonight, to extend the 15 per cent withholding tax to management fees paid to non-residents.

As I indicated earlier, it is the policy of this government to encourage direct foreign investment in new enterprises in this country on the basis of partnership with Canadian residents. While this type of investment is of great value to Canada, it is our view that non-resident takeovers of established Canadian companies rarely confer any benefit on the Canadian economy. We shall therefore propose a measure of taxation of certain sales which might contribute to such takeovers. We shall propose that effective tonight a 30 per cent tax be levied on certain sales by Canadian residents to non-residents and non-resident controlled companies, of shares in Canadian companies listed on Canadian stock exchanges. There is to be no liability for the tax when such sales are made on the floor of a Canadian exchange in the normal trading manner and do not form part of sales exceeding $50,000 per day by any single seller. Effective tonight also, we are proposing a similar 30 per cent sales tax on the sale by a listed Canadian corporation of the whole or substantially the whole of its property to a non-resident or a non-resident controlled company.

It will be noted that this measure applies only to the shares of listed public companies. Measures are under consideration, and may be discussed with the provinces at an appropriate time, which will apply to all Canadian companies including private companies. I trust that no flood of sales of established Canadian concerns to non-residents will develop in an attempt to anticipate the further measures to which I have referred, in light of the declared view of the government that such sales are generally undesirable.

The major tax proposals which, on behalf of the government, I shall now put before the house are based on a number of guiding principles. To begin with, they must provide revenue sufficient to allow an important step toward budgetary balance. And since the increased outlays under certain new programs will be tapered off or stopped in two or three years time, provision can also be made for some revenue of a non-recurring nature.

To obtain the additional revenue that is required, there are good reasons for using the manufacturers sales tax rather than increased income taxes. While it would not be correct to describe any tax as being popular anywhere, it is the case that indirect taxes such as the sales tax are now regarded with more favour in quite a number of countries than in the past. In this connection, I would just like to say to hon. members that I made a very careful examination of the income tax schedules. I did not think that it would be appropriate, in view of the increases that have occurred in the cost of living in the last few years, to increase the income taxes in the lower brackets, but if an increase were made in all the taxable rates brackets over $4,000 of even 10 per cent, the amount would not produce a sufficient revenue for the purposes under consideration. Apart from that I was impressed by the arguments that lend themselves to this approach rather than to increase further income tax rates.

The manufacturers sales tax is not imposed on exports, and it is levied on imported goods as well as on those made here. It therefore does not have the same adverse effect on our international trade position that some other taxes do. There is, however, widespread dissatisfaction about the inequity of a situation in which many areas of industry are subject to this tax while others are exempt.

Accordingly we are asking the house to make certain changes in the tax. These changes will not alter the rate of tax and will leave untouched the exemptions covering staple food products. It is by virtue of these continuing exemptions that the tax is prevented from imposing an unfair burden on lower income groups.

We are, however, asking the house to withdraw, effective tonight, the exemptions for building materials and also for production machinery and equipment other than that employed in fishing and agriculture. This measure will produce increased revenues of some $170 million in this fiscal year and some $360 million in 1964-65. These amounts include increases in the income of the old age security fund of some $45 million this year and $100 million next year. The old age security fund is now considerably in debt to the consolidated revenue fund and would otherwise be faced with continuing deficits in years to come.

The government is anxious to ensure that the withdrawal of the sales tax exemption on building materials will not work hardship on those who purchase houses under the provisions of the National Housing Act. Accordingly my colleague the Minister of National Revenue (Mr. Garland), has authorized me to announce that he will propose to the house that the National Housing Act be amended in such a way as to reduce the down payment required in connection with mortgage loans made under it. N.H.A. loans will be extended so as to cover 95 per cent of the first $13,000 instead of the first $12,000 of the value of a house, and the maximum loan amount will be raised from $14,900 to $15,600. Further, the N.H.A. lending rate will be reduced immediately from 6½ per cent to 6¼ per cent, a move that is, I am glad to say, in line with recent movements in other rates of interest.

I have mentioned tonight four measures affecting low priced housing. They include the removal of the sales tax exemption on building products, the reduction in N.H.A. down payments, the lowering of the mortgage rate, and the program to encourage house building in the winter months. The result of all of these measures will be that the down payment in connection with low priced housing will fall significantly while the monthly payments required to carry a purchase will rise only slightly. The over-all effect will be to provide encouragement to house construction and to house ownership.

The government has considered the possible effects of the removal of sales tax exemptions on firms working under fixed price contracts. Fixed price contracts are common in the construction industry, and the amounts involved are frequently substantial. Relief will be provided in cases where a manufacturer or contractor is prevented by a contract from including the new tax in his selling price.

The source of revenue which we shall seek on a non-recurring basis relates to the income tax on corporations. It is desirable that corporations should pay their income tax as their income is earned to a greater extent than they do at present.

Individuals are required to pay their income tax on a current basis through deductions by their employers or by payment of quarterly instalments starting in March. Moreover they are required to file final tax returns and make final payments within four months of the end of each year.

Corporate taxpayers, on the other hand, do not start payment until the seventh month of their fiscal year and do not have to file their return until six months after their fiscal year is ended. There is no need for this disparity. It is therefore proposed that corporations be required to move their tax payment period forward two months. This means that the final filing time for corporate tax returns will be the same as for individuals. This change will take place over two years and special rules will apply for the transitional period.

This measure will provide some $220 million in non-recurring revenue, of which about $20 million will go to the old age security fund. This will be received in the fiscal years 1964-65 and 1965-66. It will have the continuing advantage that revenue from the corporation income tax, which will now be payable sooner after earnings are realized, will reflect changes in economic conditions more promptly in the future.

I should like to insert at this point a table summarizing the revenue changes I have proposed. Estimates are given of the net increase expected for the remaining portion of this fiscal year, and for the full fiscal year following it. These estimates show a net revenue increase of $155 million this year and $455 million in 1964-65.

Estimated Changes in Budgetary and Old Age Security Tax Revenues that would result from the proposed tax changes
(millions)

	1963-64 fiscal year	1964-65 fiscal year
Increases:		
Acceleration of corporate tax payments	$ —	$165
Changes in withholding tax rates (net)	—	5
Sales tax changes	185	385
	185	555
Decreases:		
Incentives for manufacturing and processing	30	100
Net Increase in Revenues:	$155	$455

I should also like to insert a table summarizing the revised revenues, expenditures and deficit for the current fiscal year after giving effect to all of my proposals.

It will be noted from the table that the revised deficit figure, which includes both budgetary and old age security fund figures, stands at $565 million compared with $752 million last year, a reduction of nearly $200 million. I am sure that hon. members will agree that this is a substantial move in the right direction. To do more this year would not be wise having regard to the present state of the economy. To do less would be irresponsible.

Estimated Surplus (Deficit) in Budgetary Accounts and Old Age Security Fund 1963-64 fiscal year
(millions)

	Before Tax Changes	Tax Increases	Revised Estimates
Budgetary Accounts:			
Expenditures	$6,845		$6,845
Revenues	6,150	$110	6,260
Estimated (deficit)	(695)		(585)
Old Age Security Fund:			
Expenditures	755		755
Revenues	730	45	775
Estimated surplus (deficit)	(25)		20
Total estimated (deficit)	$(720)		$(565)

[Mr. Gordon.]

Over and above the deficit of $565 million to which I have just referred, there are other cash requirements which must be provided for. These include cash outlays by way of loans, investments or advances to Central Mortgage and Housing Corporation to the Farm Credit Corporation, to the Export Credits Insurance Corporation, to the Canadian National Railways and Trans-Canada Air Lines for capital purposes, to the unemployment insurance fund and in connection with the proposed municipal development and loan board.

They also include cash advances to date to the exchange fund, slightly in excess of $100 million, but do not include any estimate of future changes in the exchange fund which are unpredictable.

There will, of course, be non-budgetary receipts offsetting in part the non-budgetary cash outlays. This year these receipts include one very large non-recurrent item of $109 million from the sale of its assets by Northern Ontario Pipeline Crown Corporation. Taking these receipts into account, our net non-budgetary cash requirements for the current fiscal year are likely to amount to about $285 million. Our net cash requirements for 1963-64, both budgetary and non-budgetary, are thus estimated to be about $850 million.

Throughout this budget address, Mr. Speaker, I have referred repeatedly to unemployment as being the most serious domestic problem before us. Before I conclude I should like to mention again some of the measures which are designed to deal with this problem.

The most effective long term method of dealing with unemployment is to expand industry and industrial production in Canada. I have referred to the proposed department of industry with its associated area development agency. I have referred to the work this department will do in seeing that more goods are produced in Canada.

I have referred to the strengthening of the Atlantic development board and to the proposed municipal development and loan board. I have referred to a series of measures to encourage industrial expansion and growth by the provision of very substantial tax incentives. I have referred to the expansion of the municipal winter works program. I have referred to measures to stimulate employment in the building industry through reducing the down payment on N.H.A. housing and encouraging the construction of houses in the winter months. I have referred to the expansion of the program of vocational training, and to a new program for training those whose jobs are threatened by industrial change. And I have referred to a new plan to encourage the employment and training of those over 45 who have not had jobs for some time.

I have no doubt that this manifold attack on the unemployment problem will be effective. As I said before, our economy is expanding and this expansion should continue into next year. The prospects look good for a substantial increase in business investment. This is due in part, as I have said, to an increase in confidence as a result of the election and to the prospect of decisive and far sighted government in Canada once again.

In conclusion may I say that I have not tried to minimize or conceal the various problems we are faced with. But in discussing them, I have been conscious of the strength of our country and of its great potential for the future. I have discussed our problems knowing that if we are to surmount them we must face them, and face them with boldness and resolution.

Our financial program has not been conceived in complacency. In bringing forward our financial proposals we have looked squarely at the realities before us. We have presented a fiscally responsible program designed to reduce unemployment and regain prosperity.

In the recent election campaign my colleagues and I undertook to give the public the facts. We said, and the Prime Minister in particular said repeatedly, that when we were faced with difficult and unpleasant decisions we would not be afraid to make them. Some of those decisions have been announced tonight. They have been made in confidence that the members of this house will support them. They have been made in confidence that the people of Canada will support them. And they have been made in confidence that all of us together, by facing the future with resolution and courage, can restore prosperity and security to ourselves, our children and our country.

I shall now table, Mr. Speaker, all the budget resolutions to which I have referred together with certain other proposals not mentioned specifically in this speech.

RESOLUTIONS

INCOME TAX ACT

Resolved that it is expedient to introduce a measure to amend the Income Tax Act and to provide among other things:

1. That with respect to new depreciable property of a prescribed class acquired in the period of 24 months commencing June 14, 1963 capital cost allowances be computed on a straight line basis at a prescribed rate not exceeding 50 per cent per annum if the property has been acquired by a taxpayer in a taxation year for a manufacturing or processing business in Canada and the said taxpayer is

(a) an individual who was resident in Canada during a period of not less than 183 days in the year, or

(b) a corporation that on the last day of the year was a corporation with a degree of Canadian ownership and control

and for the purposes of this paragraph;

(c) a corporation has a degree of Canadian ownership and control at a particular time if the corporation throughout the 60 day period immediately preceding that time complied with the following conditions:

(i) the corporation was resident in Canada,

(ii) not less than 25 per cent of its voting shares were beneficially owned by one or more individuals resident in Canada, one or more corporations controlled in Canada or a combination thereof, and

(iii) unless at least 51 per cent of its voting shares were beneficially owned by one or more individuals resident in Canada, one or more corporations controlled in Canada or a combination thereof, the number of directors of the corporation who were resident in Canada and not employed by the corporation otherwise than as directors, was not less than that proportion of the total number of directors on the board of the corporation that the aggregate number of voting shares of the corporation beneficially owned by individuals resident in Canada and corporations controlled in Canada is of the aggregate number of outstanding voting shares of the corporation; and

(d) a corporation is controlled in Canada at a particular time if at that time it complies with the following conditions:

(i) the corporation is resident in Canada, and

(ii) not less than 51 per cent of its voting shares are beneficially owned by one or more individuals resident in Canada, one or more corporations controlled in Canada or a combination thereof.

2. That a taxpayer whose business in a prescribed area of Canada has been certified to be a new manufacturing or processing business that commenced commercial operations in the period of 24 months commencing with the date on which any enactment based on this paragraph is assented to be exempt from tax on the income from that business for a period of 36 months from the date certified to be the date of commencement of operations, and that the rate of capital cost allowances for new depreciable property of a prescribed class acquired by the said taxpayer in the said 24 months period for such business