

Income Tax Act

This small businessman wants to create a 35,000 square foot facility in Mississauga. That facility can be financed by an arrangement with his banker on a long-term first mortgage at 1.5 per cent over the GIC rate, which means for this small businessman a 15.25 per cent or a 15.5 per cent interest rate on a first mortgage. On that basis if he can do something he can borrow up to \$825,000. He was hoping to use a Small Business Development Bond for the balance of his funding on a secondary finance basis and so be able to start this business, get the new expansion going and develop the 35,000 square feet of space. He has been advised by his bankers that unless the bill is through and all the work is done in accordance with the provisions of the bill by April 1, the Small Business Development Bond will, of course, be of no use to him.

The effect is then that if clause 8 is not extended, Doug Flowers and his company will not be able to complete the work they intended to do, and this project in the city of Mississauga, which will involve about \$1.7 million, will not go ahead. The secondary financing portion that could be covered by a Small Business Development Bond at a net cost, after other allowances to the company, of somewhere in the neighbourhood of 13 per cent, will wind up costing, because of the prime rate activity encouraged by the Bank of Canada rate, in the neighbourhood of 20 per cent, and the project will not be viable.

The other day in speaking with the Minister of State for Finance, who is here, I explained this to him and he said there is going to be cost to the government in allowing the Small Business Development Bond to be extended. My conversation with him, sir, was that that was nonsense because there would not be any cost.

In the case of Doug Flowers he will put a project on ground that will produce \$1.7 million worth of new construction, development, or whatever you want to call it, in 1981 in Mississauga. It will involve block layers, carpenters, electricians, building trades throughout, and the people who are going to supply the machinery and equipment. All of those people will earn money and will pay personal income tax.

While the government, by allowing the Small Business Development Bond to go through, will lose some income revenue by taxing interest in the conventional sense in that fashion, it will make it all up and more through personal income taxes paid by those people involved in doing the new things required under the provisions of the Small Business Development Bond. There will not be any loss at all in government revenue because there will be development. The bond will act as a stimulant and there will be no loss to government.

I would like to see the bond extended, of course, to cover the cost of carrying inventory and the cost of carrying receivables for small business. That was the original intent when the bond was first introduced by the former Minister of Finance. Even on its narrow base with the bond useful only for new development, there is absolutely no loss to the government.

There is no question about it, Sir, we are in a slack business time. We have the building industry not operating at anything like capacity; we have machinery and development not acting

at anything like capacity, but if we can stimulate, through the use of a Small Business Development Bond, new development by small industry and small business, and we can give them a reasonable time to get their affairs in order and get progress going, then we will do something through this bill. We will get Canada growing and moving again.

Really what we are saying to the minister is that if he really believes in small business and really wants to show the country that he wants to make Canada grow and develop again, what he must do is take advantage of this concept produced by the former minister of finance under our government, and use it. The government adopted this concept when it produced the budget in October, but businessmen have not been able to use it because the statute has not been passed. The way the statute is now presented, expiring on April 1, they will not be able to use it at all.

During this time when interest rates are likely to be Bank of Canada rates at 15 points for the balance of the year, at least, and when the prime rate is likely to be 16 per cent, 16.5 per cent, and now 18.25 for the balance of the year, surely knowing that small business in particular has no option except to do its financing through the financial activity of the bank, this is the time to give small business the opportunity to borrow up to \$500,000 to get a project going on an income debenture type of arrangement for at least a year. Obviously businessmen need certainty, and they need it for a period of time. They have to organize their affairs to get something going.

Again I want to point out to the minister that because the bond is limited to new activity, and because that new activity by its very nature will mean new employment and new investment—we are not financing old investment here, but new activity and new investment—there really is no cost at all to revenue. It will provide enormous help to small business, making small business in Canada grow again.

To amend that clause, extending it to the end of the next fiscal year, or at least to the end of this year, there would really be no net cost to the government whatsoever. We have said clearly to the government that if the government will move on this clause, give it careful consideration and change it, we might be prepared to look more favourably at some of the other parts of the measure, and perhaps expedite something. In this regard I believe we could have meetings of the House leaders.

● (1540)

Before I go on to make the minister aware that that is not the only thing wrong with this bill, although I would be pleased if he would consider the Small Business Development Bond, I would like to refer the minister to the provision with respect to cash accounting. Under the present rules farmers are the only people entitled to go on a cash basis. This legislation changes cash accounting requirements to allow fishermen as well to go on a cash basis. It is our view that all small business should be able to go on a cash basis, if desired. That would not cost the government very much. It would delay