

Adjournment Debate

However, in actual fact, the reduction in federal transfers under the proposed fiscal arrangements will be significantly less than \$4.5 billion. Over five years the elimination of compensation for the 1972 revenue guarantee represents some \$5.3 billion. Taken together with the proposal to make EPF contributions equal per capita, the total adjustment is \$5.9 billion. However, the budget tax changes will significantly increase provincial income tax revenues, thereby offsetting some of the reduction in these transfers. Provincial revenues would increase by about \$2.7 billion due to these tax rate changes, and the net effect of the fiscal arrangements proposals and the budget tax changes will account for only \$3.3 billion, Mr. Speaker.

More generally, however, I would draw the House's attention to the increased revenues provinces will receive as a result of the federal government's fiscal arrangements proposals and budget changes. In 1981-82 they are estimated to be \$15.2 billion, while in 1986-87 at the end of the five-year period they will be \$26.5 billion, an annual rate of growth of about 12 per cent, which provides a stable and generous source of revenues to the provinces in the years ahead.

I should add that under the old arrangement the province of Prince Edward Island received \$600 million over the past five years, whereas in the coming five years the province will receive \$1.1 billion, Mr. Speaker.

AGRICULTURE—GOVERNMENT AID TO PRODUCERS.
(B) APPLICATION OF LOWER INTEREST RATES. (C) SHORT-TERM CREDIT

Mr. Charles Mayer (Portage-Marquette): Mr. Speaker, I rise this evening to refer to a question I raised with the Prime Minister (Mr. Trudeau) back on June 18. It related to the problems that farmers were and are still having with interest rates. By way of background I think it needs to be said, and said again so that people understand, that farm finance is a very important part of not only farmers' activities, but the total economy, because without a productive agricultural sector the whole system suffers and we end up spending more of our efforts and disposable income on food.

I tried to point out at the time to the Prime Minister that there were some alternate methods available which could in fact lower the cost of short-term financing to farmers, and I sent a note to him after question period asking him if he would like to see a study done by a Calgary group of consultants pointing out the differences in some of the farm financing that Americans have available to them as opposed to what we have here in Canada.

It is not that we want to ape the Americans or anything like that, but the point is that they are our closest neighbours and therefore our closest competitors, and unless our agriculture remains competitive with them we will find ourselves in a very serious situation very quickly. I pointed out the problem I guess some eight months ago and it has not changed very significantly. We find farmers going out of production because of the uncertainties associated with interest rates and the economy. This is not so much uncertainty arising from market or climatic conditions as uncertainty concerning interest rates.

● (2210)

In many cases, to point out the seriousness of the problem, interest rates are the largest single expense of many farmers today. It is a larger expense than seed, repair, or fuel expenses, and it is larger than wages. In my community today, I am aware of many cases where it is the largest single expense of farmers, so it is a very serious matter. I would again urge the government to take a look at some of the areas available to farmers to help in lowering interest costs. Without this, we will lose production. Many people fail to see, as I fail to see, how raising interest rates and chasing people out of business will help the inflation rate. Inevitably, that leads to a rise in the cost of food and, again, causes a rise in inflation.

I think the government has an obligation, not only to the farming community, but also to the total economy, particularly to consumers, to take a look at some of these suggestions. I would very quickly like to suggest three areas in which the government can do something.

First, the government should attempt to establish a fixed rate of financing for farmers for a production period, whether it be a six-month period for feeding livestock or a six-month to nine-month period for producing a crop. I have spoken to enough bankers and producers to know that it would be useful to have a one-year fixed period on mortgages for houses. Admittedly, this would not do anything toward lowering the cost of interest, but it would at least take away uncertainty. Then, if a producer wanted to go on a budget for a certain production period he would know that his interest rates were pegged. There would not be situations, such as we have had in the past, where people would buy cattle at 12 per cent or 13 per cent but would then be paying 20 per cent or 22 per cent before they were finished feeding those cattle. That kind of budgeting causes very serious problems for people because they do not know what the interest rate will be. Therefore, if we could fix the interest rate for the production period it would be of assistance to the farming community. I think the government could show some leadership in that area.

The second point I would like to make this evening is that the small business bond, as it is now called, has been the cheapest way for the government to create jobs. This has been pointed out to me in conversations I have had with several people from different organizations. It has been cheaper than the cost of creating jobs through programs such as DREE or the Canada Community Development Program. The Small Business Development Bond would greatly assist farmers. We have heard the Minister of Finance (Mr. MacEachen) say that the banks should bleed a little, and the Minister of Agriculture (Mr. Whelan) has said that the banks are scandalous and should be sued because of their lending practices.

The criteria for qualification under the Small Business Development Bond should be relaxed, and we welcome the relaxation in the budget which will make it available to unincorporated businesses and small farmers. However, we also regret the provision which puts a financial difficulty constraint so that loans are only given to people in financial difficulty. However, that is another concept which could be