● (1812)

We saw another example of this not long ago in the unemployment insurance legislation which was before the House earlier this year. A number of changes were made in the unemployment insurance program, one of which was to fine-tune the national program to correspond to regional variations across the country. That was a positive thing to do in terms of making the unemployment insurance program more sensitive to regional differences, and in that sense a program with more practical effect.

We have seen as well, in the course of the last few months, a substantial upgrading of the unemployment insurance program in administrative terms. We have seen the law itself strengthened. The program has been tied more closely to a person's work record, and the whole impact of this kind of development has saved hundreds of millions of dollars for taxpayers across the country. The regional sensitivity of the program, or the effort in law to make it more sensitive was a part of that whole approach.

Bearing in mind the importance of the regionally sensitive tax credit, which is contained in this legislation, I think the House would be well advised to deal with it quickly. I say this because the legislation is of importance to a great many Canadians who want to see it on the books as quickly as possible. I, for one, have received many calls and inquiries about it from people who urge the House of Commons, through me, to get on with the bill. I applaud that measure, as do my constituents. We want to see it passed as quickly as possible.

From a personal point of view I would like to see the investment tax credits go further than is proposed in the legislation. This is an idea I should like the Minister of Finance to consider. I should like him to extend the coverage of the investment tax credits beyond the purchase of new productive facilities so as to apply not just to new investment but also to investment in such items as used farm machinery. I realize this would broaden the principle, but I believe it would constitute a worth-while change to make at this time. It would be especially timely in light of the western Canadian farm situations, because farm costs are particularly high at present and they continue to rise. Used equipment is now more attractive than it has been in the last two or three years. Moreover, many farm machinery dealers have growing inventories of used farm machinery on hand and they see the provision of an investment tax credit on used equipment, as well as on new equipment, as a means of balancing their inventories and enabling them to take greater advantage of the business opportunities presented to them.

In this regard there is a parallel if not identical precedent in the United States which we might consider following. In that country a provision of the kind I have suggested does apply to purchases of used machinery and equipment, as well as to new purchases. This is an extension of the principle which I believe we could usefully apply to Canadian law.

The second item before us in this bill which I should like to stress as being of key importance to small businessmen and farmers is the provision relating to capital gains tax. Up to the present the law has tended to stymie business or farm consolidation or reorganization. Take the case of a farmer who has all his land holdings in one particular area, except perhaps a quarter section which is located some distance from his main operation. If he were to want to sell that far quarter in order to reinvest in a quarter of land closer to his main operation he would find difficulty in doing so because on selling the far quarter the money from that sale would become subject to capital gains tax and he might not then have the cash necessary to invest in the land he wanted to buy nearer to his operation. Therefore that kind of consolidation of farm holdings was made very difficult. The same principle would apply to a small businessman who wanted to reorganize or consolidate some of his business holdings.

● (1817)

The provision contained in the March budget and repeated in the bill now before us takes that situation very clearly into account. It allows a farmer or small businessman to avoid payment of tax on the first sale, so long as the proceeds of the sale, to use my example of the quarter of land, are reinvested in the farming or business enterprise. That seems to be a very useful development so far as our capital gains tax law is concerned. The principles apply equally to small business. I think it represents an important improvement in the way our capital gains tax law has impacted unfavourably upon people who are engaged in this kind of enterprise.

It seems to me we have made progress in recent years in modifying the impact of capital gains tax law in certain specific cases. We have the rollover provision to protect against capital gains tax on family farms, which is certainly a desirable provision in our law. We now also have the provision I have just described, the proposed change to ease the burden on farm and small business reorganization and consolidation.

There are three other ideas into which I will not go into detail at this stage for lack of time but which I should like to mention briefly. They are ideas which I hope the government will consider as it gives continuing attention to the impact of our capital gains tax law in Canada. Again they have particular reference to small business operations and farming operations, and I hope they will be rather carefully analysed.

The first proposal that might be considered to ease the burden of capital gains tax on these two groups of Canadians is the possibility of indexing the valuation day value in cases where the capital asset involved on valuation day, which was seven or eight years ago, was at an artificially depressed value. Certainly that is the case with farmland in western Canada and with a great many of the small businesses in western Canada which rely very much on the farm economy to determine the health of their own enterprise. If the farm economy is depressed, it is likely that values and the business strength of small business operators are likely to be depressed at the same time.

Therefore I think you can make the argument that at the time of valuation day seven or eight years ago the capital