setting interest rates of the past year would have otherwise prohibited prudent business planners from carrying out such undertakings. Indeed, the measure of the bond's success was that financial institutions authorized loans totalling $1.8 billion over the last few months of 1980 and the first three quarters of 1981.

Under the budget of the Minister of Finance, the bond has been gutted in two essential ways. First, the bond can only be given in cases of financial hardship and not for the purposes of development and expansion. Second, the interest cost of the bond has been effectively increased by 3 per cent, even to those hardship cases to which it now solely applies, thus stripping it in real terms of any substantial advantage.

Dealing with the second point first, I ask the minister why the government has increased the cost of the bond in circumstances where the lender must be on the brink of financial insolvency or financial disaster in order to qualify. Let me return to the example I gave earlier. With prime at 18 per cent, the new bond rate charged by the banks will be one half of prime, which is 9 per cent, plus 3 per cent, which is the new additional tax cost to the bank passed on to the lender, plus the bank's margin of probably 2 per cent with less secure loans. Thus, the borrower will be paying 14 per cent interest instead of 11 per cent. It is the government which raised the cost of the bond by 3 per cent in spite of the fact that the borrower must be certified to the satisfaction of his bank that he is about to go under.

Second, by eliminating from the criteria of eligibility for the bond the small business person who seeks to expand or develop his business, the Minister of Finance has snuffed out incentive for development in a current economy where the rate of bankruptcies has exploded, where jobs are being lost in the manufacturing and retail sector at a frightening rate, and where the cash flow of companies is being sucked away by the government's insatiable appetites for revenues. With barely two weeks left this year, both the banking community and many businessmen in Canada still have not been able to obtain answers from the Department of Finance on important and complex questions to which the bond proposal in the budget gives rise.

During the course of the past year many accountants and bankers have encouraged businessmen to finalize their business transactions by way of the SBDB in the month of December, after the year's total financial obligations have been incurred. This advice was given on the sound financial basis that there is only one bond available to an applicant and, accordingly, the total year's obligations can only be included in the bond when the year's expenditures have been incurred. With the definitional change in the small business bond from "development" to "bail-out", many of these businesses are no longer eligible for the bond. They have lost a financial instrument which formed the basis of their borrowing capabilities over the entire fiscal year. The rug has been pulled out from under them through no fault of their own.

What is the future of the bond, now that it has been stripped of its vitality? The government estimated in its budget papers that the new program will cost $20 million per year in forgone tax revenues for each of the next five years. If the bond had not been reduced in definition, the forgone tax revenues would have totalled $150 million per year for the same five-year period. The government has saved $130 million per year through the emasculation of the program which was determined to restore incentive to the small business community. But what has it cost small businessmen? I have spoken to senior sources in the banking industry, and they have estimated that the chartered banks will authorize less than $100 million in small business bonds over fiscal 1982. That is a drop of 95 per cent, from $1.8 billion to $100 million. This program used to be an important financial instrument to small business. It has now been so restricted, as is evidenced in this comparison, that no amount of political doubletalk will return the bond to its previous value.

Another blow given the small business entrepreneur in the budget proposals pertains to the restriction in the deduction of interest expense on tax returns. Interest on money borrowed for investment purposes will be deductible only to the extent of the investment income reported. This restriction is so severe that one must truly wonder whether the Minister of Finance understood the grave implications of this proposal. Consider, for example, an individual who wishes to purchase a 50 per cent interest in a small manufacturing company. If the individual must rely on borrowed funds to purchase his share, he will be denied the current deduction for his interest expense except to the extent that he has declared a dividend in the year.

In this regard I quote from the Coopers & Lybrand report which sums up the effect of the proposal of the Minister of Finance:

> He is proposing to disallow certain current expenses, such as interest, where the income from the investment is not immediately receivable or is less than the expenses claimed. Carried to its logical extreme, such a policy would deny a deduction for all business and investment expenses that did not immediately produce income. Investment for future growth and profit would be denied.

That is an incredible implication. There can be no doubt that this policy will discourage people from borrowing money to invest in shares of a small business where profits will be ploughed back into the business and not distributed as dividends. This provision will deter risk takers and have a serious deleterious effect on the economy in general. I certainly hope that the newspaper accounts of the willingness of the Minister of Finance to retreat from this proposal prove to be accurate.

In my view, the main focus of the budget is the massive revenue grab by the federal government increasing its revenues by some 22 per cent in the first year and 43 per cent in the second. Expenditures for 1981-82 are estimated to rise to $76.6 billion from $62.7 billion. Indirect taxes have been increased from $13.3 billion to $20.5 billion, a growth of 54.1 per cent in one year. In this massive revenue grab, small and medium-size businesses will be detrimentally affected by the provision limiting the capital cost allowance deduction in the year any asset is acquired to half the normal rate of write-off currently provided. It will have a huge dollar impact on the