

*The Budget—Mr. Riis*

For example, small business development bond loans cannot be granted to unincorporated small businesses, the family businesses or the single proprietorships. They cannot be used to provide working capital, the most important capital requirement of almost every small business. They cannot be used to buy second-hand capital equipment and machinery.

The House will recall that the purpose of this legislation was to provide interest rate relief to small businesses. The effect of these restrictions on excluding the great majority of Canadian small businesses from benefiting under this legislation is absolutely staggering. Of the approximate 930,000 active small businesses in Canada, the first restriction excludes over 625,000 firms which are unincorporated small businesses from receiving interest rate relief under the SBDB program.

Small businesses in the wholesale, retail, construction and manufacturing sectors are required to carry and finance relatively large amounts of inventory and goods in process, compared with service industries, for example. Inflation and high interest rates raise dramatically the operating costs of these businesses. The great majority will not benefit from the SBDB legislation because the second limitation expressly restricts the use of SBDB loans from providing working or operating capital.

Many small businesses are able to hold their start-up or expansion costs down by purchasing used machinery and equipment. If this second-hand capital stock has been idle or underutilized, its purchase will have contributed to increased productivity and over-all capacity utilization in the economy. Under the proposed legislation SBDB loans cannot be used to purchase second-hand and used equipment. This restriction will exclude many small businesses which simply cannot afford the high cost of new plant and machinery.

Finally, the SBDB program expires on March 31 of this year. The exceptionally short lead time and failure of the Department of Finance to communicate effectively the details of the program to financial institutions, and the virtually hopeless task of the head and regional offices of those financial institutions in communicating the details to their branches, dooms this program to failure before it even gets through Parliament. At best I am afraid it will be a program catering almost exclusively to the metropolitan parts of Canada, at the expense of small communities in rural sectors.

Our best and most optimistic estimate of the number of Canadian small businesses which will actually benefit from the SBDB is approximately 40,000. This means that 95 per cent of small businesses will be excluded from this legislation, that only 5 per cent of small businesses in Canada will benefit from this so-called great measure introduced in the budget.

Who benefits from SBDB? Under the legislation, interest payments on a qualifying small business loan entered into after December 11, 1979, will be treated for tax purposes as dividends. As a result the interest will not be taxable to the corporate lender, nor deductible as a business expense to the small business borrower. Because corporate lenders incur no tax liability on the interest received, they will be able to reduce the rate of interest charged. In essence the legislation not only

provides interest rate relief to qualifying small businesses, but also it provides a tax shelter to corporate lenders, in particular the hard-pressed chartered banks. The real beneficiaries of this particular legislation will be the chartered banks and lending institutions of Canada. They will benefit from this.

This ill-conceived measure which is part of the hopeless budget is ad hoc, band-aid, Liberal legislation at its very worst. It does nothing to ease the burden of high interest rates on 95 per cent of Canadian small businesses. It will subsidize the chartered banks of Canada. At a time when the federal budget is running a record \$14 billion deficit, unemployment is rising, and the economy is in a recession, it is not only fiscally irresponsible but socially irresponsible to require Canadian taxpayers to make up an additional \$250 million shortfall in revenue when chartered banks and other corporate lending agencies are earning near record levels.

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There are a number of proposals that the government could have introduced quite easily which would have provided high interest rate relief to small businesses across Canada, and to lead one to expect the lending agencies of Canada to carry some of the burden of combatting the cost of inflation and the cost of money during these times. But, no, the Liberal government is asking the Canadian taxpayers to provide that.

In this discussion on the budget today one could comment on the lack of encouragement given to the housing industry in order to meet our housing crisis. One could comment on the serious cutbacks in social programs at a time when culture building in Canada is very important. Yet the kind of funding and encouragement some of the more crucial culture builders in our country need has been eliminated from the budget. It has certainly not been expanded. Consequently, that is the kind of leadership which is recognized as being provided by the Liberal government in Canada. As one of the richest countries in the world with unlimited possibilities, when optimism should be running extremely high, it is a time when this government has given the Canadian people little to be encouraged about.

The small business community are shrugging their shoulders in disbelief at the lack of direction in our economy. The housing crisis one finds in every sector of Canada looks toward the federal government for some leadership and finds that it is not forthcoming. More and more of the responsibility is being thrown into the private sector through programs such as the MURB program. Yet we see that this is a very simplistic and elementary way to approach a very complex and serious problem. We have made rental citizens in Canada second-class citizens.

We have made our cultural institutions second rate. Artists across Canada have been given little encouragement to develop the arts and their specialties. This is a time when optimism should be running at an all-time high, when people should be looking forward to a positive future, when there should be a definite direction given in the fields of agriculture, housing, and in the construction and fishing industries, and one could go on and on. Yet we find absolutely nothing. Although times