

Small Businesses Loans Act (No. 2)

budget has been that these measures have been changed in midstream. Many people who have planned for the future have been trapped, after having made financial decisions ten years ago. They are now caught in a fixed situation, whether it be in the form of an insurance policy or any other investment plan. They are caught by changes which were made retroactively. There is an obligation on the part of the government, if not legally then at least morally, to reconsider that aspect of the budget.

To return to the comments made by the Board of Trade in a brief submitted to the Minister of Finance dated December 11, 1981, it said:

Apart from the retrospective effect of this proposal, we disagree with it on policy grounds. Our economy depends on investment and risk-taking, and this is even more important in these difficult times. The proposed disallowance of interest favours the person who already has a substantial level of salary or investment income and who does not need to borrow. Canadians have traditionally been very conservative and careful investors.

I should point out that that is not in terms of government but in terms of attitude.

But imaginative investments with great potential for the investor and for future development of the country do not usually bring a large return in the early years. The proposed changes makes it virtually impossible for individuals to undertake such investments.

I repeat that this measure needs to be re-examined, understood and changed.

I can give some examples of what this budget has done to various business. One example is insurance companies. Canadians will not be able to afford the usual level of policy premium they once had. This means that people who are planning for their financial security through an insurance plan will be affected. In addition, young people who are planning their financial future will not be able to invest in insurance policies when they become older because the premiums will increase with age and by the ninth year of a policy they will be paying more income tax than they would be for the premium itself. Consequently, if people are not able to afford insurance, the capital received by insurance companies will not be as great. A large pool of capital will be denied the business community because the insurance companies will suffer a decrease in policyholders. There will be less capital available for reinvestment which could have helped to regenerate the economy.

Another adverse impact on the insurance companies will be the decline in the number of insurance agents and their service activities. This is a definite threat and one about which people are not over-reacting.

Another industry which is adversely affected is the automobile industry. The automotive dealers across Canada have been subject to major impact because capital cost allowances have been changed. Because some of the employee benefits have also changed, and at a time when automobile dealerships are being threatened with extinction because of foreign car competition and the state of the economy, companies are no longer providing fleets for their employees, and these people are going out to buy secondhand cars of their own.

Car dealerships, of which there are already 50 per cent less than there were two years ago, will now diminish in number even further. Some of the dealers who are just hanging on now will go the way of the dinosaur. There must be changes made by the government to correct this situation.

Another area which is affected is the farming industry. Certainly my constituency is concerned about this. The effect of the budget on the farm industry has been disastrous. The budget was to have aided the Farm Credit Corporation and the Small Business Development Bond. When those provisions are studied closely, they reveal another example of sleight of hand by the government and the somewhat deceitful—a word which may be strong but which is very close to being accurate—actions of the Minister of Agriculture (Mr. Whelan) and the Minister of Finance. What they have worked out is a program in which the total contribution of the federal government to the agricultural industry is \$5 million. They have done this by providing a repayable loan of \$45 million to the Farm Credit Corporation and \$5 million to subsidize an interest rate, which was already at 16.75 per cent, through the Farm Credit Corporation. The rest of that \$45 million after one or two years, depending on the individual circumstances, will then go up to 17.65 per cent. If neither the Minister of Agriculture, nor his parliamentary secretary nor anybody else on the opposite side knows by now that agriculture cannot survive with those interest rates, I suppose it is too late for agriculture. The government needs to understand that agriculture cannot endure interest rates in excess of about 12 per cent. The unfortunate thing is that only \$5 million is the total federal contribution to agriculture in this budget.

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Many others have discussed the Small Business Development Bond. The tragedy is that its application is restricted to farmers or businesses in distress. New capital expansion cannot occur. Again we have changed the rules in the middle of the game. We passed a bill a year ago and are now changing the rules. Interest rates are probably 3 per cent higher, if not more, than they would have been for anyone who wanted to try to get in with new capital expansion up until December 31, and then after that this assistance is only available to those in so-called distress situations. That again leaves farmers with interest rates of 13 per cent and 14 per cent. This is of minimal, if any, benefit to them in the long term.

We face two or three impacts. One relates to capital, and I have discussed that in some detail previously. There is an impact on people and their ability to start small businesses. There will be an impact on their desire to become involved in an entrepreneurial way in providing jobs and in business activities. There is an impact on the ordinary Canadian when he is looking to his future and looking at investment to provide secure income as he approaches retirement. All these things have a direct impact on people and should be carefully considered.

Following the question of capital and the question of people is the question of transferring property. There is a very real