

Small Business

possible for the individual to build the jigs and fixtures, allowing the project to be set up. In this way the cash would be available and something could be started.

Many of these small companies have a sort of mechanic who has worked in business and starts off on his own, designing and building a piece of machinery. Most of this is done by experimentation or by trial and error. If the part breaks, the man reinforces it. In many cases there is very little sophisticated engineering involved. One of the great things we might do in this country is make better use of our provincial research councils and research facilities at universities.

If a small business had a research and development project that had been approved, had the money set aside and the research facilities, perhaps in certain cases the government would agree to pay a portion of the engineering costs to bring that article to market. We could do this through provincial research foundations on a contract basis, thereby relieving the small business sector of that cost. We could also do this through our universities, because all provinces do not have research councils. In these instances we would be supplying the engineering and research facilities to the small businessmen who do not have this capability on their own premises.

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In many cases we have people with ideas who know the market, how to sell something, how to market it, how to advertise it. But there may be engineering which has to be done to the product in order to put it in such condition that it can be easily manufactured. The product may require engineering that is not within the competence of the individual concerned. I am suggesting that we use the facilities of the provincial research foundations and the universities to assist the small business community in this regard.

Furthermore, I suggest to the minister that we establish a series of tax-free prizes or awards for new innovations that have a significant effect on reducing our unemployment and balance of payments. These prizes would be for new devices that could be manufactured, engineered and brought into the marketplace. There is a lot of this going on throughout the country. The federal government could sponsor national contests where small business people design and develop products that will have a market either inside or outside Canada. It could work on an award basis where the government gives a tax free prize to the business or individual who designed the device. This is something that people will strive for, such as municipalities do when building a new building. They hold a contest among architects for the best design. This is along the same line, something that will stimulate the interest of the people.

The problem we face in Canada is how to get more things made in this country. Look at the tremendous balance of payments problem and the deficit we have in finished goods. We cannot go on like this. We have to make more in this country. We import more per capita in finished goods than any other western nation. We import more machinery per capita than any country in the world, and last year we imported \$24

billion of high technology products. Certainly a good deal of that can be made in this country.

There are those who will try to convince people that everything we do has to be based on the economies of scale, and that we have to have large manufacturing facilities to carry this out. I would just refer to the report we tabled yesterday of the Royal Commission on Corporate Concentration, page 408, where it states:

A healthy small and medium-sized business sector can offset the effects of high concentration in some industries, although stimulation or encouragement of small business will not fundamentally transform Canada's industrial structure, and many industries in Canada will continue to be dominated by large, capital-intensive firms. Nevertheless smaller businesses can increase competition in some industries and have beneficial social effects. They have demonstrated their ability to innovate and to sustain market competition when they are given a reasonable chance to grow.

That is the point I am making.

One of the difficulties our small business section faces is venture capital. We are going to have to address ourselves to this very serious problem and put in place instruments that will assist in getting these small businesses this capital. In fact the capital gains tax we have in the country today has done more harm to the small business sector than to anyone else, because in the past businesses were able to get a good deal of their funding from wealthy people within the community who were prepared to loan money on the possibility of a capital gain at a future date. Now, however, the small business must deal in the short-term money market with the banks. Businesses just do not have the facilities with the level of activity in the country to go ahead and develop things on their own. This is why we are suggesting to the minister that he seriously consider these points on research and development for the small business sector.

I would like briefly to review these points again. Firstly, to allow the small and medium-sized business to set up a reserve for research and development from taxes payable so that funds could be accumulated that would allow research and development projects to be carried through to completion. Under this scheme a small business would be able to accumulate funds over a period of from two years to five years, without affecting their cash position from their normal day-to-day operations, with which they could undertake a research and development project. That is the main thrust of it.

The second step is to amend the Small Businesses Loans Act. We do not use the Small Businesses Loans Act enough. We have all been through difficult times in the past. I can recall speaking to the one-time minister of finance, Mr. Turner, when he was here about the anguish of the small business community and how they would go to a banker who would say: "We have never heard of the Small Businesses Loans Act and we do not handle it in this branch." Mr. Turner's reply was to the effect that he would speak to the chairman of the Canadian Bankers Association and see if he could alleviate the problem. Of course, nothing ever happened.

There was also a problem with the rate formula, but that was changed and now we have a formula where borrowers pay one per cent above prime, and I believe that is reasonably