

*Income Tax*

man, the real after-tax cost of borrowing, assuming a uniform interest rate, is biased in favour of the large retailer and manufacturer. It is asserted by some that we should index the interest income and expenses so that in fact the system would not be loaded against the homeowner and small manufacturer who do not have the same provisions to write off their debt charges.

**Mr. Cosgrove:** Mr. Chairman, I can do nothing further than repeat that the effect of the bond and the provision we are looking at, which I am reminded is the pertinent business before the House, is to provide a bias in favour of those people who would qualify for the bond. This is a remarkable advantage and, we think number one, an incentive, and number two, assistance to those small business people, incorporated or sole proprietorships, who want to take advantage of this preferred rate.

**Mr. Rose:** The point I was making is that your efforts will be ineffective if the real interest rate on debt charges is biased against the small borrower, the small-businessman, the homeowner. That is the assertion I make.

**Mr. Cosgrove:** I think I understand now the Hon. Member's point, but surely that bias is not offered in this legislation, which is one half prime. I agree there may be some difference in the way in which banks treat different categories of borrowers, but not to the extent of the interest rate reduction offered through this bond.

**Mr. Blenkarn:** Mr. Chairman, reference was made by my colleague with respect to a study done for the Federation of Independent Business. That study indicates that there was a very positive effect on Government revenues because of the Small Business Development Bond. In fact, the figures indicate that Government revenues increased over the time of the bond by \$120 million, and Government revenues will increase over expenditures in the period 1980 to 1984 by another \$75 million. That study went over the net cost to the Government. I went over the incremental problem because obviously some people who would have borrowed anyway took advantage of the Small Business Development Bond and the tax break therein. There were studies done on the matter here in Ottawa, and I am wondering what studies the Minister did, bearing in mind that the report was tabled in February of 1981. Are those studies available? If so, why have they not been released to the public? Can the Minister explain what is wrong with this particular study? Why has the Small Business Development Bond been gutted, bearing in mind that, according to all of the information we have, it yielded a positive tax return to the Government?

● (1620)

**Mr. Cosgrove:** Mr. Chairman, I dealt with this question earlier. It is quite useful to have these economic models like Informetrica. It is quite useful to have set pieces theoretically gauge what has or has not happened in the economy. The difficulty lies in the interpretation of those studies. Our officials did not agree with the assumptions which are used to

identify the surpluses that the Hon. Member has referred to, for example.

**Mr. Blenkarn:** If the people of Canada have paid for these studies, why are they not available? Will the Minister produce them now? The study was made at the expense of the Canadian Federation of Independent Business. It was produced by Don R. Allen and Associates Consultants Limited and indicated that the Small Business Development Bond Program actually had a positive cash return in terms of tax. The Government has said that it studied the report but that it made false assumptions. If the Government has studied the report, where is its study? We have paid for it and would like to know where it is.

**Mr. Cosgrove:** The Hon. Member is asking me to produce a study that he is reading from. Of course we have copies of it, Mr. Chairman, but our interpretation is not the same as his. In his statement on September 27, 1982 the Minister indicated that he had looked at the same period and the same performance in the economy. Informetrica would have been just one of the things the Minister would have examined in coming to his conclusions about the performance of the economy and whether we could accept that the performance was as set out in the Informetrica report.

**Mr. Blenkarn:** The Minister has not understood this particular study at all. This is the first time reference has been made to the study in the House of Commons. It is brought up now because we are dealing with the Small Business Development Bond Program. The Government says it has looked at the Allen study and has concluded that Mr. Allen is wrong.

Let us see how the Government comes to that conclusion. Will the Government release its own finance studies to indicate where Don R. Allen and Associates is wrong? The business community believes that this was a first-class program and that the Government made a profit on it. If the study is not correct, we would like to see the data to indicate that.

**Mr. Cosgrove:** Mr. Chairman, the answer would be that it is in the many other studies the Government has looked at that cover the same period of time; the advice that officials in the Department have given to the Minister; the interpretation that the officials have made of that particular document, and finally, the performance of the Government's bank account. I am not sure what amount the Hon. Member for Mississauga South says the Government has benefited by, but we believe that the performance of the accounts receivable sections of the Government of Canada do not reflect the generation of that kind of economic activity.

**Mr. Blenkarn:** Mr. Chairman, the Government's economic performance has been abysmal. In the November, 1981 budget, the Government forecast for the current fiscal year that it would receive \$80.3 billion in revenue. It will receive \$66 billion, so revenues are off by 17 per cent. A good deal of that is due to the inept financial performance of the Government, and to tax laws that bleed the country dry and drive