which are vital to Quebec, and to the tune of 8 per cent on those selected products rather than 3 per cent.

So I must say I am most disappointed with members opposite representing Quebec. I am sorry and disappointed with their attitude vis-à-vis that proposal coming from Quebec which was supported unanimously by the National Assembly. To that you can add all the manipulation that went on during two and a half months and all kinds of accusations that we on this side were in bed with the Parti Québécois. My friends opposite never wanted to admit that Mr. Ryan, Mr. Biron and others at the National Assembly were in perfect agreement with Quebec's proposal.

This manipulation and these allegations were not grounded but I think I have to refute them at the third reading stage because I am sorry to have to say that, when the proposal from Quebec came in, we had an opportunity to demonstrate our type of federalism was flexible. We had a golden opportunity to give evidence that it was possible to make this federal system work, but the government has allowed those who want to split this country to fatten their file with outstanding evidence of the fact that it is impossible to deal with this federal government. Consequently those who wish to separate from Canada will have an additional argument at their disposal.

This is nothing new, Mr. Speaker. This confrontation has been going on for ten years and with governments other than this one. Is it necessary to recall the conflicts and confrontations which took place with Mr. Bourassa and Mr. Johnson? Of course they serve us as a rationale that this time this Quebec government has a particular purpose for acting that way, a purpose which incidentally we have never shared on this side of this House. We are being accused of sharing the objectives of the government of Quebec on a very political issue. This is false. Yet we thought and still do that we had the responsibility of defending a basic principle, mainly that the federal government must not interfere in the preparation of provincial budgets. If the finance minister wants to urge the provinces to improve the state of our national economy or the regional economies, there is nothing to prevent him from doing so but he must do it in close co-operation and with a real involvement of the provinces in the decision-making process, not on a conditional basis. And that is the basic principle which we on this side of the House have wanted to uphold, respectful as we are for the provinces and because it is the duty of every member who believes in true federalism.

Under these circumstances, Mr. Speaker, there is no doubt that because of the obstinate attitude of my Quebec friends opposite, an attitude which I have sometimes found shameful as a Quebecker, I shall certainly not be able to vote in favour of this bill. I am not saying that there are no desirable provisions in it but that the strategy of the federal government is to propose a number of measures which are desirable together with one which is unacceptable. Yet, it wants to shove it down our throats, something which is not new for it has already tried it. There are precedents, but we are saying no, while acknowledging that a number of the provisions in this bill are good. I suggest that because of the basic proposal, no member with a minimum of respect for the provinces would support this bill.

Before I conclude, Mr. Speaker, I should like to add that under these circumstances, I have been pleased, as an elected representative of Quebec, to defend the position taken by the Quebec government, which aimed only at preserving the vital interests of the province without jeopardizing the national economy.

● (1602)

[*English*]

Mr. J. Robert Howie (York-Sunbury): Mr. Speaker, my contribution to the debate will be very brief. I would like to speak in support of the amendment proposed by my colleague, the hon. member for Capilano (Mr. Huntington), and to say that I would like to refer clause 6 back in view of some of the excellent remarks made in this debate by my colleagues and all members of parliament on both sides of the House.

I feel the concept of the tax credit is far preferable to the concept of the special allowance. The one feature of the special allowance which disturbs me is the lumping of operational and capital expenditures together in arriving at the 50 per cent special allowance. Perhaps the detrimental aspect of this feature could be explained by a brief example. If a firm were to spend a lot of money on capital research facilities, a large building, for instance, in one year, and if in the following year it incurred expenditures of an operational nature, the shadow of the huge expenditure in one year would fall against expenditures of future years. Thus, the increases in operation and development expenditures would not meet the 50 per cent allowance provisions, so the incentive would not be present and the government's purpose would be defeated.

● (1612)

Provision of a general research credit in the form of a tax credit was recommended by the Canadian Manufacturers' Association in a brief submitted on February 15 of this year. It was recommended by the Science Council, by the Senate committee, by the President of Northern Telecom, and by the scientific community generally. Almost everyone favoured the 25 per cent tax credit proposal. There were variations, of course, with regard to threshold clauses and increments in years to come.

I favour the tax credit of 25 per cent because I feel it provides a much stronger incentive than the 50 per cent research allowance, while eliminating the unfair discrimination against small firms by means of differential rates. I refer to the fact that a large firm paying a 46 per cent tax rate would—applying this to a dollar—derive a 46 cent benefit. A small firm paying tax at the rate of 15 per cent only gets credit for 15 cents on the dollar. This is the discriminatory aspect to which I have referred. Under the tax credit proposal it would