

*Income Tax*

financing. What we are really doing is making sure that money flows into new investment. When there is new investment there are new jobs. The money is being made available in this fashion at a lower rate for new investment and new jobs.

The whole concept of income bonds, or whatever one wants to call them, made it possible for the Government originally to buy Pacific Petroleum for Petro-Canada. It was on the basis of allowing relatively cheap financing that that transaction could take place. That has been abandoned in the area of large business and perhaps that is quite proper. In the small business area, however, there is no reason to abandon it. Small businesses should be able to expand and borrow expansion money on an after-tax basis. This type of after-tax financing makes sense.

The Government has a number of programs for small business. When John Bulloch appeared before the Finance Committee to speak on the programs that Government offer for small business, he indicated that there are about 1,000 programs and most of them could be scrapped. He said that small business wants tax incentives. This is a tax incentive, Mr. Chairman. If the Government wanted to do something for small business it would get rid of a host of other programs. That is why we have introduced this amendment.

Small Business Development Bonds have proven to be a superb way to stimulate the economy and to give small business a break on financing. It is far better than the Small Businesses Loans Act ever was and is far better than small business grants are. A lot of money would be saved if we did things this way. Things would get moving and businesses could take advantage of the provisions and get people back to work.

I should like to ask the Minister why the Government does not take advantage of a scheme that has proved itself so that the economy can be stimulated. Why does the Government introduce all sorts of other bureaucratic schemes when the small business community has said it does not want any more programs but just some straightforward tax incentives such as that offered by the Small Business Development Bond?

**Mr. Cosgrove:** Mr. Chairman, we are ready to vote on the Hon. Member's motion. We cannot support the amendment because we think the effect would be to increase the deficit, ignoring the scarce resources of the Government at this time. It would not help the people who are in need and it ignores the other programs that are available to the small business sector. We are ready to vote and to indicate that we cannot support the motion at this time.

**Mr. Riis:** Mr. Chairman, I support the amendment in principle. I do not believe the Minister was listening carefully when he said that it would result in an increased deficit. The Hon. Member for Mississauga South indicated that the revenue gained from the Small Business Development Bond in fact offsets the cost.

I should like to mention one of my concerns regarding the Small Business Development Bond in its past state as well as in its present state. In order to work, it has to be to the tax

advantage of the banks before they are interested in welcoming small businesses that approach them for tax relief. When I read the financial statements of the Royal Bank of Canada and the Bank of Montreal and see that in 1982 they paid no income tax, I do not think they are going to be at all interested in the Small Business Development Bond or in the Small Business Bond. There is no advantage to them in the programs.

I congratulate the Hon. Member for Mississauga South for his wise observations. As he said, one of the major beneficiaries is the banking system itself. Someone seeking a Small Business Bond is obviously in financial difficulty. If they go around from bank to bank asking for support at a time when the bank is not paying any income tax at all and is not interested in providing welfare assistance to the business community, I do not think they will get a good reception.

In principle I will support the Hon. Member's amendment. Because it requires the co-operation of the banks, knowing what their tax situation is at the moment, I cannot imagine that they would be interested in co-operating with either the Small Business Bond or the Small Business Development Bond.

**Mr. Cosgrove:** Mr. Chairman, the difficulty with the representation made by the Hon. Member is that it is not factual. If the amendment was so great that it would increase Government revenues, surely the Government could confirm that and say that the use of the \$2 billion which has already gone into the fund has ballooned Government revenues, and so we do not need to ask Parliament for increased borrowing authority.

The only difficulty with his analysis is that it does not accord with the facts. Things do not happen that way in the real world. In the two years the program has been in place it has not increased Government revenue. The pressure for the bonds still continues and the ripple effect has not appeared in the economy over these two years. We are not optimistic that the proposal should be accepted on that basis.

**Mr. Riis:** Mr. Chairman, I want to pursue that point. We understand that under the Small Business Development Bond \$2 billion had been loaned out. What was the direct cost to the federal Government of that \$2 billion loan?

**Mr. Cosgrove:** Mr. Chairman, \$125 million was foregone in revenue.

**Mr. Hawkes:** Mr. Chairman, that is the gross on the tax expenditure side as calculated by the Department of Finance. What was the net income derived from that?

**Mr. Cosgrove:** It is very difficult to put a handle on that because certain assumptions have to be made. The assumption might be that the \$2 billion, the amount of the loans, for example, was generating new economic activity. We really cannot confirm that. We cannot confirm that new employees were hired, or that new demands or requests were stimulated from that source.