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Aside from that, we also require a venture capital instrument which will offer, say, a non-taxable return or an exemption from capital gains tax, or perhaps an instrument which can be completely written off against income tax by the lender when issued, with the tax payable on earnings from the repayment or when anything is received. There are a hundred variations to this; I have outlined only a few. Something like that, however, must be put in place. Regardless of the method chosen, a venture capital instrument must be found. Small business must be refinanced. Small business must be recapitalized and the problem must be attacked on an urgent basis.

The reality of running a small business is that you must deal with the frustration of research and development and the financing thereof. Good ideas are not restricted to large companies which have researchers, engineering department and R and D facilities funded by the corporate treasury and by public funds. There is a great deal of inventiveness and innovation in the small business community.

The tragedy small business faces is that when an R and D project is closed down, the guy who usually has to close it down is the comptroller. It is not for lack of ideas, lack of innovation, lack of market sense, product design or anything of that nature; it is lack of cash which causes a close down. That is a reality which must be brought home to the government opposite. I can hear these people who have the job of closing down R and D projects saying the prime rate has just gone through the 19 per cent level and the bank is now charging 25 per cent, so we cannot afford to keep the R and D venture going. I have been there and I know all about it.

R and D projects have to be closed down because there are the payrolls to meet or accounts payable have to be paid or whatever happens to take precedence over R and D. Those are the situations we face now that R and D projects will be closed down all across the country. Even in my own business these projects have been closed down. I ordered that done today as soon as I heard what the rate was. Small businessmen just cannot afford to keep projects going with rates this high. As a result, all of those good ideas are gone from the system while the situation continues the way it is.

I know that it is very easy to criticize in these debates. We are told by members opposite that all we do is criticize, that we never come up with any solutions. However, I have some solutions to suggest. I have already suggested that the small business development bond be extended, that it be allowed to be used for recapitalizing a small business, which I think is a good thing. I do not see that it will cost all that much. I have also suggested that repayment terms be extended to ten years.

However, with respect to research and development, I propose that we put in place a registered research and development fund for small business. Small business should be allowed to contribute a portion of their tax payable to this fund, somewhat similar to the way an RRSP works and so on. In other words, out of the tax payable a businessman could take a sum of money, put it on one side into a research and development fund, and when that fund was at its optimum he could

### *Interest Rate Policy*

begin his research and development project by having enough money to complete it.

I think that is a good idea, it is workable and it is simple. It is not something that will call for a government subsidy, such as programs worth \$250 million or \$300 million. It would only affect those who would want to get into this sort of venture. This is a program which would allow many small companies to get on with their research projects and so help us down the road with future employment.

By a simple amendment to the Small Business Loans Act we could allow money to be used to complete a research and development project, because none of these things is complete in itself. A business might get going on something and suddenly find that another \$25,000, \$30,000 or \$100,000 is needed to complete it. An amendment such as that would certainly be of benefit to small business.

The same act could be amended to allow for the registering and purchasing of a patent, a trademark, a registered design or even for the purchase of existing technology. I know it is popular today in business to use the buzz words "high technology", "innovative designs", and all that sort of thing, but most people employed in Canada today and who will be employed in the foreseeable future will be using reasonably common technology. There will be things such as the Telidon deal, announced either last night or today, which by 1985 or 1986 will create 10,000 new jobs. That is fine, but I say 200,000 jobs could be created in the small business sector by allowing some mechanism to get research and development projects going. As I said, if we could amend the Small Business Loans Act to allow people to purchase a patent, register a patent, a trademark, a registered design or existing technology, tools, jigs, fixtures, methods and so on, that would be of tremendous help. I am talking about low and common technology which is used every day. This may hurt some of the upwardly mobile people who like to bounce from one high technology cloud to another, but the reality is that the jobs are in small business at the present time. Much imported machinery comes into Canada that could be made in Canada. But what it comes down to is that old devil money and the high interest rates we have to pay if we are going to get on with projects like that.

Each time we talk about something the government should do involving money, each time members talk about high inflation or high interest rates and how these things are hurting small business or the consumer, there is a cry from the government side that we are asking for subsidies that will only add to the deficit, fuel inflation further and make things worse than they are. I have put forward three valid workable solutions that will help set straight some of the problems faced by small business. I challenge the government to take up those ideas and put them in the next budget. The government should put them into operation. They could be modified. The important thing is the thought. In the long run these proposals will pay dividends for business, the labour force and finally for the government.