

Income Tax Act

the prairies now it costs as much to buy winter feed for a cow—and I made this point in the House here during our all-night debate before Christmas—as it costs to pay interest for its keep for the total year. That will give hon. members an idea of how interest costs can affect what we are doing as far as inflation is concerned on the supply side.

Would the minister seriously consider extending the provisions of the small business development bond to include the purchase of livestock? There is a certain precedent for this. Breeding stock have been eligible for loans under the Farm Improvement Loans Act in the past. If the minister could do this, it would be somewhat in concert with what has been done in the past regarding farm improvement loans. I would urge the minister also to give serious consideration to extending this kind of provision toward the purchase of feeder cattle. Again, as I have tried to explain previously, when there are wide fluctuations in interest rates and a farmer is locked into a production period which does not let him take into account the fluctuations in the short term, it scares the farmer away from committing himself to keeping his lots full because he has to feed them over a period of three, four or six months, during which time interest rates can fluctuate widely.

Perhaps the minister would seriously consider classing breeding stock as a capital good for the purposes of this act, so as to come under the provisions of the small business development bond and, as well, extend the provisions to include feeder cattle. I admit that by doing this it will cost the treasury money in the short run, but I think it would pay off as far as increasing things on the supply side is concerned.

The businesses which benefit the most are the ones not taxable as far as the small business development bond is concerned. In some ways that is something like a tax contract, which I think we all agree is a good method of increasing production. Therefore I hope the minister will give some consideration to extending the small business development bond to small and unincorporated businesses. As I said, those which will benefit the most are the ones not in a taxable position. That could help to make them viable, and therefore eligible to pay taxes. This would be of benefit to the treasury down the road. It will not help the government at all as far as collecting taxes is concerned if these kinds of interest rates chase these people out of business. I would appreciate the minister's comments.

● (1620)

[Translation]

Mr. Bussières: Mr. Chairman, as I said a while ago, it would be pleasant to extend the application of that Small Business Development Bond even to cattle breeders. As I said, I am quite aware that if a large quantity of consumer goods are made available to consumers, the inflationary pressures will be reduced. I understand that quite well.

However, I would rather discuss the matter in relation to our agricultural programs rather than taxation. I indicated that the government was reluctant to extend that small busi-

ness bond because of the substantial cost of that measure, and I think that in the present economic conditions, every investment dollar counts. That is why we had regretfully to restrict its application to the very limited field contained in the present provisions of the bill.

[English]

Mr. Riis: Mr. Chairman, I have one last statement for the minister. Just so there will be no illusion created that is unreasonable, the word has gone out across the country that the Small Business Development Bond is indeed an answer for small business financing, or one of a number of answers. The point I want to make is that because of the number of qualifications, limitations or exclusions in the legislation, most small businesses in Canada do not have access to this legislation. I want to expand on that.

For example, we heard a great deal this afternoon about unincorporated small businesses. Depending on whose statistics and what numbers we use, if I averaged out accurately between the numbers usually available, we are talking about 930,000 active small businesses in Canada, of which 625,000 are unincorporated. That means they do not qualify for the small business development bond.

In addition, the Small Business Development Bond cannot be used for working capital. We all recognize that is where the demand is, working capital for the very small entrepreneur. The bond cannot be used to lease or rent equipment, or to buy second-hand equipment. By the time you tally up all these qualifications and limitations, you find there are actually few small businessmen who can benefit from this. I want to make that point so we do not feel this is the saviour of small business financing. We should have no illusions along that line.

I want to mention for the benefit of my colleagues to my right that when the hon. member for St. John's West brought in the concept of the Small Business Development Bond some months ago, which did not get very far, for an obvious reason, far fewer restrictions were actually included. This means that a great many more small businesses would have benefited. While the minister said today it is still open ended and it is therefore difficult at this point to say what it will cost, I suppose when the costs of the program were looked into and found to be in the hundreds of millions of dollars, these qualifications were considered necessary.

I want to leave one thought with the minister, and that is the difference between government spending, which we all agree must be curtailed as much as possible, and government investment. I suggest the money being spent by the government on this program for small business is probably one of the best investments we could be making. When you consider the way our money is distributed through various segments, programs and projects, many of dubious value when it comes to creating meaningful employment, I feel that the small business development bond is one of the more positive approaches. Recognizing its limitations and so on, we look forward to more legislation which will include improvements for the small business community in the next few months.