

advice in order to file his returns properly. It is of little comfort to go to the department for an explanation, because they are the tax gatherers.

An example of one provision in the new act which is frustrating the small businessman is the small business deduction, which, presumably, was designed as an incentive to small businesses. The small business deduction reduces the rate of tax from 50 per cent to 25 per cent on the first \$50,000 of active business income, under section 125 of the act. However, if the small business invests its surplus funds in what are known as ineligible investments, then, to the extent that its funds have been invested in such ineligible investments, the deduction is not allowed to the business and the tax rate therefore goes back up to 50 per cent. In my opinion the average small businessman will not be encouraged, because of this, to retain the profits of his business for future expansion, but will be tempted to draw them out and spend them because there is no incentive for him to leave these profits in the business.

• (2050)

Honourable senators, there are some other nicely worded sections also, such as section 188 and section 189 concerning the exemption from tax if these profits are to be put into investments that are allied to the type of business that is operated, or into short term deposits, but, in fact, this is rarely done. All the new act does is encourage people to pay out their profits so that the government can get the maximum tax—a laudable object in itself that governments cannot ignore, but there are other considerations that ought to be taken into account.

In the December issue of *Current Affairs*, a publication of the Canada Trust, there is an article on this very same subject under the heading "Wanted—Bookkeepers Galore." In the great days of England it was said she was a nation of shopkeepers. Now, I am not downgrading bookkeepers in any way when I say this, but I do not want us to become a nation of bookkeepers. I hope that the amendments referred to so far as income tax is concerned may in as brief a time as possible effect some simplification in a piece of legislation which seems to all who have attempted to understand it so far to be incredibly complex—a paradise, perhaps, for the bureaucrat, but not at all a paradise for the small businessman and the individual taxpayer in Canada. I attach great importance to this, and I think the fate of this Parliament and, indeed, the fate of this government, could be involved in the public reaction to the new Income Tax Act.

Turning from this point, honourable senators, but still referring to small business, I am glad to see that references are made to the provision of managerial and consulting services for small businesses, and I hope that this will entail more than the mere provision of the bookkeepers that may be needed as a result of the new income tax legislation.

I am more happy about the operation of the DREE program—the Department of Regional Economic Expansion—than many of those who have written about it so far and many of those who talked about it during the recent election campaign. This is an imaginative program designed to tackle one of the basic problems in Canada, and it seems to me to be inevitable that it should take

[Hon. Mr. Hicks.]

some time to operate satisfactorily, and to operate in such a way that there would follow a proper balance as between the various parts and regions of Canada and their ability to avail themselves of the operation of the DREE program. I do not think we should be unduly apologetic about the false starts that may have been made, or about the uneven development that may have occurred, as a result of the activities of this department to date. But in my view we ought continually to re-examine it, and make constructive changes where necessary. I think we should look to the future with confidence, placing further reliance on this department to help out in providing a more nearly equal opportunity for Canadians in all parts of the country.

Honourable senators, I think the sections of the Speech from the Throne referring to research and development programs are very important. We must remember that this country among all the developed countries of the world finds itself in the situation where a major proportion of its research and development money comes from government agencies. This is perhaps not unnatural when we realize how many of our industries are "branch plants" and have research budgets elsewhere, largely in the United States, and spend very little of their research funds in Canada. Therefore it has been traditionally necessary for the Government of Canada and for the governments of the provinces to spend more of their resources in research and development and incentive programs than has been the case in most of the other developed countries in the world.

• (2100)

I shall watch with interest, as I am sure all of us will, for any programs which may be developed which will provide incentive for private citizens, investors and corporations other than government agencies, to undertake a larger proportion of the useful work which can be done in the area of research and development.

Finally, with reference to the economic policy section of the Speech from the Throne, I note with interest that a proposal is made to amend the Canada Corporations Act whereby a majority of Canadian directors will be required. Already some members of the press have said this is mere tokenism, that in the interests of the company Canadian directors will look only to good business practice. I feel they should. I think it is important that the Canadian business community continue to provide men to occupy positions on boards of companies incorporated under the Canada Corporations Act who can pull their weight and exert their influence. It is not always, and indeed it is not often, that the interests of a particular corporation are counter to national interests. However, I think it is reassuring for us to know that corporations which are largely controlled and owned abroad are, nevertheless, governed or directed by persons whose interests are in Canada, and who are themselves Canadians. I think this is a forward step and one from which we should not shy away. Many other countries have done this long ago. Generally, I think it has made foreign capital in those countries more acceptable to the citizens of the countries concerned.

Dealing with the section regarding social policy, the Speech enunciates five policies basic to the government's