

Income Tax

rate. The Hon. Member wants to know about equity and operating funds. The fact is that every small business in this country can keep another \$250,000 at the small business rate instead of the big business rate. That money is taxed at a lower rate and the money stays in the hands of the business for its use. According to the testimony we received in Committee, that was a significant piece of help.

Secondly, every one of these businesses is eligible for a small business loan under the Small Businesses Loans Act. They are also eligible for a grant under another Act. These are not general assistance programs; they are targeted to develop exactly the results the Hon. Member is describing.

Finally, the Hon. Member asks again, as if there were a dichotomy, why do we help a large corporation instead of a small corporation? Why do we give money to PetroCan or Chrysler or some of these other large corporations? I turn the question back to him. I want to know from him why small-businessmen write in and tell us to do this. Does he think that there was only one large company which benefited when we helped Chrysler? If so, why did scores of dealers across the country write to us and tell us as independent businessmen that they did not want us to forget the help for Chrysler because they, as small-businessmen, depended on the help we were giving to big business. Suppliers, exploration companies and all kinds of small businesses all across the Hon. Member's Province of Alberta benefit whenever we help PetroCan or any other large company. Why does he not go to those people and tell them that he wants to cut off this help and cut off their lifeline through that larger corporation? Small-businessmen are not stupid, they understand the implications of what he is saying. They know that if we cut off aid to large business, that will in turn cut off their source of revenue and their livelihood. They know that and they do not endorse what he is saying.

Now, Mr. Chairman, the Hon. Member asked us about how do we help to develop small business? I agree that is a legitimate question but I do not think he should put it as though it were a dichotomy. He should not be saying that it is "either or". He should recognize that scarce resources should go to those who need it most in times of great despair, the way the Small Business Bond does it. I am astonished, Mr. Chairman, to hear the criticism considering that in the great Conservative tradition we have left tax dollars with the businessmen by lifting the small business tax rate ceiling from \$150,000 to \$200,000. Instead of \$750,000 retained surplus, it is a full million. Those are measures of relief for small business. They help small business.

Then there are the other measures both I and the Minister of State for Small Business had mentioned, and I think that instead of getting into a lot of procedural stuff, the next time the Minister wants to stand up and exercise his rights as a Member and tell us what he is doing, we should listen so we can inform our constituents a little better the next time the opportunity arises.

Mr. Blenkarn: Mr. Chairman, the position we take on the Small Business Development Bond is that these amendments have effectively gutted it. In effect, it terminated at the end of December, 1981, and it is our feeling that the SBDB which

made money available to small business for expansion and growth should be carried on. I remind you, sir, that the period of March to December 31, 1981 was the only period of time when the legislation was really in effect. Even though it was backdated to December 11, 1979, the Bill was not passed by the House until March of 1981. From then until the end of 1981 \$2 billion was advanced to small business and a great deal of the prosperity that we enjoyed through that time was a result of the advantages of that bond. Our view is that the SBDB in its original form should be a permanent piece of the income tax legislation of this country, allowing small business the opportunity to continue to negotiate advances under that concept.

With respect to the Small Business Bonds, that is essentially a bailout concept. We see nothing wrong with that, but we have already made many points about it before this Committee. The bailout bond is cosmetically attractive, but as a practical matter it does not work. Indeed, many have described it as a "bailout the bank bond". That is really what it is because the only time a bank will lend money on a bailout bond is when the bank is really stuck on a loan to the customer in the first place. You owe your banker \$200,000 and he has you tied in at two over prime and finds you cannot pay that. He then determines you are in financial difficulties and rewrites the loan as a bailout bond at one half of prime plus one. He has not done anything for you, he has done something for himself. That is the only time these bonds are ever used, but they do form a bailout system and make it possible for people to bail themselves out. Therefore, I move:

That Subclauses 8(3), (4), and (5), and 9(3) of Bill C-139, an Act to amend the statute law relating to income tax (No. 2), be amended as follows:

1(1)(a) by striking line 41 on page 26 and substituting the following

"December 11, 1979",

(b) by striking line 2 on page 27 and substituting the following

"issuance of"

(c) by striking line 6 on page 27 and substituting the following

"1979"

(d) by striking lines 13 and 14 on page 27 and substituting the following

"11, 1979 in respect of scientific research"

(e) by striking line 35 on page 27 and substituting the following

"by a Canadian-controlled"

(f) by striking lines 39 and 40 on page 27, and substituting the following

"after its issue date, or"

(2) and by striking line 12 on page 31 and substituting the following

"1981"

• (1240)

Essentially, the amendments would make small business financing a permanent part of financing in Canada and available to small business. There has been a lot of argument to the effect that this is a tax expenditure that costs the Government money. The Canadian Federation of Independent Business has done a lot of study on the subject of Small Business Development Bonds and has concluded that, in terms of additional tax revenue, the bonds more than paid for themselves. The effect is that the Small Business Development Bond program did not cost the Government anything in lost revenue and, therefore, should be a permanent part of our tax