

*Small Businesses Loans Act (No. 2)*

with such a small margin of profit. We make it in spite of the tough, large corporate competition. However, we do not need more government interference.

That small profit is jeopardized by any small fluctuation in the marketplace. The current high interest rates have been murderous for my industry. The competition is fierce and the small-business man is being squeezed between a rock and a hard place by the corporate chains and giants who buy direct and in some cases are involved in the wholesale business themselves. Many have their own stores, and we have to compete with their gasoline stations which must now compete with the government.

I cannot understand why the government would disrupt the tax system and thereby create an administrative nightmare for the small businessman. I doubt very much that wholesalers will be compensated for acting as tax collectors for the government. Will they be expected to absorb the additional costs involved in collecting federal taxes in addition to the already excessive overhead costs they bear? The result of this end-run is obvious. The government will extract new revenues from the difference between the manufacturers' sale price and the wholesalers' sale price. Where the tax was at one time levied at the manufacturers' level—at the wholesalers' cost price—it will now be levied at the wholesale level—at the wholesalers' selling price. That is a big difference.

In 1978, the last year for which we have complete statistics, wholesalers bought \$53.9 billion worth of goods. They sold those goods for \$70.6 billion. Had the tax been in effect then, wholesalers would have had to pay the federal sales tax on the difference. That difference, three years ago, was approximately \$17 billion. That is, \$17 billion between the buying price and the selling price. There is no doubt that this shift in the incidence of taxation will mean higher costs to the consumer. It discriminates against the small retailer and the small wholesaler.

The large chains have the purchasing power to buy directly from the manufacturer which in effect, makes them a wholesaler and retailer combined. They eliminate the middle man. In the same fashion, this budget helps to eliminate the middle class.

In the past 15 years there have been marked drops in the number of manufacturers in Canada. The wholesaler has been having a more difficult time. In 1974 there were 1.3 million production and related workers. In the following three years the production lines were down from 1.3 million to slightly more than 1.2 million. In 1978, the last year for which we have statistics, employment came up again to 1.3 million, and I shudder to think what the figures are now. Plant closings and lay-offs have been occurring at an alarming rate over the past year. The litany of blue chip companies which have closed their doors is awesome and is testimony to the economic policies of this government, or lack of them. So how does it think small businesses can survive?

I would like to close, Mr. Speaker, by reading a quote which relates directly to small business and this budget. It goes like

this:

You cannot bring about prosperity by discouraging thrift,  
You cannot strengthen the weak by weakening the strong  
And you cannot help the wage-earner by pulling down the wage-payer;  
You cannot help the poor by destroying the rich,  
You cannot establish sound security on borrowed money,  
You cannot keep out of trouble by spending more than you earn  
And you cannot build character and courage by taking away man's initiative and independence;  
And you cannot help men permanently by doing for them what they could and should do for themselves.

Mr. Speaker, those are not the words of Churchill, not of Kennedy and not of Diefenbaker. They are the words of Abraham Lincoln, and they are as true now as on the day he said them.

**Some hon. Members:** Hear, hear!

**Mr. Dan Heap (Spadina):** Mr. Speaker, I rise to support Bill C-84, the Small Businesses Loans Act and I wish to indicate the importance of it, not only to the constituency of Spadina but to the rest of the country as well.

Spadina is made up primarily of people who earn their living by working for others. But we also have a good many of the others there—that is to say, the small entrepreneurs. We have the needle trades industry—it is one of the two major centres in Canada for the needle trades. We have the printing industry, a great deal of the retail industry and the entertainment industry. For many of these people, the small-business men, the present situation is one of disaster. This increase in the ceiling of the small business loans total is a good move, but for most of them it is insignificant. According to what they have told me, most of them have found this program to be of not much help. There is too much red tape about it. The banks are not interested since they are offered higher interest opportunities elsewhere. The restrictions on the purpose for which the loan is to be used cuts out many potential borrowers. That is to say, they cannot use it for operating costs when they run into inventory troubles and things like that. They could only use it for expansion, and at a time like this many of them were not able to entertain the idea of expansion. They are trying to survive and the small business loans program is not available to them. As a result, of all the loans made to small business last year, only about 2.8 per cent came under this program—in other words, it was significant to only about 2.8 per cent of the needs of small business in general.

In Spadina the major small business concern is the textile industry. Hundreds of small manufacturers of textiles, clothing, footwear as well as wholesalers and retailers are in those trades. There are many, many of them in grave difficulty. The small business loans program does not seriously address the problem of high interest rates because it is only 1.5 per cent lower. If you are paying 9 per cent or 10 per cent, going down 1.5 per cent makes quite a difference. But if you are paying up to 20 or 25 per cent then 1.5 per cent relief is not that much. As well as being hit by high interest rates, they have been hit a second time by this government within the past few weeks by the dropping of import quotas, particularly in the leather footwear industry. For the major industries of Spadina, the