

Income Tax

indicated there was a trade-off, that while the federal Government invested \$125 million, the returns as a result of that investment offset it. In a sense the Minister was not providing us with the full picture. Will he agree that the \$125 million for these two programs which it cost the taxpayers of Canada to implement resulted in some return as well, and that the \$125 million cost would be reduced as a result of that net return?

Mr. Cosgrove: There would have been some improvement, some trade-off, that is revenues generated as a result of the plan. We are not as optimistic as the Hon. Member for Mississauga South that the trade-off is equal or, as he intimated, that the bond became an investment and there is, in a sense, a profit. We do not accept that. Nothing in our experience would lead us to be that optimistic.

The other point, and I am repeating it from this morning's session, is that for some period of time, at least two years, there have been extra claims on Government revenues, such as our automatic social programs and the Unemployment Insurance program. They require significant infusion by the Government of resources toward automatic social stabilizers. As a result of this pressure on the total Government financial position, the Government, for example, has come to Parliament and asked for increases in authority to borrow. The Government is under extreme pressure because of that very poor experience in the economy in the last two years. Faced with that prospect, and the prospect of searching for even additional funds to serve social programs which are necessary, we find that we cannot offer the same kind of funding to serve expansion. At the present time we feel that under the circumstances our first obligation should be to those people who need help the most. That is the rationale behind that part of the amendment which directs the funds, first of all, to those corporations which are on the brink of very difficult financial positions.

• (1600)

The Deputy Chairman: I should advise the Hon. Member for Kamloops-Shuswap that his time has expired. Of course, he can come back after a further intervention by another Hon. Member.

Mr. Collenette: Mr. Chairman, I really have one question and I believe this is an appropriate Clause in which to raise the question to the Minister. In discussion of the Small Business Bonds, the matter of interest rates on these bonds and other Government-related issues comes into play. It is my understanding that the Small Business Bond, and the interest rate thereon, and other interest rates, are based on something which is known as a prescribed rate, and since January 1982, this prescribed rate has been calculated quarterly in order to keep people up to date with the fluctuations in the interest rate market. It seems to me, however, that with the wide fluctuations of interest rates, especially in the last year, a quarterly revision does not seem to be appropriate enough. Businessmen have come to me asking for my explanation of the Government's calculation of this prescribed interest rate for these bonds. Other constituents have also come to me similarly concerned about other calculations based on the prescribed

rate. I will give you an example of this, Mr. Speaker. As you know, employees of chartered banks, who are given a preferential mortgage interest rate by the banks, are now liable, I understand, to have the difference between their subsidized mortgage interest rate and the prescribed Government of Canada rate taxable at their marginal income tax rate.

I certainly support this provision in the 1981 budget, but I am curious about the benchmark, because if we look at the last three months of 1982, the prescribed rate was 16 per cent while comparable mortgage rates were around 13.5 per cent. The prime rate, of course, was somewhat lower.

Mr. Riis: I rise on a point of order, Mr. Chairman. I have been listening very carefully to the Hon. Member make his presentation. I do not see how it relates to Clauses 8 or 9 of the Bill. Perhaps he could explain now.

Mr. Collenette: Mr. Chairman, if the Hon. Member had been listening carefully he would have heard my explanation. I was very carefully not to stray too far from the Clause at hand. May I continue, Mr. Chairman, since you obviously were satisfied with my line of questioning? In this particular case, my constituent bought a house in November, 1982 and received a 3 per cent mortgage from a bank. He is now to be taxed on the difference between 3 per cent and the prescribed rate of 16 per cent. This in effect will mean he will be penalized more than if he had gone to any other chartered bank where he could have got, perhaps, a five-year mortgage at 13.5 per cent.

Mr. Riis: Mr. Chairman, I rise on a point of order. We are anxious to deal with this Bill and to move on to other Clauses. I realize that by not stopping the Hon. Member, you presumably have agreed that this has direct relevance, but I must register my concern, as one who wants to see this Bill proceeded with as quickly as possible, that I must listen to what I consider to be an irrelevant discussion on this particular Clause. I believe it is quite out of order.

The Deputy Chairman: It is rather difficult for the Chair because the complexity of the Bill is such that it is very demanding to attempt to determine relevance. This is the second time that the Hon. Member for Kamloops-Shuswap has raised the point of relevance, and it is the duty of the Chair to examine that issue. In the circumstances, I believe the best way to proceed is to ask the Hon. Member for York East to continue, and the Chair will pay the attention which is required in order to determine whether or not the Hon. Member's remarks are in fact relevant.

Mr. Collenette: Mr. Chairman, I thank you for your generosity. I must say that the Hon. Member for Kamloops-Shuswap is dealing in tautologies in that he answered his own objection by saying that the Chair did not correct me earlier because obviously it was satisfied with my line of approach.

I have already made my point, Mr. Chairman, and it relates directly to the Clause at hand, in terms of the interest rates on the Small Business Bond and the prescribed Government of