Otherwise, they will not be able to invest and the recovery will fizzle out.

In our overriding concern for the hardship and anguish that unemployment has inflicted on Canadian workers and their families, we may sometimes lose sight of the fact that most Canadians are employed by the private sector. The combination of high inflation, high interest rates, falling demand and dwindling profits that marked the recession, severely strained the private sector. Short-term borrowings and credit lines were stretched to the limit. Balance sheets were thrown out of kilter and debt burdens rose dramatically.

As a result, jobs disappeared. No employer likes to lay off skilled and experienced workers or turn away promising and well-trained job seekers. They have done so, and massively over the past year and a half, because the most severe recession since the Great Depression left them no other choice. Some people lost their jobs because the firms they worked for went bankrupt. Others were laid off when their employers, faced with mounting costs and falling demand for their products, no longer had any other option.

● (2040)

[*English*]

The worst is now over, but it will take time for firms to reduce their debt load and resume investing at the level required to create the new jobs Canadians need. I am determined to speed up this process. The Special Recovery Program I have just outlined will encourage and enable Canadian firms to undertake new investment more quickly. But I have concluded that more needs to be done to strengthen the capacity of the private sector to create jobs. To that end, I am proposing the following changes in the tax system.

INDEXED SECURITIES INVESTMENT PLAN

I will be tabling a paper containing draft legislation to implement a new Indexed Securities Investment Plan (ISIP) as of October 1, 1983. This innovation is an important element of the Government's recovery program. The plan will encourage Canadians to invest a greater proportion of their savings in listed common shares of Canadian companies. Together with the Special Recovery Share-Purchase Tax Credit, it will help Canadian corporations raise additional equity capital and reduce their reliance on debt financing. The Indexed Securities Investment Plan is also a significant step in our systematic search for ways to remove the distorting effects of inflation from our tax system. Extensive consultations with the financial community have taken place in past months on all aspects of the plan.

TAX TREATMENT OF BUSINESS LOSSES

Business losses can now be carried back one year and forward five years to reduce income subject to tax. I am proposing that these provisions be broadened to allow business losses to be carried back for three years and forward for seven years. The full three-year carryback will take effect immediately for small corporations, farmers, fishermen and unincorporated businesses. For farmers and fishermen, the carryforward provisions will be extended to ten years rather than seven. For other businesses, the increased carryback will be phased in over two years. Taxpayers will also be allowed an increased three-year carryback of capital losses against capital gains. This will also be phased in. These measures will make it possible for firms to take better advantage of existing tax provisions. The resulting reduction in federal taxes will improve the cash flow position of the private sector by $270 million this year. Additional benefits of about $95 million will also flow to Canadian firms if all Provinces harmonize their tax systems with these measures, as they have generally done in the past.

ENERGY TAXES

I have had to contend in recent months, like my provincial counterparts and Finance Ministers the world over, with a volatile international oil market that continues to inject considerable uncertainty into economic and fiscal forecasts. Lower oil prices will assist the recovery in Canada and bolster the economies of our trading partners. Businesses and consumers will get some relief, and our progress in bringing down inflation will be reinforced. However, revenue losses to the federal treasury will be substantial, and activity in the oil and gas sector will be lower than anticipated. I am proposing tonight the following measures to address these issues.

First, I am deferring reintroduction of the Incremental Oil Revenue Tax on conventional oil for one year, from June 1, 1983 to June 1, 1984. This measure will reduce federal revenue by about $225 million and add to the industry's cash flow. The main beneficiaries will be Canadian companies that are typically the most aggressive in searching for new supplies of oil and gas.

Second, I am proposing modifications to the Petroleum and Gas Revenue Tax for enhanced oil recovery projects, to encourage the commercial application of techniques designed to increase the amount of oil recovered from reservoirs. These modifications will have the effect of eliminating liabilities under this tax until such time as these projects pay back their capital costs. Both of these measures will encourage activity and employment in western Canada.

Third, recent developments in international oil prices have eliminated the need for a two-price régime for aviation fuel and marine bunker fuel. Together with my colleague, the Minister of Energy, Mines and Resources (Mr. Chrétien), I will be taking the necessary steps to terminate this régime, effective May 1, 1983.

The Canadian Ownership Special Charge has already made a sizeable contribution to increasing public ownership in the oil and gas industry. The Government remains strongly committed to the objective of oil self-sufficiency through raising Canadian ownership of oil and gas resources by increasing exploration and development of new reserves. It is the Govern-