

tained by the elimination of many incentives which, often, were open to only a small group of taxpayers.

Also many deductions were eliminated or replaced with credits. Then the broadening of the tax base had the effect of reducing tax rates. Thus many Canadians, mostly older people or low income people, had their tax liability reduced.

Bill C-327 will defeat that objective because it would effectively promote the use of public funds to the benefit of a small group of individuals who want to take control of the business that employs them.

Considering the importance of controlling the deficit, it would become necessary to increase taxes of all other Canadians in order to support the employee share ownership plans. In that respect it is important that hon. members realize that what Bill C-327 proposes is, to some extent, a redistribution of income.

But more important, the tax reform greatly helped to reduce tax incentives which had the effect of distorting the economic decision-making process. The broadening of the tax base and the reduction of tax rates, by helping to eliminate the incentives which distorted investment decisions, promoted long-term economic growth.

Moreover not only are these initial deductions distorting economic decisions, but the national and international experience shows that a large part of these tax incentives is given to people for something they would have done anyway. Therefore we are using considerable revenues to encourage a minimal additional activity.

At a time when government is trying to use wisely its scarce resources, it does not seem to me appropriate to implement such a plan. As hon. members know, interest on the federal debt will amount to \$43.2 billion this year, that is 27 cents per dollar of budgetary expenditures.

Every dollar added today to the deficit increases the debt burden of future generations. It is therefore very important that we reduce the debt. We will succeed only by controlling expenses and protecting fiscal revenues.

The impact of Bill C-327 on the deficit would be significant as the generous fiscal treatment could encourage a large number of companies to restructure the

remuneration of employees in such a way as to take maximum advantage of the incentive.

In some cases, financial participation of employees in their company can increase productivity and therefore stimulate the general economy. This is why our fiscal system already encourages such measures. In particular, the government is strongly backing the financial participation of employees through labour sponsored venture capital corporations. The preferential treatment given these corporations has been further improved in the last budget. Employees are also benefiting from special privileges when they are given options to buy shares by their employer.

Combined with the generous lifetime capital gains exemption, these programs are a powerful incentive to employees to buy shares in Canadian companies without distorting investment decisions.

As we said during the last budget, the government would rather rely on the strong principles underlying the labour sponsored venture capital corporations which are prohibited from investing in a single company. This provision is based on the old adage which advises not to put all the eggs in one basket. In the case of the proposal of Bill C-327 the eggs are not only the worker's investments. They are also his job.

I believe hon. members will agree with me that it would be inappropriate for the government to encourage individuals to take such risks.

I think I speak for a large number of Canadians when I say that increased productivity and better labour relations are key elements to the success of our great country. However, I fear that Bill C-327 will not help in that matter. Not only will it be costly and unfair but also it might not achieve what it was meant for.

I thank you, Mr. Speaker, for the opportunity to deal with this issue in this House. I hope my hon. colleagues will find the information I gave them useful in judging the merits of Bill C-327.

[*English*]

Mr. Phillip Edmonston (Chambly): It is with a great deal of pleasure that I rise today to speak on Bill C-327, presented by my NDP colleague from Sault Ste. Marie.

Private Members' Business