

December 11 budget of 1979; to make as part of the law some parts of the "Minnie Mouse" budget of April 21, 1980, and to try to incorporate, if at all possible, and make sense out of, some of the suggestions of October 28, 1980.

The delay has made things impossibly difficult for most taxpayers, even for chartered accountants, for people in the lending industry and for people in business in general. The delay has been such that measures which might have helped to spur on the economy, have not done so. In that respect, it is important that the minister pay attention to our concern about the provisions covering the Small Business Development Bonds. The minister will know that this feature in our tax bill is really a reincarnation of the income bond which was allowed prior to the change in the act contemplated in 1978. What happens with an income bond is that the lender is able to lend money to a corporation. The corporation pays the interest in terms of a dividend rather than in terms of interest. The dividend is, of course, not deductible as an expense in business but is received by the lender as a tax-free remittance. That is how Petro-Canada was able to finance the purchase of Pacific Petroleum. It was immediately after the purchase of Pacific Petroleum that the minister made the changes in the November, 1978 budget which prevented the use of income bonds, or term preferred bonds as they are sometimes called, as a method of financing. The concept was reincarnated in the budget of the hon. member for St. John's West on December 11 which was defeated by these fellows who now occupy the treasury benches. It was defeated, of course, because it was not appropriate, but it was reinstated in the statement of April 21 and reinforced in the statement of October to give some benefit to business.

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During 1980 a number of small businessmen approached lending institutions with the objective of trying to finance some improvement or addition to their capital assets through the use of Small Business Development Bonds. I know of no small business which has been able to negotiate a Small Business Development Bond. I know of some which have been able to negotiate options on Small Business Development Bonds, but I do not know of any small business which has been able to use this provision which allegedly benefits small business.

In fact, if a small businessman approached the Bank of Nova Scotia or another lending institution, he was told, "If the statute goes through, then your interest rate will be reduced and you will be able to use the interest as a dividend. We will get it "taxfree" and you will not be able to deduct it. You can take advantage of the provision only if it goes through, but we do not know what will happen. In the meantime if you want the loan, sign at 13, 14, 15 or 16 per cent, and if it goes through, maybe we will give you a reduction." Until now I know of no small business which has been able to negotiate a Small Business Development Bond.

When this clause comes up, I will specifically ask the minister whether he can give the details of any small business anywhere which in fact negotiated an absolute Small Business

Development Bond without regard to whether or not the statute went through. I suggest that he cannot and that everyone who managed to get something got an option deal. Because it was only an option deal and because they could not be firmly in place on the deal, most people were unable to use the provision which was boasted about as being useful to help small business.

We have had a charade. The Minister of Finance stood in the House and said that he is helping small business. He gave people the hope that they could do something about high interest policy of the government. Let me stop here for a moment. When the last government was defeated, the interest rate charged the chartered banks by the Bank of Canada, or the Bank of Canada rate, was 14 per cent. That was the rate when we were fighting an election a year ago. The person who now occupies a treasury bench as the Minister of Industry, Trade and Commerce said on a television show that if interest rates went that high, he would resign. Now the Bank of Canada rate is 17 per cent! While he had an unfortunate accident and came into the House with a cane, he has not resigned. Perhaps he has tendered his resignation and it has been refused.

Perhaps the Deputy Prime Minister and Minister of Finance will be able to explain whether the Minister of Industry, Trade and Commerce has offered his resignation. If he has not offered it, why not? If he has offered it and it has been refused, why is the Minister of Finance prepared to accept and indicate that the Bank of Canada rate should be 17 per cent? A year ago he was traipsing around the country promising low rates of interest. At that time the Bank of Canada interest rate was only 14 per cent. How can he now say that it has to be 17 per cent and that it is low?

Let me leave that subject for now because it is somewhat off the topic. The real issue is whether small business should be able to borrow money or obtain funds to create new productive assets at a rate of interest which makes some sense. With all the programs of the Minister of Employment and Immigration—LIPs, grant programs, give-away programs, make-work programs or get a new community group to study the programs—the government refuses to recognize that small business creates most of the employment in the country and that small business is being totally tarred and feathered by the high interest rate policy of the government.

What does this bill do except provide that the Small Business Development Bond will expire on April 1, 1981? Perhaps that will be less than two months after the bill passes this House and the other place. What does the bill say? It says that unless one has done the work and unless all the improvements the loan is for are in fact in place, then one cannot write off the interest. One cannot write off the Small Business Development Bond payment scheme out of the surplus account of one's company on the basis of the dividend to the lender. The Small Business Development Bond is not that big a deal. With interest rates running from 19 per cent to 24 per cent for small businesses today, the Small Business Development Bond would perhaps allow small businesses to borrow, in after tax dollars,