

into their businesses within their own community. That is the only way they could get started and expand.

Hon. members may recall Winston Churchill's description of Britain in the dark days of the war as "a nation of shopkeepers".

Mr. Leggatt: It was Napoleon who said that, not Churchill.

Mr. Hargrave: Surely it is appropriate to suggest that Canada is a nation of small business operations with farmers leading the way. The time is long overdue for considered attention to be given to our small business sector along the lines of the motion we are presently debating with its five-step policy suggestions.

Before concluding these brief remarks it seems appropriate to comment on the Bryce report which I mentioned at the beginning of my speech. The suggestion that the capital gains tax should cease can be taken as the end result of seven years of serious inflation which began with the introduction of this new tax approach on, I believe it was, January 1, 1972. It seems to me that either the capital gains tax has to go or inflation must be positively controlled. The capital gains tax rollover provision in the budget last month affecting incorporated family farms is a direct result of the serious threat to family farms due to a combination of inflation and the capital gains tax.

As to the other suggestion in the report that we can live with big business, I say that if Canada is serious about engaging successfully in international trade, big business is not only justified but necessary, if only to take advantage of economies of scale. I can also agree with the recommendation in the report that corporate profits ought not to be taxed provided they are re-invested in the business. After all, that is how all business grows, especially small business. I would add, in conclusion, that farmers have always had to do this, though with them it has been a survival technique.

Hon. Martin O'Connell (Scarborough East): Mr. Speaker, the importance of small business in the Canadian economy can be doubted by no one, not only in terms of the number of firms that are small business firms—something like 90 per cent of all the firms in Canada—but also in terms of the employment created by those firms. Well over one third of all the members of the work force are in small business firms and at least one fifth of all the value of goods and services produced in Canada is in small business firms.

We cannot doubt the importance of policies to foster the viability and success of these firms, nor can we hide from ourselves the fact that small firms in many Canadian small towns across the country are in a state of difficulty. This difficulty arises from erosion of their position. In some cases they are simply manufacturing goods of a standard technological character and are faced by competition coming over the horizon from the third world countries where there has been a transfer of technology, a transfer of industry. We support that, but we also have to take special measures now because small industry in our country is threatened.

Small Business

Just think of some of the small companies in many towns manufacturing, for instance, bicycles or textiles or chainsaws or auto parts. Sometimes they provide income and support for the whole community. Therefore, support for small industry is important. It is important socially and economically to maintain small communities. It is important from the point of view of regional balance in Canada. How much of industry is concentrated in the central provinces and how great a sense of unfairness can develop across the country if there is not a fair share of industry in the towns and cities in parts other than central Canada? Policies have to take account of that concern too.

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Small industry is more than a romantic ideology. It is possible economically with today's technology to have a thriving and decentralized economy with small industry, and many countries demonstrate that, as does ours to some extent. It is not only possible but it is good social and regional policy as well. So I would like to congratulate the mover of the motion for bringing it forward and giving us this opportunity to make some remarks by way of proposing a network of supporting policies. I say network because what I want to stress, as indeed the motion does, is that there is needed not one given policy but a whole network of policies.

Let us look first at the question of taxation. Too often we think of taxation as the only way to approach the problems of industry, particularly small industry. Already major steps have been taken, inadequate as I suggest they still are, but we should at least recognize that the government has, in effect, rolled up its sleeves with respect to the problems of small industry. It is moving, not only by the creation of a special secretariat in the Department of Industry, Trade and Commerce and a special minister, but also by a whole host of provisions, including tax provisions.

Let us review some of them to see what has been done. There is a special low rate of tax on the profits of small companies. It amounts to 25 per cent compared with the 46 per cent maximum rate of tax on larger companies. There are rebates and tax incentives for investment in research and development. Most recently in the budget, two tax measures were brought forward. There is the proposal for tax credits of 5 per cent, ranging up to 10 per cent in slow growth areas, for new investment in industry and for research and development.

Then, in the most recent budget, there was a special measure to increase the write-off for new research and development over a certain base period. This added budget measure will allow small and large companies to deduct from their income 50 per cent of the costs of increased R&D activities, a very important measure for small business. This would raise the total immediate write-off to one and a half times the amount spent on new R&D. For example, if a company spent \$100 on new R&D, it could write off \$150 against the taxable income.

This is of considerable help to small business. What would be the savings to a small business? These tax savings would amount to about \$16 in every \$100 of new expenditure on