

Oral Questions

be happy to consider their candidacy, not the Hon. Member from Edmonton who is smiling over there, but some others.

Some Hon. Members: Oh, oh!

Mr. Lalonde: Madam Speaker, the study to which the Hon. Member refers is one that includes a number of very subjective criteria. The ones he has indicated, for instance, are indeed in that category of very suggestive criteria which are very difficult for anyone to evaluate in a scientific way. I would like to remind the Hon. Member, however, that, over all, that agency has come to the conclusion that, of all the countries analysed, Canada ranks number six in the world. It is not a bad performance, I would suggest to the Hon. Member, taking into account that we are in competition with all the other industrialized countries in the world, that Canada could stand up in that regard compared to other industrialized countries.

If the Hon. Member wishes to have supplementaries, I could go into some of the points he has mentioned and draw to his attention that this Government in the last year has taken a number of steps, for instance, having to do with research and development, which indicate quite clearly that we are attaching a lot more importance to this whole issue of innovation, and we look forward to making sure that the Canadian economy is going to be one of the most progressive in the world. We are determined to make sure that the Canadian economy is going to remain in the vanguard of industrial progress in the world.

INDUSTRIAL TRENDS

Hon. Sinclair Stevens (York-Peel): Madam Speaker, my supplementary is directed to the Minister of Finance. To be specific, in *The Globe and Mail* this morning it was reported that:

Manufacturers reported lower orders and further cutbacks in both production and jobs in November. The Conference Board of Canada states that production was down again in the third quarter. Canadian farm prices are reported to be dropping still. The slump in the steel industry has prompted the Dominion Bond Rating Service to lower the rating of two steel companies in Canada, and Canadian pulp producers continue to take a beating.

● (1420)

In view of this continuing industrial slump, has the Minister given any consideration to reversing the move made in the November, 1981, budget which called for a lower depreciation allowance for industry, a move which has cost, this year and last, Canadian industry \$2 billion in money grabbed by Ottawa?

Hon. Marc Lalonde (Minister of Finance): First of all, Madam Speaker, I would dispute some of the statements made by the Hon. Member. Indeed, the situation is serious, the recession is quite serious, but as the Conference Board report to which he alludes indicates, there are also some encouraging signs. For instance, the Conference Board is estimating that there will be 156,000 housing starts next year. They also note a significant decline in the inflation rate, and forecast a moderate recovery in the U.S. as well as Canada. That will have a

significant impact on all the industries that the Hon. Member has referred to, particularly the steel and forest industries, to mention only two of them.

The specific measure that he is referring to is one that has been carefully examined and studied. We have come to the conclusion that the depreciation rate in Canada compares favourably with that found in most of our competitors, and that the solution is to try to create an environment for general economic recovery, rather than making small adjustments here and there on specific items having to do with the tax system. We have made a number of adjustments but, as far as the capital cost allowance is concerned, I have indicated that the decision has been to keep the proposal in the November budget.

SMALL BUSINESS BOND PROGRAM

Hon. Sinclair Stevens (York-Peel): Madam Speaker, let me try the same Minister again, who apparently has no wish to help business in Canada create needed jobs.

In the November, 1981 budget, the small business bonds were changed so that they would only be available to small businesses in financial difficulty. In view of the fact that small businesses have now been caught in a Catch 22 situation where they apply to a bank and the bank says, "Are you in financial difficulty?" If they say yes, the bank says, "We do not want to make a loan to you." In short, there is no further sizeable activity in small-business bonds at the bank level.

Will the Minister change this, bearing in mind we have lost almost 600,000 jobs in this country in the past year, a rate of job loss running at 1,900 Canadians per day thrown out of work because of the misdirected policies of the Government?

Hon. Marc Lalonde (Minister of Finance): Madam Speaker, I would have to point out to the Hon. Member that the business community in general has not passed the same judgment as he has about the measures we have announced in this House since last October. As a matter of fact there has been quite a lot of support for the decisions announced by the Government since that time, and particularly since the six and five program contained in the budget of last June.

● (1425)

As far as the small business sector is concerned, I would remind the Hon. Member that we have made a change, for instance to the 12.5 per cent tax on dividend provision whereby that tax is not going to apply to past dividends but will apply only in the future. This is going to be of significant benefit to the small business sector.

We have decided not to proceed at the present time with the wholesale tax. This is going to be of great benefit to the small business sector which was very concerned about the implementation of this proposal at this particular time.

Finally, the significant interest rate reduction program that we have for small business is still in operation, and a large