

refunded directly to business. For small business corporations and unincorporated businesses, that portion will be 40 per cent of credits that cannot be used to offset taxes in the year they are earned. For other businesses the refundable portion will be 20 per cent.

● (2030)

Second, I propose that a Special Recovery Share-Purchase Tax Credit be established. Firms that invest and issue new equity will be able to flow-out their investment tax credits to the purchasers of new equity issued by them. Purchasers of new common shares issued by such firms after June 30 of this year and before December 31, 1986 will be able to use these credits to the extent of 25 per cent of the value of the shares. The credits that can be passed on to new investors will be limited to investment tax credit earned after today. Provisions will be made to ensure that institutional investors, such as pension plans, that purchase qualifying new equity can claim the share-purchase tax credit as a cash rebate from the federal government. The measure will allow companies to attract new equity faster and at lower cost, to finance investment now and over the medium term.

I estimate that these two measures will provide over the next four years an additional \$640 million in federal tax benefits to support investment and new equity issues. They will be particularly beneficial to small- and medium-size businesses, and to all firms that need to improve their balance sheets and financial position by issuing new equity in order to resume investing. They will help speed up investment and increase production and employment in Canada.

SPECIAL RECOVERY INVESTMENT FUND

I am also announcing tonight the creation of a Special Recovery Investment Fund to strengthen private investment in the early stages of the recovery. The fund will have a budget of \$300 million made available to it.

The fund will be managed by the Minister of Industry, Trade and Commerce and of Regional Economic Expansion (Mr. Lumley). It will enable the minister to deploy financial resources across the full range of his departments' programs with the speed and flexibility needed to bring onstream major private investment projects with special national, regional or sectoral importance. Further information on the operation of the fund will soon be provided by the responsible minister.

SPECIAL RECOVERY EXPORT FINANCING FUND

A Special Recovery Export Financing Fund of \$180 million will also be established. This fund will enable the Export Development Corporation to seek out export opportunities more aggressively than it would otherwise be able to do because of funding constraints. The fund will be drawn upon when the corporation requires funding beyond its regular programs to support the efforts of Canadian exporters to win large contracts. The corporation will have the financial capacity to enter into financing arrangements in 1983 totalling about

\$2.8 billion, a 15 per cent increase over the financing arrangements it concluded in 1982.

The effectiveness of the Special Recovery Fund and the Special Recovery Program will depend critically on the response and cooperation of the private sector. The government is committing \$4.8 billion and is taking decisive action to revitalize Canadian industry and increase the capacity of the economy to generate new jobs. But decisive action is also required in the private sector.

I urge Canadian firms to take the fullest advantage, as soon as they can, of the investment recovery incentives I have just announced. I ask them to focus not only on outlays that increase plant capacity, which in many cases may be justified only at later stages of the recovery, but also on outlays that raise plant productivity and cut production costs. Such investment need not and should not cause workers to be laid off. I invite Canadian workers and the unions that represent them to consider what they themselves can do to facilitate an early resumption of industrial investment.

[Translation]

I said earlier, Madam Speaker, that I am prepared to accept now, while the economy is in the initial stages of recovery, an increase in the government's financial requirements to fund the Special Recovery Program. Private credit demands will remain relatively weak this year and next. It cannot be argued that support for private investment under this program will "crowd out" such investment. But we must look ahead. I am concerned about the impact of continuing high federal deficits on confidence and investment over the medium term. I have therefore concluded that this program should not cause a permanent increase in the national debt.

Accordingly, I am proposing that all incremental costs of the Special Recovery Program, both direct outlays and revenue forgone, be funded over time by a Special Recovery Tax. Specifically, I propose a one percentage point increase in the general rate of manufacturer's sales tax, from 9 per cent to 10 per cent, and similar one percentage point increases in the sales tax rates levied on construction materials, alcoholic beverages and tobacco. The imposition of this tax will be delayed so as not to impede the recovery in its early stages. The Special Recovery Tax will not become effective until October 1, 1984. It will remain in effect until December 31, 1988.

THE FINANCIAL STRENGTH OF THE PRIVATE SECTOR

Canadian businesses have been battered by the recession. In the 15-year period preceding 1981, the average share of business profits in our gross national product was 11.2 per cent. It fell to 10 per cent in 1981 and plunged to 6.2 per cent in 1982, a post-war low. Profits must return to more normal levels if the recovery is to endure. Businesses must reduce their debt loads before they can borrow to finance new investment.