

*Oral Questions***FINANCE**

TAX CREDIT INCENTIVES FOR RESEARCH AND DEVELOPMENT

Mr. Simon de Jong (Regina East): Mr. Speaker, my question is directed to the Minister of Finance and concerns research and development tax credits. In typical fashion, using a crisis management mentality, the Minister introduced a quick-fix solution which has now created a zoo. The Dean of Engineering at the University of Victoria has called it a morally bankrupt situation. "We are seeing the phenomenon of people running around with bags full of money that must be gotten rid of within one year". In fact the only research that is being done is being done by accountants and tax lawyers. Will the Minister admit that a gross miscalculation has occurred, and will he change the situation immediately?

Hon. Marc Lalonde (Minister of Finance): Mr. Speaker, in an answer to a question which was asked of me last week or the week before, I stated that the Minister of National Revenue and I were monitoring the situation. I said that, if we were to discover any particular abuses taking place, we would take immediate steps to remedy those abuses and prevent the creation or continuation of any loopholes. Last week the Minister of National Revenue announced in a press release that special monitoring was taking place to ensure that the law would be fully respected. My officials have also been instructed to follow this matter quite closely.

I would not encourage the Hon. Member to conclude from the fact that there are larger amounts of tax credits being claimed that this is a defeat, or that something wrong has happened. On the contrary, we want to encourage research and development. If more research and development takes place and if more tax credits are being claimed for this purpose, the Hon. Member should applaud. He should rejoice in the fact that there have been more expenditures for research and development because that is what the country needs. That is my approach and my philosophy in this regard.

I would like to see more R and D in the country. On the other hand, I obviously do not want the tax system to be abused by the use of credits for phony or purely paper operations. We are monitoring this situation and, if steps need to be taken, we will not hesitate to announce them.

Mr. de Jong: Mr. Speaker, of course we all want to see more R and D, but I think it is becoming obvious that the only R and D being done is being done by tax accountants and tax lawyers.

REQUEST THAT MINISTER DISALLOW CERTAIN PRACTICES

Mr. Simon de Jong (Regina East): Mr. Speaker, on Friday, May 11, while in Ottawa, the Minister himself called for a high degree of selectivity. Surely his tax credit scheme has no selectivity whatsoever. As quoted by *The Globe and Mail* of Friday, May 11, 1984, the Minister warned that:

—badly conceived or excessively generous tax incentives could produce not only diminishing returns but some net damage to the development of a strong and sustainable investor commitment to R and D.

Surely what we are seeing happen to the tax credit system today is doing damage to R and D. Will the Minister assure the House that at least the provision of the tax credit that allows for a quick flip and a double flip, thus enabling investors to make a quick buck at the expense of the taxpayers, will be disallowed?

Hon. Marc Lalonde (Minister of Finance): Mr. Speaker, I thank the Hon. Member for quoting me. He has indeed quoted me directly and correctly. These are the principles that are guiding me in the implementation of this particular program.

* * *

CANADA POST CORPORATION

INVOLVEMENT WITH CONSUMERS DISTRIBUTING CORPORATION

Mr. W. C. Scott (Victoria-Haliburton): Mr. Speaker, my question is directed to the Minister who is responsible for Canada Post. In the past few weeks I have received several letters from constituents regarding Canada Post's latest venture into competition with the private sector. They and I are concerned about the deal that Canada Post has made with Consumers Distributing. What is the expected income from this venture, and why did Canada Post choose this way to raise money?

● (1500)

[Translation]

Hon. André Ouellet (Minister of Labour): Mr. Speaker, I am somewhat surprised by the question the Hon. Member has just asked, because I indicated more than two weeks ago when I replied to an Hon. Member from this side that Canada Post had already announced it would end its pilot-project by the end of this month. The Corporation has also issued a press release to this effect, and I am sure that when he checks his mail, he will find this press release.

* * *

[English]

FINANCE

TAX CREDIT INCENTIVES FOR RESEARCH AND DEVELOPMENT—REQUEST THAT SYSTEM BE CHANGED

Mr. Don Blenkarn (Mississauga South): Mr. Speaker, my question is supplementary to a previous question and is directed to the Minister of Finance. The Minister ought to know by now that we were concerned about the research and development tax credit when the Bill was introduced. It now appears as a benefit to stock brokers. He has given them employment. There is no protection to ensure that the money that is raised will in fact go into R and D. If a company goes bankrupt, the