

The Budget—Mr. Rompkey

Hon. William Rompkey (Minister of State (Small Businesses and Tourism)): Mr. Speaker, I would like to begin by thanking my colleague, the Minister of Finance (Mr. Lalonde), for the particular attention he has paid to my client group, the medium-sized businesses of Canada. As I have travelled across the country in the past months to speak with business people, it has become clear that there were a number of specific issues that could be dealt with in the budget that would go a long way toward helping this dynamic part of our economy play a major role in the economic recovery. I am pleased to say that the budget incorporates many of those measures.

My own Committee, the Consultative Committee on Small Business, has been discussing many of these initiatives over the past few months. They were of the view that the adoption of these initiatives would provide a significant stimulus to this segment of the private sector and contribute to our industrial and regional economic development objectives. I could not help but be pleased to see how many of the recommendations that I made on behalf of the Small Business Consultative Committee became part of the budget. There is a growing awareness of the tremendous value of small business to Canada's economic well-being. Perhaps these businesses do not stand out individually, with some particular exceptions, but collectively they provide the base on which our industrial strength stands. The analogy would be to compare it to a hockey game. The superstars get all the credit but they could not do their job unless the rest of the team did theirs.

• (1130)

I believe this budget will significantly help small business do its job. Clearly, a first priority was to take action directed at providing employment. Bringing forward a number of major capital projects will project a stimulus into the economy in the short term. These undertakings have their own direct, beneficial impact. They also have a spin-off impact on the small business community which supplies the needs of the larger firms. This group will benefit from the pick up in demand.

At the same time the budget recognizes another immediate need—the need to provide assistance to companies that have undergone a tremendous period of pressure during this global recession. Smaller firms were particularly hurt through this period. They do not have internally generated resources to draw upon to the same extent as large firms and they do not have the same access to externally generated funds. The Minister of Finance has been sensitive to this debt-equity problem of small business.

I must concur with the Minister of Finance when he said:

The way in which so many have managed to pull through the recession is a tribute to the dedication and entrepreneurial spirit of Canadians.

He was referring to small firms which he described as “one of the most dynamic and innovative elements in the private sector”. The budget takes a number of positive measures that will enable our small firms to restore their balance sheets. It is the first step necessary to provision themselves to take advantage of the economic recovery now building momentum.

Improving the investment climate and increasing the availability of internally generated funds will allow our industries to invest in innovative activities. These are the very activities that Canada needs most to ensure our competitive position both at home and in world markets.

I should like to draw the attention of the House to the way the specific measures in the budget are of benefit to small and medium-sized firms. While the provisions are beneficial to all Canadian industries, I believe that small business people can see themselves singled out as a major vehicle of our economic recovery.

The measures addressing business losses will provide a major improvement to the cash flow of businesses, increasing the carryback to three years instead of one and providing the alternative of carrying losses forward for seven years instead of the previous five. This will have an immediate impact on small business. More important, this measure will stabilize the small business cash flow once the recovery takes hold and profitability returns. The provision for the carryback of capital losses to be increased to three years from one will have a similar impact and will improve a company's cash flow.

Additional changes, such as removing the upper limit of the investment tax credit, will be welcomed by small business. So too will be the provision for the remission of a portion of the tax credit directly to the business. This, of course, provides significant benefit to those firms without taxable income. It is a major measure in view of the serious erosion of small business profits in the past year.

As the House is aware, the budget proposes to refund 40 per cent of our new tax credits directly to the firm. This will be particularly valuable in assisting firms to finance research and development or purchase certain manufacturing, transportation and construction capital assets. Firms that combine this measure with the tax credit to purchase common shares will find that they are able to reduce their cost of new equity issue. The tax credit to common share purchasers will also encourage the injection of new permanent capital and liquidity into businesses. This must happen if companies are to redress their serious debt to equity ratio problems. It has been a long-standing problem for smaller businesses to raise equity. This budget measure, by appealing to venture capitalists and individuals, will help overcome that problem.

Hon. Members will also note that the Minister of Finance proposed a number of measures for discussion that will enhance the ability of firms, particularly small firms, to benefit from R and D tax incentives and to attract financing for R and D ventures.

In my discussions with the small business community in Canada it was clear that its major request was that its needs should be addressed through the tax system. The small business community was saying that the programs are there but people did not necessarily have the time to read the brochures and fill out the applications. It was asking for a break within the tax system. It held that this approach would provide the