

Small Businesses Loans Act

The other problem small business has is certainly the effects of inflation, which in large part are reflected in the state of the economy and the bad management of this Government. Another very crucial issue is interest rates. The small business sector has been hurt by the fact that interest rates have escalated way out of proportion. The exchange rate has also had an impact on the welfare of the small business sector. And I emphasize that uncertainty is really a very crucial element, uncertainty created by Government legislation, by excessive regulations and by the complex, counterproductive and regressive tax system which we have.

I believe it is fair to say as well that the banks have played a role in the success or failure of the small business. I do not know whether the banks can be absolutely proud of their record in terms of dealing with the small business sector in recent times. Those of us who go home to our constituency on the weekends will know that many small businessmen and farmers are having difficulty dealing with their bankers, particularly some banks who refuse to utilize the various Government programs that have been created for that specific purpose.

Many small businessmen feel they are discriminated against by the banks by virtue of the fact that there seems to be a double standard. If you are sufficiently deep in debt with the bank you will get treated one way, and if you are at all liquid, they use the hammer. I believe the banks must re-examine their policies and ensure that they do their part in sustaining the welfare and the health of the small business community.

We must do everything we can to create a positive environment. It does not necessarily mean more Government programs. In many respects it could very well mean fewer Government programs, fewer Government regulations and less frustration. What is really important is a genuine change in attitude by Government to encourage the expansion of the small business sector.

Of course, small business is looking for favourable tax treatment. Touche Ross and Partners made a survey of 124 companies across the country which indicated that businessmen would rather have tax incentives, as being the most beneficial form of Government assistance, than grants and a whole host of other programs. I hope that the Minister of Finance (Mr. Lalonde), when he is writing his budget, will look at some of these recommendations. I would hope he would also look at ways and means of removing the regressive elements of the tax system, simplifying the tax laws, and bringing about some reform to our regulatory framework.

These are all suggestions which have been made by the representatives of all organizations associated with small business, including the Chamber of Commerce. As I said earlier, one of the biggest problems is the matter of interest rates. I believe the Government can show leadership and demonstrate that it is responsible in that regard by holding down the deficit and cutting back wasteful and extravagant expenditures. That is clearly an area in which the Government has room to work. Tax incentives are really the key and, as the Canadian Federation of Independent Business pointed out as well in its recent submission, there are ways in which the pools of capital can be expanded through investment under the

Registered Retirement Savings Program. It has been suggested that more than \$2 billion is presently held in self-administered RRSPs and that 50 per cent of that could be used for the private business sector. There is also another recommendation with respect to the need to encourage the utilization of the registered stock investment plan as another area. We must also have the withdrawal of the 12.5 per cent corporate tax on the distribution of profits. There are, therefore, many things which can be done, and I would urge that the Government consider these proposals in order to help the small business sector.

It is important most of all to re-establish a climate of confidence where small businesses will have the confidence to take risks, to make long-term investments, not expecting their windfall in the next year but somewhere further on down the road. I believe that is a very, very important aspect to consider because small business, if we give them the opportunity, will be in the forefront in putting Canada ahead technologically. I believe if we consider the flexibility of small businesses by virtue of their size and their creative spirit, they are in a better position to take advantage of every opportunity. I do not believe there is any question but that small business can adapt to the technological advances, and in many cases create the kind of new technology which we are looking for and which we need. If we are to survive in the international marketplace—and Canada must export in order to survive—we are simply going to have to produce a product at competitive prices. It is going to have to be a product which is the utmost in quality, and we must have the kind of skills and marketing teams and credit facilities to ensure that we can penetrate those international markets.

The area of computer-aid design and manufacture is clearly an example where small business has heretofore excelled, and it has tremendous opportunity and potential to grow even further. I believe we should be encouraging small business to invest more in research and development. That again can be done through tax incentives, or incentives of other kinds, to increase and enhance technological innovation. I believe we will find that every dollar we invest in research and development will reap us benefits, both in terms of generation of wealth and in generation of new jobs which we in this country badly need. We are going through some very major structural changes in this country today. The manufacturing sector is declining. The service sector is on the increase. There have been suggestions that the number of people employed in the manufacturing sector in North America is going to decline very rapidly. We have to take cognizance of that fact, and I think that here again the small business sector can move in to fill that gap.

• (1440)

In summary, Mr. Speaker, I submit to you that small family enterprises have the potential to utilize the skills and talents of those working in manufacturing today who may see their jobs become redundant in the future. I believe that, given the proper climate, the small business sector can play a leading