

a week or two ago which show that there will be a little blip in their profits, but then they will be on the way back up as a result of the program. However, that misses the point that if the independent companies and multinationals are not able to produce what we are capable of producing in this country, we will all suffer through lack of economic growth, insecure supply and possibly the breakup of this country.

In closing, let me point to one area in which I believe Bill C-54 is deficient. There is no relief for low and middle-income earners. There is no relief for farmers and fishermen under the National Energy Program. Hon. members will recall that back in December of 1979 we introduced an energy tax credit which did provide these elements of our society with some relief from higher prices. There is no doubt in my mind that there will be higher prices as a result of this energy program. The prices will probably be much higher than they would have been had we concluded the agreement which was clearly in place in December of 1979. The hon. member for St. John's West (Mr. Crosbie) proposed relief, and I urge the government, when it brings in these changes—and I say “when” not “whether” or “if”—to have regard for the proposal made by my colleague, as it has in practically every other area of the ways and means bill. Very few have been left out. That is the nature of the genius of the budget of December, 1979. It is all coming home to roost.

● (2030)

I ask members opposite to bring in this energy tax credit and so protect the people in this country who are less able to protect themselves. That is the only decent and humane way of handling what is going to be a problem of higher energy prices in this country. That is a plea that I leave in front of hon. members opposite.

Finally, to sum up, I urge the government not to discourage the creation and development of savings in this country, because if we introduce policies which will result in a reduction of savings and an increase in the inflation rate in this country, we will be rewarding spending, and when you couple those two elements, it will lead in the direction of weakening the productive capacity of this country to create jobs, to create new plant equipment, to create new technology. When we look ahead to the 1980s with the tremendous volume of investment capital that must be put in place, whether it is in energy manufacturing, mining or forest products, we find there is a huge demand for capital ahead of us. We must encourage savings to enable the financing of job-creation investment which is required in this country. Second, we must extend the Small Business Development Bond by at least nine months so that we can look forward to a full year of that very worth-while instrument. Finally, we should revamp the National Energy Program to change the tax impact and to bring in the energy tax credit.

Those are only a few of the steps necessary for this government in order to regain the confidence of the people.

**Mr. Ralph Ferguson (Parliamentary Secretary to Minister of State (Small Businesses)):** Mr. Speaker, the Income Tax Act before this House today has a number of timely provisions

### *Income Tax Act*

that are of particular interest to our economy, our industry, our business sector, our farmers, our fishermen, and Canadian taxpayers in general.

Reflecting on the comments of the hon. member for Etobicoke Centre (Mr. Wilson) regarding the Small Business Development Bond. I would remind him that, first of all, the passage of this act makes the Small Business Development Bond issue retroactive to December, 1979. These development bonds must not be less than \$10,000 and not more than \$500,000 for the issuer in the case of a Canadian-controlled corporation. The borrower, however, cannot deduct those interest costs as an expense, nor does the lender have to pay tax on the interest income.

The legislation has been available to the public since June, 1980, and the public was advised that it was to be retroactive. While this was intended to be a break for the small business people, I am alarmed at the fact that some lending institutions have been reluctant, particularly in rural communities, for various reasons, to give loans under this provision. Perhaps it is partly related to the fact that the lending institutions can make more money or gain a better net return by charging 2 per cent or 3 per cent over the bank prime rate. However, the passage of this bill will enable the lender to treat the interest payments as dividend payments. Therefore, they will be able to reduce the rate of interest charged on these loans. Thus a bank or other financial institution which would otherwise pay income tax of approximately 50 per cent on such interest should be able to offer rates which are approximately half of the rates charged on convention loans.

As I indicated earlier, there was some initial slowness in the acceptance of the small business development schemes. The proposed draft amendments were initially issued in June of 1980 as some lending institutions were reluctant to make contractual arrangements until these were available. After the details were made known, a period of time was necessary to design and initiate the schemes. It was because of these factors that the period of eligibility was extended from the end of 1980 to the end of March of this year, 1981. However, most major institutions now have these instruments available and loans are being made. I now expect the measure to be of significant benefit to small businesses.

The intent of this act, which incidentally continues the indexation concept, in reality meets our needs. The provision of an exemption for the volunteer firemen, for example, recognizes the contribution that these people make to their communities by contributing their time and expertise to ensure the safety of their homes, their families, their places of business, and to ensure that their communities are protected against fire and other hazards.

When the alarm sounds or the call comes, these persons drop whatever they are doing and answer the call for help. In many cases they are dressed in business clothes or suits that are not washable and which become soiled or damaged so badly that they must be replaced, and these people have had to pay the cost themselves. Therefore, the increase in the exemption has been raised to \$500. It is welcomed by the volunteer