

for years, is amended from time to time. Its purpose is mainly to help small businesses obtain medium-term loans to finance tangible assets such as land, commercial premises and tools.

Some major changes were made in April 1985 by the Conservative government. The definition of small businesses was amended to include all businesses whose estimated gross annual income did not exceed two million dollars.

Since 1985, an initial fee of 1 per cent of the loan amount may be charged. Before 1985, new businesses or entrepreneurs who qualified on the basis of their sales could borrow up to \$100,000, and the loan, granted by the bank and guaranteed 100 per cent by the government, did not entail any charges. In 1985, the government imposed a fee of 1 per cent of the total loan amount, which was one more burden on small business, especially since most of these loans were used by new businesses as start-up funding, and charging them 1 per cent only add to their expenses. We pointed this out at the time.

• (1020)

There were other changes that we felt were also very substantial and to which we vigorously objected. Starting in 1985, the government would guarantee only 85 per cent of the loan amount, while the remaining 15 per cent became the bank's responsibility. We all know how banks operate in this country, Madam Speaker. The banks recovered this 15 per cent from the people who applied for the loans. I can assure you a number of my colleagues and I can name several instances in which constituents who tried to set up a small business were turned down by the bank because they had no credit rating and didn't have enough start-up capital, even if the project was a very good one, and all because the banks had to guarantee that 15 per cent.

This amendment, introduced in 1985, has deprived us of new, good small businesses that might have expanded to become medium-sized and even large businesses, creating jobs in this country.

Madam Speaker, I wanted to mention these facts, and today, the statistics prove we were right. When I look at reports on small business loan activities since 1985, if I look at the first year, the year ending on March 31, 1985—this was the year before the new amendment became effective—that year we had 34,744 loans total-

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ling \$1,600,322,008. A year later, the year the new legislation came into force, the number of loans dropped to 23,588, totalling \$737 million. In 1987, the number of loans declined further to 21,145, totalling \$709,901. In 1988, according to my last report, we were down to 18,640 loans. It was the only program small businesses had, and all this happened because in 1985, the government wanted to reduce the guaranteed amount and charge small businesses a 1 per cent fee for these loans.

When we saw activity had declined 50 per cent, we told the government that created the problem that we felt hundreds of jobs had been lost which small businesses would otherwise have created, if they been able to benefit from the boost afforded by a small business loan.

Madam Speaker, loans to small business were not the only thing that the government cut; there is also the Federal Business Development Bank, which essentially provides, or this morning I should say used to provide, three types of services to business: loan services where it only serves companies that present at least letters of refusal—at least, that is what it should do, but I do not know if it actually does; investment services where it provides companies with share capital for a limited time or helps companies find investors; and management consulting, counseling and training services.

Last year, Madam Speaker, the government cut 50 per cent of the consulting budget and this was the only service that provided young companies with advice and information on good management and thus helped ensure the survival of small businesses in difficulty.

The loans to small businesses should go to small businesses and not to medium-sized ones. But yesterday, we learned that there would again be fairly large cuts in this area.

So we see that the scope of the Small Business Loans Act that we are considering this morning is being reduced and that the loans made to business by the Federal Business Development Bank are being reduced too.

Yesterday, we learned that \$18,755,000 had been cut from the Federal Business Development Bank. I think there is something wrong with this government's approach because salary costs are going up by \$0.7 million; that is, the civil servants are getting increases while the programs are being cut. We need to keep these pro-