in the 12-month period ending March 31, 1980, there were 790 inquiries made for financial services in the Kitchener-Waterloo area and 236 loans authorized, for a total of $12.3 million. With respect to management services, there were 240 visits by the Federal Business Development Bank officials to 12 centres in the Kitchener area. The information officers in the local branch responded to 874 inquiries for assistance and made 754 referrals to other federal agencies that provide assistance. As well, for the benefit of local businessmen the bank also held 16 seminars.

The counselling assistance for small business enterprises branch of the FBDB responded to 515 inquiries and made 417 consultations as of March 31, 1980. There were 586 clients in the FBDB portfolio with approximately $30 million in loans working for the expansion and development of small business in my riding. So as you can see, Mr. Speaker, the Federal Business Development Bank is a very important link between the small businessman and government in the area I represent.

The changes that have become necessary to the act that governs the Federal Business Development Bank are really alterations that are needed to allow the bank to expand to meet with greater sensitivity and resources the requirements of small business within the framework of an industrial strategy. They are geared expressly to allow the bank to fill its mandate according to the Federal Business Development Act of assisting smaller enterprises unable to obtain financing on reasonable terms and conditions, while operating on a cost-recovery basis as a schedule D Crown corporation. The situation we are currently faced with is that the bank has simply exhausted the resources made available to it when it was created in 1975.

Under the original act, the bank's resources were limited to $200 million in authorized capital at any time. Since the bank's total resources of $2.2 billion are already committed, this operating limit may be extended by increasing the debt to equity ratio or increasing the amount of authorized capital, or a combination of both. Bill C-20 does both, by allowing the Minister of Finance (Mr. MacEachen), at the request of the corporation and with the approval of the cabinet, to increase the amount of authorized capital, up to a limit of $475 million. It also establishes the debt to equity ratio of the bank at 12 to one with the provision that the cabinet may increase this to 15 to one if necessary.

The bill provides operating limits, as well, in that the total aggregate liabilities of the bank combined with its capital must not exceed $3.2 billion. The reason these changes in the act became necessary was that the bank incurred losses of $30 million in the fiscal year 1979-80. Many of the factors responsible for this were beyond the control of the bank and largely unanticipated, such as high interest charges, the increase in bankruptcies and, more specifically, the loss of big loans to the private lending institutions.

In the last few years the chartered banks have entered the term loan market with vigour. They have concentrated on larger, lower risk loans on which administrative costs have less impact. Also, for smaller loans under $75,000 covering the acquisition of property or equipment, the chartered bank advances are guaranteed under the Small Business Loans Act program. The FBDB thus finds itself limited to loans where the profit is too low to interest chartered banks, or which are too risky to be covered by the Small Business Loans Act program. This is due to the purpose of these borrowers' programs, such as the need for capital and equipment.

Finally, the bank's involvement is far greater in remote areas, as well as provinces where conventional lending institutions are less active. Again this reflects the supplemental nature of FBDB's lending. Formerly, the Industrial Development Bank required borrowers to have sufficient equity to provide the bank reasonable protection. Under its new charter, FBDB only requires an investment sufficient to ensure a continuing commitment to the business. In light of this, the security held by the bank has decreased significantly. Thus in 1973, 52 per cent of loans authorized were fully secured. This proportion had decreased to 31 per cent by 1978. Moreover, in 1973, 11 per cent of loans had a security shortfall of 50 per cent or more of the loan amount; in 1978 this percentage increased to 26 per cent. In 1973, 56 per cent of borrowers did not have a proven track record at the time their loan was authorized. In 1978 the proportion rose to 64 per cent.

Losses from write-offs, Mr. Speaker, have therefore more than doubled over the past five years. These losses are four times greater than those of the Small Business Loans Act program and the bank's provisions in this respect are proportionately five times more than those of the chartered banks. However, one must keep in mind that the FBDB's market is inherently high risk. Nevertheless, the bank's write-offs are considerably less than those of the Enterprises Development Board and three times less than those experienced by the Small Business Administration in the United States.

The bank's ability to operate on a cost recovery basis according to the Financial Administration Act depends largely on its level of debt. Because its market is more costly to serve than that of private lenders, FBDB requires a debt-equity ratio, which is at least comparable to the private lender's over the years. The bank has operated with a relatively low ratio, reaching its maximum level of ten to one, one year ago. As I mentioned before, the bill is aimed at boosting this ratio to 12 to one or 15 to one if necessary.

In terms of improving its operating revenue, the bank has already taken steps to upgrade its position by setting the interest rate on a loan at the date of disbursement rather than the date of authorization, which provides protection in the event of sudden rate fluctuations. It is also considering other steps which include imposing fees for analysing proposals and setting higher interest rates for high-risk loans. Such measures, however, are often detrimental to the bank's small customers. Just as important, measures have already been taken to decrease operating costs. Many duties previously performed by credit officers have been taken over by administrative staff. To date, the cost per loan authorized by FBDB is three times less than at RoyNat, a private lending institution. However, the size of the average loan, the geographical coverage of the bank's activities, and the close monitoring it provides for each