

*Small Businesses Loans Act*

to further expand this Act so that the amounts of loans will be greater. As well, we would certainly hope to encourage more participants.

It was quite encouraging to see that in 1983 the number of lenders had increased to 1,860 in addition to the chartered banks. Of course, with the great number of financial institutions that are eligible as lenders, I believe they only need be encouraged in order to see the great benefit that this Act has for the small businesses in their communities. I would hope that in the future some of the *caisses populaires* and credit unions that have not been active in the past will see fit to provide this very essential service for small businesses.

This Act will certainly provide some of the assistance that is required for small businesses. I am certainly not going to say that this is the be all and end all for small business, but it will certainly be an integral part of the Government's program to assist small business in the great future that we see for it in the next few years.

● (1115)

[Translation]

**Mr. Jacques Guilbault (Saint-Jacques):** Mr. Speaker, I welcome this opportunity to make a relatively brief contribution to the debate on Bill C-23, which concerns small business loans. A number of Members in my Party have spoken to this subject, and I would now like to offer a summary of the Liberal Party of Canada's position before the Bill is referred to committee, which we expect will be done today.

First of all, we think the Small Businesses Loans Act is an excellent piece of legislation. The loans program is a very good one and has been extremely popular. Applications under the program have continued to increase over the years, which proves that Canadian small business is very appreciative of this legislation, especially since most jobs in Canada are created by small- and medium-sized businesses, in other words, by those businesses that are eligible for loans under the Small Businesses Loans Act.

As a general rule, the Liberal Party of Canada supports Bill C-23, especially since the legislation which Bill C-23 is intended to amend was passed by the previous Liberal Government and received with great enthusiasm.

I would like to start by reviewing two of the measures proposed in Bill C-23 which I think are excellent, and which are in fact why we intend to give our consent that Bill C-23 be read a second time and referred to a standing committee of the House.

First, the ceiling or aggregate amount of funds that may be lent to small businesses under the program has been raised from \$1.5 million to \$1.8 billion. We think this is a very wise step because demand has already outstripped the funding available under this program.

Bill C-23 will also amend the definition of a small business by raising the maximum gross revenue for small businesses to

be eligible for loans under the Small Businesses Loans Act from \$1.5 to \$2 million annually. This will open the program to a larger number of small businesses, and we believe this is a very sensible decision.

However, while Bill C-23 seems to be making the loans program available to a larger number of businesses as a result of the two measures I mentioned earlier, namely, the increase in the aggregate amount of loans that may be offered and the change in how small businesses are defined, we wonder why the Bill also proposes restrictions that will make it much harder for small businesses to obtain loans. First of all, why did the Government decide to reduce the guarantee provided to financial institutions under the program so they will not have to shoulder the entire risk burden, from 100 per cent to 90 per cent? Bill C-23 as it is now stands provides that the program will not guarantee more than 90 per cent of the loan, and financial institutions will be asked, in fact obliged, to take 10 per cent of the risk. This will certainly reduce the amount of money being lent by financial institutions, especially since the institutions are also asked to pay, as of April 1, 1985, a fee of 1 per cent of the amount of the loan.

So the Government is now telling the financial institutions that they are going to take on a greater share of the risk than before, and on top of that, they will have to pay a 1 per cent fee, thus reducing the profits an institution can make on a loan, because although interest rates may fluctuate, according to the legislation they are set at prime plus one.

If we ask financial institutions to pay a 1 per cent fee every time they agree to make a loan under the Small Businesses Loans Act, we are reducing their cash flow.

Those are the two aspects of the legislation we are most concerned about. We believe the Government would be ill-advised, while ostensibly broadening the availability of such loans, to introduce other measures that would actually reduce that availability.

That is why, when the Bill is referred to a standing committee of the House of Commons, we expect our Members on the committee to make a contribution towards improving the proposed legislation, especially by removing the two measures I have just mentioned, that is the 1 per cent fee and the obligation on the financial institutions to share part of the loan liability.

Furthermore, we must not forget that under the provisions of this Bill, the Minister has the power to change the rules of the game in various ways. For instance, the maximum rate which is now set by legislation could be changed by the Governor in Council, in other words, by the Minister with the approval of Cabinet.

● (1120)

As I mentioned earlier, it has now been proposed that the guarantees be shared by the Government and the lending