

*Federal Business Development Bank*

**Mr. Arthur Phillips (Vancouver Centre):** Mr. Speaker, I should like to congratulate the hon. Minister of State for Small Businesses and Industry (Mr. Huntington) on bringing this bill back. I, too, had made representations to the government House leader asking him to bring it back because the Federal Business Development Bank is critically important to small business in this country. Unless this bill were passed, as the minister has said, it would have meant a reduction in the number of loans that the FBDB was able to give from a rate of 1,500 a month to a rate of approximately 500 a month, and great many small businesses would have suffered as a result.

These are difficult times for small businesses because of the high interest rates, high fuel prices and so on. It is no time for us to be letting down small business by failing to pass a bill such as this one. On listening to the minister's remarks this evening, I should like to congratulate him on his strong support for the Federal Business Development Bank. It has been an extremely successful institution. It has helped many thousands of small businesses. It has a very fine track record, in spite of the fact that it is not a highly profitable Crown corporation. It does not intend to be a highly profitable Crown corporation. Merely it intends to be roughly a "break even" Crown corporation performing a service for small businessmen in Canada.

There has been a very dramatic increase in some of the aspects of the Federal Business Development Bank in the last couple of years. They have a program called the "Counselling Assistance to Small Enterprise", which is commonly known as CASE. For example, the number of businesses counselled in just the last two years has risen from 1,660 in 1977 to 5,400 in 1978, to 9,700 in the current year. That is a very dramatic growth in a very important service which helps educate small business people on how to run their businesses better. It encourages more small business people to start up in business, to expand their business, and prevents a lot of unnecessary bankruptcies due to lack of knowledge.

There has been a dramatic increase in the number of jobs provided as a result of the FBDB. They break them down into three categories: those jobs started, which in just two years have risen from 3,000 to 18,000; jobs increased, which in three years have risen from 2,500 to 14,400; and jobs maintained, which they show as rising from 690 to about 4,000. This is very commendable work by the Federal Business Development Bank. We want to see that kind of thing continued.

The great majority of small businesses in Canada are Canadian-owned. They pay taxes, they provide jobs, and they provide management know-how in future expansion. We wish to see them continue to have the services of the Federal Business Development Bank. We wish to see that done as promptly as possible.

If I may, I should like to say to the minister that in his first comments on this act, when he introduced it on October 24, 1979, he referred to the advantage of changing the ratio, as we are doing in this bill, so as to allow more loans to be made by the Federal Business Development Bank. He said the following:

[Mr. Huntington.]

The advantage that this would have is that no additional federal budgetary expenditure for paid-in capital would be required.

He indicated that no such additional expenditure would be required and instead they could use more leverage, as it is known in the financial community. This is absolutely true and we hope that it will carry us through the balance of the fiscal year. I would urge the minister, in looking ahead, to use his influence on the Minister of Finance (Mr. Crosbie) in the coming budget to provide additional paid-in equity capital, because the future work of the Federal Business Development Bank will depend on additional budgetary outlays. To cut back on these sorts of budgetary outlays indeed would be a very false economy when we want to see the country growing, new jobs provided, and particularly to encourage small and medium-size Canadian-owned businesses.

Also in committee the minister said that he favoured continual growth in the loans of the FBDB, and we applaud that. He said that he favoured a continued growth in the CASE program, and we applaud that too. As I have said, we urge the minister to use his influence. Certainly we will back him up to the extent we can. We urge him to use his influence with the Minister of Finance in the coming budget to make sure that the Federal Business Development Bank is financed properly for both the CASE program and an adequate equity base, so that the loan program can continue as well.

These are tough times for small businesses. We want to see small business getting every break it can. One of its best friends is the Federal Business Development Bank. We urge the passage of this bill as promptly as possible and future budgetary increases for this valuable institution for small business in Canada.

**Mr. Jim Fulton (Skeena):** Mr. Speaker, I find it very interesting that the hon. member for Vancouver Centre (Mr. Phillips) kept his comments so brief. When I outline some of the increases in interest rates which have been effected through the Federal Business Development Bank, perhaps we might have some idea why his remarks were kept rather brief in relation to the small business community.

If we look to January 1, 1978, we find the FBDB charging roughly 9.5 per cent on loans at that time which were running around \$50,000. If one calculates it out, one can see that the average per annum cost on that would be around \$4,750. Under the previous administration we saw a number of rather rapid increases in the interest rate. On January 4, 1979, roughly a year later, it went up to \$6,625, an increase from 9.5 per cent to 13.25 per cent. I am sure a lot of small businessmen took a look at that increase in interest costs and noted that it was a \$1,875 increase in that one 12-month period.

As we know, there was a change of administration in May of this year, and by this fall—as a matter of fact today—we see that the interest rate is around 16 per cent. The costs in terms of interest rates alone on a \$50,000 loan now would be about \$8,000. That is an increase from January, 1978, of \$4,750, to about \$8,000 now. The increase from January of this year to now was roughly \$1,400. That is an increase of a