It is a good program. It is a slender program, highly levered program.

The loan guarantee enables lenders to make loans which they would not otherwise undertake without the guarantee. I know there is controversy about whether the guarantee to the banks is really needed. Would they have made the loan anyway. There has been a lot of research done by Hatch and Wynat and others which in fact shows that this program is profoundly incremental. It does make sure that new loans are undertaken that would not have been undertaken without the guarantee.

A good example is a viable company that has a very limited track record, possibly inadequate or inappropriate collateral in particularly risky types of businesses or perhaps those outside the major metropolitan areas. These generally are the clients for the program. Those are clients that have trouble getting loans without this guarantee.

[*Translation*]

While the program was unquestionably a success, its activities have dwindled since 1989. This is due, in part, to the economic situation, but also to a certain loss of interest on the part of the lenders. It should be pointed out that no changes have been made to the program since 1985.

[*English*]

The bill before the House together with related changes to regulations will make the program more accessible to small businesses and will ease access to financing for all small businesses.

The program changes that are being suggested in the bill and that will follow in the regulations respond to the Prosperity Initiatives Steering Group. Its recent report *Inventing Our Future* called for easing access to capital for all sectors of Canadian business. It is precisely that request that this bill answers.

The bill does two big things. It makes credit more accessible and raises the limit. The result of the bill will be a more competitive Canadian small business sector.

As part of the program review that led up to this bill, extensive consultations were held with both borrowers and lenders and their national associations. That consultation continues. Their valuable input helped to shape the changes being recommended which follow.

I want to thank the CFIB, the CBA, the credit unions, all sorts of small business groups, associations and individuals for their help on this and members of all parties who have taken tremendous interest in this.

Here are the changes that have been recommended. First, to broaden the program's reach, the size of eligible business will be increased from annual revenues of $2 million to $5 million. It used to be that if you had sales of more than $2 million you could not qualify. The new limit is $5 million. In addition, the maximum loan size will be increased from $100,000 to $250,000.

Just about everybody we talked to argued for these two increases and they are being made in the bill. That is what got the headlines. That is what got the attention, probably deservedly so, but there is more to this bill than that.

Second, the pricing structure will be changed. It will be moved to one approximating normal commercial rates. At present we have a price subsidy which is not available to somebody getting a loan and who does not qualify under the SBLA. We do not want to do that. We do not want to have a subsidy for people who qualify under the SBLA. What we want to do is make a level playing field. We are eliminating this subsidy which is not available to non-SBLA borrowers.

Third, on the question of accessibility, this is going to be improved by encouraging lenders to promote and use the program. Without the lenders' full support, the success of the program will be compromised. There are a number of things that have to be done, first of all, the fee. The financial institutions told us, credit unions above all, with a 1 per cent fee it is almost not worth their while to do this loan, so they are going to increase the fee from prime plus one to prime and a half per cent. Also, to add flexibility for borrowers, fixed interest rates will now be permitted. That is very good news, especially for those who want to plan their debt scheduling.

It will help the financial institutions to put this bill in the window because they feel they are going to recover their costs. I talked to the CBA about this. I believe that fee is fine. They are going to market this program. They are going to train their staff, their account managers, to really put this program in the window.