

Western Economic Diversification Act

We cannot go on like this. We cannot go on and use western diversification funds for all the work that regular government Departments should be funding. If that is what the fund is used for, then it is a scam. It is misleading to call it a western diversification fund for that reason.

There is another reason that I am concerned about because one of the first drains on the fund was the Daishowa pulp mill to be built in northern Alberta. This pulp and paper consortium is one of the largest in the world. First, it received \$150,000 from the Western Diversification Office to do a feasibility study. I really wonder if one of the largest pulp and paper consortiums in the world needs to dip into the western development fund in order to conduct a feasibility study. It has the world's capital markets at its disposal. Does it really need to use this precious western diversification fund?

Also, in early 1988 the Western Diversification Office announced that it would give \$9.5 million to this pulp mill. Does it really need this kind of money? Does this really diversify the economy of western Canada?

These are questions that many of us are asking. We ask them in a certain context. I am personally aware of a number of small and medium-sized businesses in British Columbia that have made modest requests to the Western Diversification Office. The one that springs first to mind is a request by the Thompson Nicola Manufacturers Association which requested \$40,000 to enable it to provide an infrastructure to assist the 500 manufacturers in the Kamloops region of British Columbia. Was it successful in obtaining \$40,000? I am afraid to say that it was not.

I am also aware of a whole list of small businesses that have made requests for \$5,000, \$25,000, \$35,000 and \$37,000. All those requests were rejected. One gets somewhat cynical and frustrated when one considers that an international pulp consortium receives \$9.5 million but a small manufacturer in central British Columbia cannot even receive \$37,000.

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I could go on in terms of a number of the questions raised. I do want to say that the intent of this is to diversify the economy of western Canada and to assist those entrepreneurs who are interested in expanding into new areas beyond the resource-based economy of western Canada. That is not to say that we do not wish to assist in developing the resource-based economy, but this is to diversify.

I notice with interest that there have been moneys from the Western Diversification Office for soil erosion studies. Those studies will not do much to diversify the economy of western Canada. There is also money for assistance in marketing potash. We do not say that that is not a good idea, but will marketing more potash diversify the economy of Saskatchewan? I suppose one could find some indirect way to justify that, but what are the terms of reference of this particular office?

On this issue, I have to return to our friends in the Canadian Federation of Independent Business. They point out that one of the major problems of the Western Diversification Office is that it lacks a business plan. No one is certain what the framework is for its operation; no one is quite certain of what type of projects will be supported. Therefore, it has led the Canadian Federation of Independent Business and others to believe that perhaps it is used as a slush fund. If one has the right political connections, or is a large multinational, one may receive some money. If one has some good friends in the office, or good political contacts, some financing can be arranged for a business. That is not what we need in western Canada, and I would like to think that this is not the manner in which the Western Diversification Office will operate.

I wish to return to the point I made earlier regarding those people who are the engines of growth in western Canada and who make the economy work, that is, the small and medium sized businesses. When one studies the role played by small and medium-sized business in western Canada, their successes and contributions are quite amazing.

In the West the number of small businesses is growing expediently as the resource sector becomes less secure, experiences slower growth, and creates fewer jobs. The Economic Council of Canada recently reported that three-quarters of all the new jobs over the last 20 years have emerged out of the service sector, which in turn is dominated by small business.

It is a little known fact that over the 54 year span from 1926 to 1980 manufacturing output per capita in Ontario and Quebec was actually outstripped by per capita growth in manufacturing in western Canada. That is absolutely astonishing. During the period from 1978 to 1984, including the boom by the large resource industries in the late 1970s and early 1980s, businesses with less than 20 employees were responsible for 80 per cent of all net job creation in western Canada. In 1985, the most recent period for which information is available, this strong performance continued. The job growth in small firms, meaning less than 20 employees, was 64 per cent of the total new jobs in Manitoba, 66 per cent in Alberta, 76 per cent in Saskatchewan, and 100 per cent in British Columbia. This corresponds with the much smaller contributions by large industry. For example, in 1985 in British Columbia there was a 6.6 net loss of jobs by big businesses compared to the previous year.

These impressive economic achievements are driven by the entrepreneurial spirit for flexibility and change. Researchers have noted that small firms with less than 20 employees take 27 per cent less time to complete the full research and development cycle from concept to market-place. They create two and a half times as many innovations per employee.

Surveys prepared by the Canadian Federation of Independent Business has found that in typical three year cycles, three out of ten of their members changed their clientele and markets, and one out of every four businesses make major