

Improvement Loans

Mr. Deputy Speaker: Is the hon. member for High Park-Humber Valley (Mr. Jelinek) rising on a point of order?

Mr. Jelinek: Yes, Mr. Speaker. Perhaps if the minister can assure us that he will bring the bill back in the fall with an amendment intended to do the same thing that I recommended before the end of the calendar year 1977, we would be willing to have the bill go ahead with a few words on third reading. Could the minister give his undertaking that the bill with an amendment will be brought before the House before the end of the calendar year?

Mr. Marchand: Mr. Speaker, I think the record will indicate my intention.

Mr. Stan Darling (Parry Sound-Muskoka): Mr. Speaker, I am pleased to say a few words on Bill C-48. I listened with interest to the amendment submitted by my colleague, the hon. member for High Park-Humber Valley (Mr. Jelinek), and was delighted to hear the Minister of State (Small Business) (Mr. Marchand) say that the amendment will be brought in for consideration in the fall. I certainly think it merits the approval of this House because a small business loan is supposed to do just what it states—to help small business. The present legislation is supposed to help small corporations, but as I understand it, at present multinational corporations or even multi-Canadian corporations could qualify for the preferred business rates. Those particular companies would have no problem getting the necessary funds from their parent companies or banks, however.

There are certain clauses we approve of in the bill and others that we do not agree with entirely. The minister is to be commended for increasing the amount of the loan from \$50,000 to \$75,000 which, with inflation as it is, probably just means it is holding its own. The other increase is that a company can qualify if it has sales of up to \$1.5 million. The total funds available are \$600 million, which is an increase over the previous \$300 million, but although it may sound like a lot of money, when it is spread over the many small businesses in the country it will be all taken up in a short period of time.

As we are all aware, over 50 per cent of the labour force in Canada is employed by small business, and 90 per cent of Canadian business enterprises employ 100 persons or less, so this certainly covers the great majority of business.

One thing that frustrates small businesses is the amount of government red tape they have to cope with, and it also costs them a lot of money. I hope the minister will allow a tax writeoff in certain cases so that they will not have so many problems. In the past the government granted substantial amounts of money to various departments to conduct research, but most of it has gone to big business and multinational corporations where sometimes grants of \$300,000 have been made. If that were spread over small business establishments it would help a great many to improve their operating and production methods.

[Mr. Marchand.]

The Federal Business Development Bank provides large sums of money, and according to the Minister of National Revenue (Miss Bégin), it has committed \$1.5 billion at the present time. She also pointed out that the average loan had decreased to \$46,000. This shows that small business finds the Federal Business Development Bank a great help.

When we talk about taxes, reliable figures show that Canadians pay 42 per cent of the gross national product in some form of taxes collected by the three levels of government, federal, provincial and municipal. The future outlook is ominous. That 42 per cent figure will not remain stationary; it could climb to 45 per cent. Some pessimists think it could rise to 47 per cent. I hope not. I hope governments will restrain their spending.

● (1730)

Interests rates under Bill C-48 will generally be set by order in council. We hope they will be set at a reasonable level, a level acceptable to the many small businesses which will want to avail themselves of this provision. The Small Businesses Loans Act was first introduced, I believe, in 1960. It all sounded wonderful: businessmen were to get government guaranteed loans from chartered banks. Unfortunately, the chartered banks did not put up neon signs to advertise these loans; there were no newspaper headlines. Consequently, even now many small businesses do not know they are eligible for small business loans. The original intention was good; it just did not work out. Of course, with all due respect to the banks, the fixed interest rate sometimes was lower than the prime lending rate; so why should the banks lend money on that basis?

I had the privilege last Friday to question the minister in committee about these interest rates, and said in no uncertain terms that many small businesses in crying need of money have a difficult time getting money at any rate. They are turned down by the banks. I said the government should step in and make it easier for small business establishments to borrow money and speed up the process. I know of some tourist-oriented, seasonal businesses in my riding of Parry Sound-Muskoka which have a difficult time making ends meet between December and the beginning of the the tourist boom, usually in May or June, and they would willingly pay almost any rate for money. Some of them finally resort to finance companies, which charge much more interest than the banks do; but the banks will not lend these businesses money. If it were not for the finance companies some of these small businesses could be in dire financial trouble or even go bankrupt. Some people think of finance companies as gougers, as charging exorbitant rates, and so on, but forget the vital role they play in the life of small business. When speaking in committee on small business loans, I have spoken of small businessmen who want to borrow as little as \$500, which the banks will not lend them. They borrow money from the finance company at 2 per cent per month, or 24 per cent per annum. It sounds as if the finance companies make a lot of money; actually on loans that small they lose money, and when I tell people this they just laugh.