

Bank Act

place through the use of internal cash flow which can keep their smaller plants open, even if those small units are in a negative cash flow position. In many cases they have a near monopoly on prices. They can employ the loss leader concept to attract customers, be it a couch or a car, nuts and bolts, nails, or whatever. In face of this competition, some small businesses fail within a short time. The large company also has extensive lines of credit available through the banks.

Motion No. 39 would have the effect of making a specific amount of capital directly available to small businesses. Last year, 75 per cent of bankruptcies were in the small business sector; 48 per cent of big business in Canada is foreign owned, whereas 96 per cent of small business is Canadian owned. That is an important aspect of the branch plant economy in Canada. We need an effective national strategy to deal with the small business sector so that it can move beyond the terminal growth stage of the 49 to 100-employee range, up to the big business sector where it can secure lines of credit as well as developing technologies that will give us international status.

● (1610)

Only 3 per cent of small business loans last year were under the Small Businesses Loans Act. I think that really points out the inadequacy of that act and the real need for an amendment to the Bank Act to provide a much greater level and availability of capital to that sector. That capital is also only eligible for plant expansion, equipment and land assembly, which really even more severely restricts it, particularly at a time when the actual carrying of inventory is one of the greatest problems faced by small business.

Small businessmen require working capital, and this would be legislated by the amendment proposed by the hon. member for Broadview-Greenwood (Mr. Rae) and the hon. member for Comox-Powell River. Small businesses raise money often by mortgaging their real property, so what in effect is occurring is that both the owner and frequently those individuals who are working in a small business take real risks with their own personal property, and in my view, and in the view of my party, the banks have a real social and economic responsibility to make low-cost long-term capital available to small business.

Without the present amendment as proposed, small business will be forced into the private money market, which will increase costs which often cannot be passed on to the consumer. Many small businesses across the country are in a marginal state and are forced to go by the banks and into the private money sector. Adding even a few cents, let alone a few dollars, to the cost of individual commodities forces consumers again to go to larger chains which are capable of having loss leaders and major sales to move much larger bulk units and bulk quantities of goods. That thereby essentially drives the small business sector under again.

Many members of this House tend to forget that half the work force in this country is directly employed in the small business sector. The main reason that this type of unfair competition goes on in this country is that there is no option for small business to go to in order to secure the type of

financing it requires either to carry larger inventories, to expand plant facilities, to improve premises or whatever, so again it falls into a situation whereby the medium and large corporations, and particularly the multinationals, have an extremely unfair competitive advantage. This is primarily because of policies which have been passed by this House in the past.

Small business in Canada accounts for 28 per cent of the total business sales, and again that is sort of a deceptive figure. But who would be helped most by this amendment? It would be firms in operation less than two years whose profits during the past year were down 61.5 per cent, and firms which have been in operation five to ten years and which have curtailed expansion during the past year by 19.5 per cent directly related not only to inflation but also to the lack of availability of venture and expansion capital. Therefore, what we are seeing is the increased loss of young enterprises, particularly, which are going through the maximum costs of business development, which are start-up costs, plant development, inventory, advertising, travel, and time spent finding customers and so forth. The medium-term businesses which have had growth curtailed by higher cost have found it extremely hard to find capital in the past five years. Very small businesses tend to be able to weather higher interest rates, and those are the businesses with only one to four employees.

High interest rates last year, however, saw a 56.2 per cent reduction in profits for businesses with 15 to 49 employees, and those small businesses with 50 to 99 employees saw a 59.1 per cent reduction. Medium-sized business appears from these figures to be hurt worst by the problems of capital availability. These problems then allow big business and multinationals to take over in those areas particularly where medium-sized businesses get sluggish for any period of time. They are able to move in and, through a growing number of manoeuvres, take over that market, and essentially push the Canadian businessmen out of that sector.

The sectors which will receive the most support by the proposed amendment are transportation, about 25.1 per cent; agriculture, forestry and fishing, 20.7 per cent; construction, 19.9 per cent; and manufacturing, 19.6 per cent. I think we have to look very carefully at the small business manufacturing sector in this country because it has one of our largest deficits with some \$17 billion in trade deficit last year. It is an area of the economy that is seriously sagging, but there is certainly an abundance of entrepreneurs in this country who are capable of making almost any manufactured commodity that we use in our day to day lives.

Without some serious encouragement, which we have not seen in terms of any of the legislation in this present Parliament, we should certainly at least pass this amendment in order to ensure that small business has capital available at a reasonable interest rate so that we can move into that area not only in terms of affecting our balance of trade deficit but also in terms of creating more jobs in that sector for unemployed Canadians.