

Small Businesses Loans Act (No. 2)

thousands of business organizations, farmers and home owners who want to attack the government's budget. It is not easy to get any media space or attention when there are so many who want to attack the budget. We on this side can rest assured that when the hon. member returns to his constituency for the holidays he will have to contend with his constituents. I think that he will be relieved to return to Ottawa once he has had his full share of his constituents' comments.

The hon. member also referred to the consistency of our comments about the budget, and I will refer to this later in my speech by making reference to the complete lack of consistency on the part of the government with respect to the Small Business Development Bond.

The hon. member in the NDP commenced his speech by saying that he was not an economist, and then went on to prove it, sentence by sentence. When the hon. member for Winnipeg-St. James (Mr. Keeper) talked about the political situation in England, he occasionally mentioned the Tory party. However, I would suggest to the Chair that those knowledgeable about the political situation in England would have recognized that the hon. member consistently put his "Foot" in his mouth. I would say that his speech was as short in content as it was in length.

An hon. Member: Yours is real swift.

Mr. Lewis: It is a pleasure for me to speak on the Small Businesses Loans Act and its amendment. The amendment increases the maximum of all loans which may be guaranteed during the two-year period ending June 30, 1982, from \$850 million to \$1.5 billion. We on this side endorse the thrust of the amendment because of the problems facing small businesses in the economy of Canada today. There is a desperate need by Canadian business to have the financing which this government is not providing in any other way. Bankruptcies are increasing continually in this country and there is little or no action by the federal government.

The purpose of the act is commendable in that it is designed to encourage lenders in the private sector to make loans available to small businesses. These loans must meet certain criteria in order to be guaranteed, and this is specified in the legislation.

The hon. member opposite referred to some of those specifications earlier, and I would like to expand on that. Eligible borrowers must have a gross revenue of less than \$1.5 million in the year of the application. Anyone knowledgeable about the wholesale trade knows that it is not very difficult to obtain a gross revenue of \$1.5 million in any one year. This is a provision which is not amended by this act and should be reviewed in detail. Loans may be granted for the purchase of fixed or movable equipment, improvement for modernization of plants, purchase of or construction of premises and purchase of land. However, that does not include inventory financing or working capital requirements or the refinancing of existing debts, and these are the areas in which small businesses are hurting today. Small business traditionally financed its inventory by using bank financing. Today, that bank financing is

costing small businessmen a startling amount every month. Working capital requirements and refinancing of existing debts are being financed at horrendous rates which could have been greatly improved by the Small Business Development Bond. That bond would have helped small business, a subject about which I will say more later.

My experience with this legislation was gained in the field. It has not been all that good. I am not impressed by what the Canadian chartered banks do in Canada, despite the figures shown in the 1981 Small Businesses Loans Act annual report. I am not impressed when I see that the National Bank of Canada can lend \$41 million under this legislation in Quebec and the other banks can not come close to that figure. As a resident of Ontario, I wonder why the Bank of Montreal lends more money in British Columbia than in Ontario and Quebec together. I wonder what the government is doing to ensure that all small businesses receive just treatment from all banks under this legislation.

I would like to discuss the responsibilities of the banks. It is about time, Mr. Speaker, that banks started to demonstrate some responsibility in this country. What we did as parliamentarians is to set up a bank system in Canada which would ensure successful banks. Where are the banks in this time of need? What are they doing for us? I suggest that they are spectators and not as heavily involved as they could be in helping to solve Canada's problems. I suggest that they have failed the Canadian people by not using all the personnel and financial resources which are at their disposal to come to our aid. The chartered banks in Canada, with the exception of a few branches, did not act very favourably toward the Small Business Development Bond program. I suggest to you that they use the switch and bake technique and provide people with conventional loans.

I know for a fact that when dealing with the Small Businesses Loans Act, the banker who was asked about a small business loan would reach under his desk and produce a book about as thick as the stack of *Hansards* which I have on my desk here and flip halfway through it and say, "You do not want this kind of loan anyway." They use the switch and bake technique to their advantage when dealing with the Small Businesses Loans Act.

I am concerned about why the average spread between what the banks pay out on savings deposits as opposed to the prime rate which they charge has increased. It concerns me that commercial mortgages are almost impossible to get. Why have the banks received direction from their head offices to demand appraisals on fixed assets involved in loans to businesses connected with farming? Why have bank profits increased so dramatically? Why are bank branches closing down in small towns and villages in Simcoe North? When are we going to see some initiative and innovation from Canadian banks? Although a Canadian bank has not failed since the Home Bank during the 1920s, they are failing Canadians morally every day.

I would now like to deal with the legislation which was passed in Saskatchewan recently. I suggest that it is an