

*Loans Acts Amendments*

involves the increase in the limit for guaranteed loans under the Farm Improvement Loans Act, the Small Businesses Loans Act and the Fisheries Improvement Loans Act from \$25,000 to \$50,000. This is certainly an improvement. It is an unpleasant fact that as a result of inflation over the past few years, not very much can be done with the present maximum of \$25,000. Even the proposed new maximum is not very satisfactory under present inflationary conditions. One speaker this afternoon thought the maximum amount should be increased to \$100,000 and I would certainly endorse such a suggestion.

One important feature has been omitted from the legislation. It has to do with the fixing of the interest rate. The amendment moved by my hon. friend from Skeena (Mr. Howard) would have the effect of sending the bill back to committee of the whole for further study with a view to incorporating into the legislation a change in that respect. One of the most beneficial moves would be to amend the legislation so as to ensure that these loans would be available at a maximum interest rate of 6 per cent. The cost of borrowed capital is one of the heaviest charges which must be borne by any small business. It seems to me that to fix the maximum interest rate at 6 per cent would be a major factor in helping small business ventures to establish themselves or to upgrade their operations. After all, this is the over-all objective of the legislation.

I know of many small business ventures whose owners have worked year after year for almost no reward, principally because of the burden imposed by a high rate of interest on their capital loans. Many proved unsuccessful, and one of the main reasons was the excessively high interest rate charged on loan capital. The same situation is encountered in the farming and fishing industries. In my view, protection against inflationary interest rates ought to be incorporated in this legislation and I urge the House to take action accordingly. I intend to support the amendment and I trust it will be accepted by the minister. In closing, generally I would say this legislation is an improvement over the legislation now on the statute books. It is my intention to support it, and I hope it will be the will of the House to strengthen it along the lines of the amendment.

● (1650)

**Mr. Don Blenkarn (Mississauga):** Mr. Speaker, earlier I had not intended to speak on this bill, but I am prompted to do so in view of the inordinate increase in the re-discount rate announced over the weekend by the Bank of Canada. This change in the bank rate clearly indicates new government policy. It clearly indicates that the government has unveiled its contingency plan to deal with inflation, and the contingency plan is the same plan used with gusto in 1968, 1969 and 1970 in the famous war on inflation. This is the contingency plan which attacks the business community with a meat-axe, increasing interest rates across the board, raising them higher and higher to tighten money supply, without regard for who is hurt.

When the Minister of Finance (Mr. Turner) was asked today what would likely be the interest rate charged fishermen, small businessmen and farmers, he said it would have to be an interest rate high enough to attract money. Clearly the Minister of Finance has unveiled his contingency plan, the plan we have asked about for over a

[Mr. Harding.]

year. This contingency plan is Liberal tight money—Turner tight money, if you like. It is the kind of plan we are likely to see when the Minister of Finance produces his budget a month from now or maybe longer. This is why I rise today, Mr. Speaker. The problem that small businessmen, fishermen and farmers face when money gets tight is that they are cut right off because they do not have enough influence with the banks to swing a loan. You can have all the guaranteed plans that you want, but they will not get a loan.

The hon. member for Kootenay West (Mr. Harding) suggested 6 per cent loans for these people. The minister himself indicated today that interest rates will have to be high enough to attract funds. What does this mean, Mr. Speaker? It means, for the small businessman who is trying to become established, a loan under the terms of the act at 9 per cent, 10 per cent or 11 per cent. When members of the New Democratic Party talk about 6 per cent mortgage loans for housing and for small businessmen, fishermen and farmers, they are talking through their hats, because the government does not care about these people. They will let interest rates rise in order to tighten the money supply, because that is their method of controlling inflation. They tried it before, and with some success. They put a lot of people out of work but the inflation rate was lessened. I suggest this is a pretty serious meat-axe method, but it looks as though this is the contingency plan with which the country is faced.

This bill is, in a sense, an indexing bill. I am going to speak today mainly about the Small Businesses Loans Act. The original act provided for a \$25,000 maximum loan for small business: this is being increased 100 per cent, to \$50,000. In 1961 a dollar would probably have bought twice as much as today's dollar, so all the government has done is increase the limit of the loan. The existing act fixes gross revenues at \$500,000; this bill fixes them at \$1 million, double the previous amount. In other words, it is doubling legislation, indexing legislation. The bill is trying to make small businessmen, small fishermen and small farmers think they are getting something when they are not really getting anything at all.

Under the Small Businesses Loans Act there were some 2,800 loans made in 1972 in all of Canada. The minister says with pride that over 3,000 loans were made in 1973 in all of Canada, roughly 600 of which were in the province of Ontario. With the number of branch banks, savings offices and credit unions in Canada today, this amounts to much less than one loan per office. The government has not promoted this legislation at all but has placed it on the shelf. It says it is doing something for small businessmen, farmers and fishermen, but the truth of the matter is it has no intention of doing anything. The government will never tell anybody about the legislation and the government will make sure the banks never tell anybody either.

The fact that only some 2,800 loans were made in 1972 is a pretty good indication that the act has not been used to help small businessmen. No real effort has been made by the government to help small business. The provisions of the act are purely cosmetic. The government will say on the election brochures which it will be issuing in a week or so that it has done something to assist small businessmen, and their speakers will stand on platforms and say