

*Federal Business Development Bank***GOVERNMENT ORDERS**

[English]

FEDERAL BUSINESS DEVELOPMENT BANK ACT

RENUMBERING OF CERTAIN SECTIONS

The House resumed, from Wednesday, October 24, consideration of the motion of the Minister of State for Small Businesses and Industry (Mr. Huntington) that Bill C-4, to amend the Federal Business Development Bank Act, be read the second time and referred to the Standing Committee on Finance, Trade and Economic Affairs.

Hon. Ron Huntington (Minister of State for Small Businesses and Industry): Mr. Speaker, I am very pleased that the government House leader has seen fit to bring Bill C-4 back into the House. For those hon. members who are interested in this bill, I refer them to *Hansard* of October 24 at page 586 where I introduced a summary of the Federal Business Development Bank, and just to get back into the mood I shall quickly run through a few highlights of that summary.

I pointed out that there were nearly 38,000 customers today with \$2.1 billion outstanding, that the bank was approaching its \$2.2 billion lending ceiling, and that was the reason for Bill C-4 being brought in with some priority at this time. I pointed out in those introductory remarks that we were currently lending \$75 million per month on average and that the average loan was just over \$50,000, representing some 1,500 Canadian businesses per month. One of the key points I was making in those remarks was that if this amendment is not passed by the end of the year, the Federal Business Development Bank will only be able to lend an amount equal to the repayment of existing loans. This would cause the bank's loan approvals to drop to about one-third of their current level, so that only 500 rather than 1,500 small and medium-size businesses would be assisted.

There were a few other comments which described the bank's growth, and I refer hon. members to *Hansard* at page 586 for that background on this very important government institution.

With your permission, Mr. Speaker, I will carry on with my prepared address from where I left off at page 587 of *Hansard*.

A sampling of urban versus rurally located businesses discloses that the focus of the bank's lending activities in the more remote areas is quite profound. In major metropolitan areas such as Toronto and Montreal the level of support provided by the Federal Business Development Bank is considerably below the national average, whereas in smaller communities as many as one-quarter to one-third of the business enterprises are clients of the bank.

The Federal Business Development Bank has succeeded in extending its services to small towns and rural and remote areas which might otherwise be deprived of investment capital. By injecting financing for start-ups and expansions and services to strengthen business management, the bank combines with private financial institutions and other government agencies to build a business community with greater strength and

diversity all across Canada. The FBDB has thereby provided a positive federal contribution to the economies of many small areas, a contribution which is significant both in relation to private capital markets and other federal economic programs.

Hon. members should be aware that there is a changing need and role for the bank. It is entirely possible that some of its functions can be moved to chartered banks, particularly with the possibility of more competition in that field. I would therefore like to offer a few words about the bank's changing sectoral coverage and emphasis.

Up to 1961 the bank's lending activity was restricted to industrial enterprises. However, in 1961 amendments to the Industrial Development Bank Act removed all restrictions as to the type of business to which the corporation could lend. This broadening of eligible enterprises was intended to enable the bank to play an increasingly useful role in the future of assisting private enterprise to provide more employment and develop a stronger, more productive and more flexible economy.

By 1979 the bank's portfolio has evolved to a position where the manufacturing, trade and tourism sectors each receive about 25 per cent of the dollars of the new loans which the FBDB approves annually. This shifting emphasis has in no way been at the expense of manufacturing and, in fact, loans to manufacturing of some \$50 million in 1970 amounted to \$158 million in fiscal 1979.

● (2010)

For a variety of reasons, it is not surprising that the trade and service sectors would absorb a larger share of FBDB financing. Since 1961 these sectors have accounted for almost all of the growth in employment in the Canadian economy and have consequently demanded a greater share of business financing than manufacturing. The expansion of the bank's delivery mechanism has mainly taken place in areas which do not have a strong manufacturing base and whose business enterprises are service oriented. Many of these types of businesses, because of their remote location, seasonal nature, and the character of the assets offered as security, etc., are not attractive to conventional sources of financing.

Changes in legislation and the bank's organization, combined with economic developments in recent decades, as well as the manufacturing and bricks and mortar bias of provincial agencies and institutional lenders respectively, have all contributed to the shift in the composition of FBDB's clientele.

In addition to giving equal consideration to all approaches for financing regardless of the amount, there is also implicit in the bank's role the concept of a willingness to entertain greater risks. As the bank gained experience and more conventional sources have moved into the term lending field, it was logical that the character of the FBDB's business would become more and more venturesome.

A comparison of a significant sample of loans made in 1973 to those authorized in 1978 reveals the following shift in the bank's lending characteristics. In 1973, 52 per cent of loan approvals appeared to be covered dollar for dollar or better by