

Do you know, Mr. Speaker, that more than one in five businesses provide collateral coverage that is three times or more their loan amount. Personal collateral is often required and this most certainly is the case for smaller, newer companies. The collateral requirements, as I said, have always been higher than for larger firms. In fact, the figures show that 85 per cent of small firms provide collateral security, while one-half of those must pledge personal assets.

We often see a situation where the small proprietorship or a small family corporation, with a husband and wife and maybe one or two employees, in order to get business having to go to the bank. As I say, 85 per cent go to the chartered banks, and essentially they have to put up everything they own. The banks do not look solely at what the cash flow is. They want the collateral position.

They want to have someone to fall back on, so that even if we have the case where the cash flow situation can be proven in the small business, that is not good enough for the banks. The banks want their almost three to one ratio. That puts the small person into a lot of difficulty because if they do need some money for personal emergencies, their home is tied up, their vehicles are tied up, everything that they own is tied up. They have got nowhere to turn for any additional security.

It is interesting to note that the statistics also show us that one in five small businesses are rejected in their request for funding by the chartered banks. That is outrageous. Something has to be done in order to help these people in ensuring that their business is viable.

Then there is the problem that the small businesses have with the interest rates. I think if anybody has ever dealt with a bank they automatically start with something like 3 per cent over prime. They negotiate with the bank to try and get that interest rate down. Of course the prime rate, as we well know, is up and down like a roller coaster. There is no security for these small business people. They do not know from one day to the next or from one year to the next whether in fact their business is going to be viable because of the debt load that is placed on them from start-up.

Statistics show us that one in five small businesses pay an interest rate of over prime plus 2 per cent, with the average interest rate charge being 1.23 per cent over the prime interest rate. The newest and smallest firms, the

### *Federal Business Development Bank*

ones that are starting up, face the most difficulty in obtaining financing. It is interesting to note, Mr. Speaker, the discrimination against women that we see in the banking community. It is clear that a woman has less chance of getting a loan from a chartered bank as a business person than does a male.

**An Hon. Member:** Discrimination.

**Mr. Whittaker:** There is rank discrimination and there has been for years. This can be addressed by the Federal Business Development Bank by making no distinction between the sexes. Regardless of gender, that person should be able to get a loan to start up a small business if they can show that the business is viable. They should be given the assistance in order to make sure that that business is a viable business before setting it up.

As a lawyer I can tell you that small business runs into more red tape and more paperwork than anybody else applying for loans. Because of all of the collateral requirements, these businesses must put up chattel mortgages, mortgages, give assignments of book debts, and the reams of paper are enormous. I have seen a stack for a small business person getting a loan of something like \$60,000 that would choke a horse. It was approximately six inches deep. That person had to sign them but they had to go to a lawyer in order to get all of those documents interpreted, and often had to go to an accountant. The cost to the small business person in starting up is enormous, and all of these are artificial costs. The Federal Business Development Bank in granting loans often charges up to 2.5 per cent as a commitment fee. I say that that is nonsense. They should be there to help the small business person, not grab from the small business person. It is unconscionable that they would put themselves into that position of dipping their hands into a pocket that is already empty. They should be out there for the small business person. They should not be taking money from them.

I could go into another factor that is involved but I will not at this stage. What I would like to do is suggest that small business should be encouraged by the Federal Business Development Bank with lower stable interest rates to fuel jobs creation within the small business community. This would encourage economic growth in all regions of the country. We should reduce unnecessary forms and red tape that are so time consuming for the small business person. We should ensure that there are