

Small Businesses Loans Act

Let's assume for the sake of the discussion that the bank in question is the Royal Bank of Canada. The Fisheries official then requests of the Royal Bank information in relation to the lending period in respect of which the loan was issued and the amount of money that the bank has received under the guarantee in that same lending period.

If the amount received by the bank is under the limit that it has been assigned under the guarantee, the Government of Canada would then issue a cheque to the Royal Bank of Canada for the balance of that loan. However, if the Royal Bank of Canada has gone over the limit established in the Fisheries Improvement Loans Act, the federal Government then takes the position that the guarantee no longer applies.

In that circumstance, the Royal Bank is not going to sit back and accept the loss of two-thirds of the loan. It would only do that where it is a default on the part of a lender from another country. The bank, in that circumstance, will then go after the borrower for the balance of the loan. It will turn around and say to the fisherman: "You took out a loan with us which went into default, and we were only able to recover one-third of the amount of the loan from the sale of your gear. Because we have gone over our limit under the Fisheries Improvement Loans Act, the federal Government refuses to pay us the balance under the Fisheries Improvement Loans Act guarantee. As a result, we have to collect the balance from you. Either you pay up in 30 days, or we put an attachment on your property; we put an attachment on your home. We want the money now. We want the cold hard cash."

And the letters go out. In one case, there was a demand for \$20,000; in another case, \$30,000; in another case, \$50,000; and in another case, \$60,000. All of these individuals are making payments now as best they can, under whatever arrangements they could make with the chartered banks. All of the chartered banks are now doing this, every blinking single one of which is covered under the Fisheries Improvement Loans Act. In all, they are collecting from some 1,500 fishing enterprises in eastern Canada. As to how many there are in British Columbia, I do not know. I imagine there are quite a few.

The Government of Canada could have extended the guarantee. In light of the hard times in the fisheries sector over the last three years, it could have decided to extend the guarantee to cover all loans. But no such action was taken. We had a Progressive Conservative Government in power.

An Hon. Member: Bad news.

Mr. Baker: This Government refused to cover the loans. It took the position that it was no fault of the Government's that the banks had surpassed their limits under the guarantee. So, it chose to do nothing. In fact, it now brings in this Bill, doing away with the entire Fisheries Improvement Loans Program.

I come back to the question: What, for goodness sake, is in this Bill? This Bill says that one can get a loan under the Small Businesses Loans Program if one does not have a

guaranteed loan under the Fisheries Improvement Loans Act. How does the fisherman know whether or not his loan is guaranteed under the Fisheries Improvement Loans Act unless he defaults? The Bank will not tell him whether or not it is guaranteed. The bank itself does not know until he defaults and a claim is made. There is no such thing as a guarantee. What is contained in the clauses of this Bill, Clause 2, Clause 3, makes no sense at all.

• (1610)

How do we, then, arrive at the amount of money? If a gentleman goes into a bank and asks for a \$50,000 loan, the bank takes out the Act and says, "Do you have any guaranteed loans under the Fisheries Improvement Loans Act?" The fellow says, "I don't know". Then he is asked with which bank he was dealing when he got his gear, whether it was the Bank of Nova Scotia or some other bank, and then he is told to check it out because they do not know.

If nobody knows whether it is guaranteed, if the person does not know whether it is guaranteed until he defaults, and if he does not know whether he will receive his payment until he defaults, how can it be in the Act?

I would like an answer to that very succinct question.

Mr. Valcourt: Madam Chairman, I do not know whether I have the time to explain all the details of the Act to the Hon. Member. He seems to believe that the loans made under the Act are not tracked down. When a loan is made it is registered, and when it is registered, it is considered to be a guaranteed loan under the Act. If there is default and if it has met the criteria established by regulation, which the bank has, it will be covered in the case of deficiency.

The Hon. Member seems to think that this is only triggered in the case of default and that there is no tracking beforehand. There is, and this is why, at a given point in time, the Department can tell the banks to stop, that they have reached the limit of guarantee, not of defaults. When we look at the defaults under the Act, we see that there is very little. The Department can inform the bank that the limit of guarantee has been attained. This is because they are being tracked, and that should provide the Hon. Member with his answer.

Mr. Gagliano: Madam Chairman, as I indicated to the Minister in second reading, I have a few amendments to propose. Before doing so, I would like to indicate that the old Bill has a 100 per cent guarantee and that under the Small Businesses Loans Act there is an 85 per cent guarantee. Perhaps the Minister could assist me before I put my amendments, because there is no specific paragraph or clause in Bill C-63 which mentions the difference between the 100 per cent guarantee and the 85 per cent guarantee.

Mr. Valcourt: Are we on Clause 3, or can the Hon. Member deal with any section of the Act?