

*Government Orders*

finally gave up and went to the United States where there was capital, resources and an invitation waiting, all that was necessary to make it a marketable product. These are sad stories, sad because they tell of a loss to our country not only of the product, but more important, the loss of the people who took what they had and left.

The Small Business Loans Act was an initiative by the federal government in 1961 to help remedy this situation. By and large this has been a successful intervention by the government. The Small Business Loans Act has provided a 90 per cent government guarantee to banks, credit unions and other lenders that make loans to small business people. Loans that are properly made and placed under the umbrella of this act will not be a write off to the lender if they are not repaid.

The Small Business Loans Act guarantees loans made to small business interests that qualify. There is an interest by government for which I want to offer some congratulations in supporting this sector of our economy. Today about \$6 billion in loans to small businesses is guaranteed in this manner. Under these proposed amendments to the act, the amount of money available with this government guarantee would substantially increase.

However, in the real world where not everything works out or goes quite as planned there are some aspects of the Small Business Loans Act that do need updating from past experience. There need to be corrections; there need to be some changes.

The amendments brought forward in Bill C-99 are being proposed by the government. One of the problems the government faces is there is about a 5 per cent failure rate in these guaranteed loans. Estimates are that without some means of recovering these losses, this loan guarantee program could cost the government in the order of \$100 million each year which would be an unacceptably high cost. To its credit, the government is proposing amendments to the act to rectify this problem.

One amendment would reduce the size of the loan guarantee from 90 per cent to 85 per cent. In this move the government quite properly is telling the money lenders that they have to bear some of the risk in lending to small business enterprises. This should not make a significant difference in the willingness of lenders to make loans under the Small Business Loans Act for in many instances, lenders have already said that they are including fully secured loans under this act when it is hard to explain why this need is there.

A second amendment which I support is the establishment of a 1.25 per cent annual administration fee that can be passed on to the borrower in the interest rates that are applied. It has already been said that this would increase the premium on the interest rate to about 3 per cent, which is significant. After listening to people looking for capital, it seemed to me that more often it was

not the interest rate which was so important to them but the fundamental access to capital which they needed.

• (1720)

It is my opinion that it is completely in order for the borrower to bear some of the cost of this guaranteed loan program. The borrower is perhaps the one who will benefit most from it. When the lenders are competing with one another for loans, the interest rate is always a negotiable matter. Therefore, when competition is keen and the lender really wants to get the money out into the marketplace, the borrower may get the benefit of a loan interest rate which is significantly lower. I do not have the same difficulty with this amendment as do some other members of the House.

A third amendment which Bill C-99 would make to the Small Business Loans Act would allow a borrower who has repaid one-half or more of the loan to be released from the personal guarantee held by the lender. This would not leave the loan unsecured by any means. The collateral and physical assets held by the lender would remain in place until the loan was repaid.

Often a loan is made to a partnership and over time the partnership may dissolve. In an instance such as this, where a former partner is no longer part of the business, there may not be a strong desire to stay and there also may be a serious financial need to free the guarantor of the burden which he has taken on. These amendments would conditionally allow that to happen. They would also allow a borrower in some way to separate his or her corporate and personal interests.

My interest here is not to add more burden or more risk to the government. Far be it from that. However, with the withdrawal of the personal guarantee, the borrower is free, which allows more opportunity for the expansion of business and of commercial activity.

There is an amendment regarding a claims processing fee which is troublesome for me in that it is poorly defined. How would it be implemented? When would it come into place? These amendments need careful attention and further revision before they can be supported.

Bill C-99 has one essential flaw. The bill gives the Minister of Industry the power to make future regulation changes without the consent of Parliament. The Minister of Industry will argue that this transfer of power allows the department to act more expeditiously in response to the rapid rate changes of the financial markets.

Parliament could transfer every policy change away from the elected members to senior bureaucrats and ultimately to cabinet ministers. Then we would not be called a democracy, would we? This trend by the Liberal government is a very serious challenge to the authority of Parliament.