

Government Orders

[English]

Obtaining financing for small business is always a challenging task. I have expressed my concerns in the House this past year about the limit to credit that has been perceived for small business in this country.

This morning I met again with the Canadian Bankers' Association to press the point home to them about how important it is in this period when interest rates are low to do everything we can to extend credit to small businesses, and to as many of them as possible.

This particular piece of legislation helps us do that because it is a government guarantee bill that helps small businesses obtain much needed capital. The SBLA program makes debt financing more readily available for the purposes of establishment, expansion, modernization, or improvement.

In practical terms this program provides loans for the acquisition of fixed assets such as land or buildings, machinery and equipment, leasehold improvements, and even some computer software.

Thirty years ago at the inception of this program which was put into place by the previous Conservative government under John Diefenbaker, the maximum loan size was set at \$25,000, a large amount at that time.

While this amount was appropriate at the time inflation over the years eroded the dollar's purchasing power and so amendments to the act raised the loan ceiling to its present maximum of \$100,000.

Now, as part of the government's continuing commitment to the small business sector, the Minister of Finance, through Bill C-76, is recommending to this House that the SBLA be amended to further increase the loan ceiling to \$200,000.

This is an important change and one that has been requested by the small business community and by financial institutions.

As a result of Bill C-76 financial institutions will have the flexibility they need to meet the credit requirements of the small business sector in general and in particular growth companies, that segment of the small business community that presents the most challenge to financiers.

The present ceiling contained in the act, which is \$100,000, is generally sufficient to respond to credit needs of new small businesses. With smaller operations, owner equity and family or friends investing in the business, start ups generally require loans in the \$30,000 or \$40,000 range. Indeed the average loan under the program is \$38,000, with a significant number of them under \$20,000.

Nonetheless, a significant number of start-up operations do require more capital and this bill will make it available to them. Even more important, the change we are proposing recognizes the risks inherent in expanding a business operation, risks well known to financial institutions which tend to reduce their willingness to lend. Purchasing technology, expanding plant operations or exploring export opportunities all cost money. This puts pressure on the balance sheet that the small, early stage business is not equipped to deal with.

Without an immediate growth in sales to offset the capital expenditure cash flow suffers and the growth phase can stall. Here is where this program steps in and helps meet that problem. With this program amended to guarantee loans up to \$200,000 the short-term impact on the financial operations is reduced and the business can then concentrate on taking advantage of the expansion to service the additional debt. In this way the SBLA can act as a bridge between business phases ensuring a smooth growth period for small and medium-sized enterprises.

As is presently the case, the financial institutions will be required to impose a normal business regime with respect to the granting of credit under the program. This process, combined with a normal monitoring of the program by ISTC officials in Ottawa, will ensure there is no change to the normal government liabilities associated with the SBLA.

Members who have heard me speak on the issue of small business financing will have heard me focus not so much on debt, which the SBLA addresses itself to, but on equity as the key capital concern of small business. I have focused on the need for equity.

I would not want members to get the impression that by focusing today on this particular debt instrument I have changed my views. I have not. I continue to hold the view that access to equity is the most important issue for