

Small Businesses Loans Act

of \$2.5 billion. But those who were turned down by the lender, they were not guaranteed. But those which have been registered and which comply with the regulations and the Act are guaranteed and they cannot be affected by a subsequent reaching of the limit under the Act or the regulation.

I hope that I am clear on this.

Mr. Baker: Under the old Fisheries Improvement Loans Act, which the present legislation will replace, a fisherman could receive a \$150,000 loan. Under this legislation he can receive only a \$100,000 loan. Does this mean for all fishermen who have, as the Minister puts it, loans under the Fisheries Improvement Loans Program, that now they have reached their limit and they can no longer get a loan under this legislation?

We have the best drafters of legislation probably in the world. It is not the drafters who are at fault. It is the people who fed them the information who are at fault, the policy-makers. There is no such thing as somebody who has a guarantee under the Fisheries Improvement Loans Act. There is no such thing as going in to a bank and getting a guarantee in writing under the Fisheries Improvement Loans Act. There is no such animal alive in the federal Government. There is no such thing.

The Fisheries Improvement Loans Act covers the banker. If there were a slip of paper that showed that a fisherman had a guarantee under the Fisheries Improvement Loans Act, then I would take all of those fishermen now into court and sue the Government of Canada for not respecting its guarantee. The reason they cannot do that is because the Government of Canada says that it guarantees the banks up to a certain limit of pay-out.

● (1600)

Beyond that, all of the bad loans made by the banks are no longer guaranteed by the federal Government, and the federal Government will no longer make the payments to the bank. The result is that there is no fisherman who has his loan guaranteed under the Fisheries Improvement Loans Act.

How would one know whether a loan was guaranteed under the Fisheries Improvement Loans Act? If you go to the banks and ask for the number of loans guaranteed under the Fisheries Improvement Loans Act, they are unable to tell you. They would not know which loans were guaranteed. If there were two loans, one taken out 10 years ago and one taken out 5 years ago, both in default, whichever loan went into default first would be covered under the guarantee, and only provided the federal Government has not already paid out the full amount under that guarantee. So, there is no one who is guaranteed under the Fisheries Improvement Loans Act in respect of any loan at any chartered bank in this country.

How do we tell someone that they qualify for a loan under the Small Businesses Loans Act because the limit under the Fisheries Improvement Loans Act has not been reached?

There is no such thing. There is no such thing as a guarantee under the Fisheries Improvement Loans Act because one does not know whether it is guaranteed until it goes into default, and it is then only guaranteed if the banks have not already collected from the federal Government the limit it sets on those guarantees. In other words, there is no such thing as a fisheries improvement loan that a fisherman has that is guaranteed by the federal Government. There is simply no such thing.

Each individual bank, under the Fisheries Improvement Loans Act, has moneys that it can put out by way of loans to fishermen; but if a given bank puts out beyond 10 per cent of the total amount allocated for such loans and there is a default in excess of the limit that it has, then the loans are no longer guaranteed by the federal Government.

When a loan is taken out, the fisherman does not get a sheet of paper saying that his loan is guaranteed by the federal Government. If they had that, I could then say to all of the fishing enterprises in eastern Canada which have received letters saying that their loans are no longer guaranteed that they would have another remedy. These enterprises have simply received letters from the banks saying that the loans that are outstanding are no longer guaranteed because the banks have surpassed the guarantee level.

If I had a sheet of paper setting out that fisherman X has a loan guaranteed under the Fisheries Improvement Loans Act, I could then sue the federal Government on the basis of that guarantee.

Mr. Valcourt: Sue for what?

Mr. Baker: All of those 1,500 fishing enterprises could sue the federal Government if they had such a piece of paper. If they have in their hands a piece of paper saying that their loans are guaranteed and the bank turns around and demands payment now because they are no longer guaranteed by the federal Government, they could then sue.

Mr. Valcourt: Sue for what? They are the borrowers.

Mr. Baker: The Minister has asked a very interesting question. Perhaps I can explain it to him.

An Hon. Member: Good luck!

Mr. Baker: In the case of a fisherman who took out a bank loan for the purchase of fishing gear and the fisherman then went into default on that loan, the bank could move in and seize his gear. Because of the bad year in the fishery, the fisherman cannot make the payments. He has no choice but to let the bank take the gear. The bank would then put that gear up for sale, and the proceeds from the sale may only amount to one-third of what it is owed. In that situation, the bank then goes to the federal Government and requests, under the guarantee, the balance of the loan outstanding. In other words, the banks make a claim under the Fisheries Improvement Loans Act.