[*Translation*]

Mrs. Pierrette Ringuette-Maltais (Madawaska—Victoria, Lib.): Mr. Speaker, I thank my colleague for his remarks. Bill C-99 is obviously another example of the way our country is constantly changing. The government cannot create employment as such, but we have a responsibility to create a suitable environment for the development of small and medium size business in Canada, right across the country, from Atlantic to Pacific.

I consider the bill to be a responsible way to meet our obligations to the people of Canada, including the people of Quebec.

[*English*]

Mr. Alex Shepherd (Durham, Lib.): Mr. Speaker, I am pleased to speak on Bill C-99, an act to amend the Small Business Loans Act.

I believe it is the responsibility of governments to create an environment in which businesses can flourish. This is where most of our jobs will be created. On the history of job creation in Canada in the last year, 90 per cent of all new jobs have been created by small and medium size business. It is interesting to focus on this because this is small business week. Of these 200,000 jobs, one-quarter were created in the province of Quebec; 48,000 new jobs were created by small and medium size businesses.

• (1550)

I talked about creating an environment in which these businesses can flourish. There are two aspects that create a stable environment in which small and medium size businesses can flourish and be effective in their operations of creating new and challenging jobs for a new generation of Canadians.

These two areas are access to capital and access to stable markets. The area of access to capital deals pretty much with the meat of this bill. We have been told time and time again by some of our critics that we must make government more efficient, that we must find ways of cutting costs.

The bill recognizes the federal government was in the position of picking up bad debt losses created by lending practices, lending to some of these businesses which obviously failed.

There is nothing unusual about that. It is not a calamity. It is not a disaster. The loan loss rate within that program was somewhere between 2 per cent and 4 per cent. This is quite normal in the banking industry.

Basically the Small Business Loans Act attempts to create a federal government guarantee which encourages financial institutions to lend to small and medium size businesses.

Some may ask why these institutions do not do it without the guarantee. Most of these loans were for capital projects. Our financial institutions for a variety of reasons have become very much short term lenders. They lend on the strength of things like accounts receivable and inventory, things they believe they can quickly liquidate.

When a small business is setting up it needs manufacturing equipment, possibly delivery vehicles, whatever the case may be, equipment that has a long and useful life, but it also clearly takes a long time to pay off a loan based on the income flow from that.

Banks have not always been as active as perhaps they should. Small or medium size businesses, which are sometimes emerging businesses, also have instability to some degree in their financial records.

Quite often banks, being very conservative lenders, are looking for a long track record. Our emerging industries today do not necessarily have a long track record. Consequently they may have one or two-year financial statements and so forth but the banks are very cautious. They would rather lend to governments than to businesses.

It has been necessary for the government to recognize there are inequities within our capital markets and create a program that will attract financial institutions to lend to small businesses to get them established and create jobs.

It is no small miracle that the government can claim some responsibility for these 200,000 new jobs created in Canada in just the last year because at the same time we have witnessed the increase in the small business loans program. This program lent $500 million prior to 1993. That moved up to $2.5 billion in 1993-94 and to over $4 billion in 1994-95. That kind of tremendous growth shows the demand in the small business sector for this kind of lending.

• (1555)

If we take our loan loss provisions of 2.5 per cent roughly and move them through that increase in volume we will see it is possible the government could be facing loan losses of $100 million.

What has the government done? It has recognized what it should do, not unlike what any financial institution would do, and build that cost into the lending provisions. Essentially it has created a fund as part of the application fee, a new 1.5 per cent fee added to the cost of borrowing this money and then it is spread out over the term of the loan in order to provide for as much as $100 million of loan losses.