

Small Businesses Loans Act

have to kowtow to the banks which seem to have as much power over the Government as do the railways.

• (1120)

Having said that, I can tell you, Mr. Speaker, that we in this caucus will be happy to support the Bill in its new form in order to allow the Minister to get things rolling out there in the small business community.

[*Translation*]

Mr. Alfonso Gagliano (Saint-Léonard-Anjou): Mr. Speaker, the proposed 85-15 risk sharing amendment to the Small Businesses Loans Act, a motion deemed unacceptable by the Speaker, is an irresponsible proposal. The amendment would make it possible for financial institutions to refuse to lend to small businesses unable to put up the requisite collateral for the 15 per cent being guaranteed by the banks.

The Minister of State (Small Businesses) (Mr. Bissonnette) thinks he made a good deal by amending his own Bill.

All Members of this House agree that the Small Businesses Loans Act is a popular piece of legislation that makes it possible for thousands of Canadian entrepreneurs to renew their equipment and facilities by borrowing at reasonable rates, since this kind of loan puts less pressure on their available margin of credit than an ordinary loan would, as the present legislation guarantees 100 per cent of the loan amount.

Thousands of young Canadians have taken advantage of this legislation to start their own businesses. Without the Small Businesses Loans Act, they might have swelled the ranks of our one million and a half unemployed or added their names to a long list of welfare recipients. Thousands of women starting their own business for the first time would never have had this opportunity without the Small Businesses Loans Act. Thousands of Canadians who lost their jobs during the recession have gained enough confidence to create employment for themselves and for many members of their communities, thanks to the Small Businesses Loans Act.

A number of important witnesses appeared before the Standing Committee on Regional Development when it was considering Bill C-23. Mr. Al. Droppo, Director of Public Affairs for the Canadian Bankers' Association, said the following before the Committee on March 19 of this year, when explaining the implications of the 90-10 risk sharing measure, and I quote:

[*English*]

Regarding the 90-10 risk sharing feature, it is, of course, self-evident that this change will inevitably result in a marked increase in cost to the lenders because of additional loss write-off.

It continues:

—it should be recognized that transferring additional risk to the lenders will result in some reduction in the volume of loans approved.

[*Translation*]

It is therefore obvious that the 85-15 risk sharing now being proposed by the Minister will reduce the volume of loans approved even further. Mr. Speaker, it is clear that Clause 2 as amended by the Minister goes against the intent of the Act itself, which is to help develop small businesses.

Mr. Speaker, a loan under the Small Businesses Loans Act covers 80 per cent of the purchase cost of buildings and materials. Since 20 per cent is paid by the entrepreneur, and from now on, the borrower must put up collateral for 15 per cent of the loan because of the 85-15 arrangement with the Government, this means he has to invest 35 per cent of the amount before even buying his inventory or looking at funds for salaries, and so forth. Unless this new business person is a millionaire like the Hon. Minister, he will never be able to start a business.

Mr. Speaker, that is why we are against Clause 2, which hinders instead of helps small business development.

Mr. Speaker, the same day, at the Standing Committee on Regional Development, we heard Mr. Geoffrey Hale of the Canadian Organization of Small Business say the following, and I quote:

• (1125)

[*English*]

These loans create approximately three jobs apiece, plus or minus 10 per cent. In the present economic climate, any significant reduction in the incremental lending under the SBLA program is unlikely to be made up by private sector financial institutions.

[*Translation*]

Mr. Speaker, according to the information given by the Minister of State (Small Businesses) and Mr. Hale's statement, 285,954 jobs were created between 1978 and 1983, at a cost of less than \$200 per job. If we consider the number of loans, 95,318 × 3 jobs, and divide that by \$47,745,234 in benefits paid, we get exactly \$166.97—one of the cheapest programs going, especially when the program creates jobs.

Mr. Speaker, finally, if we adopt this Bill with the 85-15 clause, we run the risk of a 15 per cent reduction in employment, something we cannot afford with an unemployment rate of around 11 per cent, and that is why I want to propose that this clause be dropped.

Nevertheless, Mr. Speaker, this morning we have shown our good faith, and although we do not agree with the changes, we are prepared to adopt this Bill, because even if a substantial number of loans will be lost to small business, it is still better than nothing. So even if we do not agree, we are going to help ensure that the legislation will remain in effect and that, as of April 1, we will still be able to provide loans for small businesses.

[*English*]

Mr. George Baker (Gander-Twillingate): Bill C-23 will mean that less loans will be granted by the banks in certain