This kind of amendment takes away the right of parliamentarians to represent their people on the floor of this House. That is wrong. It is wrong in principle. The time has come for us to take very strong exception to this kind of amendment.

We all know that within the platform, the philosophy, and the principles of the Reform Party of Canada we stand for precisely the ability to represent our people. We want more free votes in this House. We have had some examples of free votes in this House, and the government is to be commended for those few instances. However, the government is to be severely chastised for those moments when its members did exercise their free vote and were punished for doing so. That is a fault, a blemish on this government's record in terms of its democratic principles and the application of democratic decision making.

• (1615)

We talk about a referendum. There are certain instances when every person in Canada should exercise their right directly and immediately not only at the time of exercising a ballot in favour of a particular person but also in favour of major social, ethical or moral issues on which they feel very strongly and about which the majority should decide what the issue in Canada ought to be.

One which has been well publicized is capital punishment. We go on from there as well. There is the other place, the Senate of Canada, and we believe there is also responsibility that it be democratized; that the individuals who sit in that chamber to provide and exercise sober second thought be elected and that they fairly and accurately represent the various regions of Canada so there can be fair representation not only by individuals but by the various regions of Canada as well.

Therefore within that framework of deep philosophic orientation we oppose the provision in this bill which would amend the act in such a way that the power moves from the House of Commons, the Parliament of the country, to the cabinet.

Another provision is the application of an annual fee of 1.25 per cent to the administration of a loan, the outstanding balance, paid by the lender. It is very interesting how this fee is to be administered. It is to be paid by the lender and the lender may not recover the cost of that 1.25 per cent except through an increase in interest rates.

It is interesting what the act does. The earlier limit on the interest rate was 1.75 per cent above prime. The amendment proposed says the new limit is 3 per cent above prime. It does not take a mathematical genius to add 1.75 and 1.25 and come up with 3, which now means very clearly that the bank or any lending institution may increase its interest rates 3 per cent above prime and thereby recover its full 1.25 per cent. That is what this provision is.

Another provision provides for a claims processing fee. When we ask the various department officials how much that fee will be, when will it be applied, under what conditions will it apply, will it be a standard fee across any loan, will it make any difference, they say they do not really know because they have not yet decided whether they will apply such a fee.

Why does the act have this provision in it? They might want to recover certain costs associated with claims. That is very interesting but it begs the question of what kinds of conditions must a lending institution meet in order to avoid being assessed a claims processing fee.

There is absolutely no provision in the act that would suggest the parameters, the guidelines, the details under which a claims fee would be applied. It is dangerous when we have open ended legislation of that kind when nobody knows how much, nobody knows under what conditions, nobody knows under what guidelines it will be applied.

I was absolutely astounded when I read this. When we got the briefing, it sounded very different. When I went back to the actual act I discovered that really the slant was quite different. I want to read this exactly as it is written. Section 4(1)(e.1): "The minister may prescribe the terms and conditions on which a lender may release any security, including a personal guarantee, taken for the repayment of a business improvement loan".

• (1620)

We were told in no uncertain terms that this dealt with guarantees, the actual phrase being personal guarantees. I can see where a small businessman getting started who becomes a little bit desperate will actually provide a personal guarantee. He will say: "Here is my house and my personal effects. I will stand good on a personal basis for this part of the loan". When half the loan is paid the lender says he will now take the personal guarantee away.

That is only one small part. It includes the release of any securities, which includes anything else. It could be a facility, a building, equipment, land, a variety of things. If there is a loan outstanding of $250,000 and half of it is repaid, that is a $125,000 liability. If at that point the lender can now release security, where is the security left for the balance of that loan? I can see the understanding that it goes to the personal guarantee because the building is probably worth the $125,000, but if the lender cannot take that off too and the act allows him to do that then I ask myself what kind of protection there is for the Government of Canada on the hook for the guarantee of 85 per cent of that loan.

So much for a review of the particular provisions. There are some issues we should be aware of. I referred earlier to the Haines–Riding study from Carleton University in Ottawa. It makes some very interesting observations. I think we should go back into history a little. The Small Business Loans Act up until this point had a ceiling of sales of $2 million; in other words, a