

Small Businesses Loans Act (No. 2)

Loans are made directly between the borrower and the lender without any approval of the government. Loans must be secured and may be payable over a period of up to 10 years. The maximum of all loans outstanding to any one borrower at any one time cannot exceed \$100,000. The maximum interest charged on these loans is the bank prime rate, plus 1 per cent.

● (1610)

It is of little surprise, then, that the Small Business Loans Act has been met with approval and success. Between January, 1961 and June, 1981, more than 91,000 applications totalling \$1.7 billion have been made. These are loans which have been guaranteed by the Canadian government and which have been used to purchase fixed and movable equipment, new premises, to modernize existing facilities or purchase land for the operation of a business. Without the Small Businesses Loans Act, many of these ventures would not have existed. Either the small businesses involved would not have been able to secure loan financing, or they would have been discouraged from entering into such ventures.

The bill which the Secretary of State for Small Businesses and Tourism (Mr. Lapointe) has just introduced into the House simply allows the total amount of small business loan guarantees to be increased from \$850 million to \$1.5 billion. This enables the benefits which small business ventures bring to the Canadian economy to be promoted and enhanced.

In the first six months of this year, January, 1981 to June, 1981, 8,894 loans totalling \$253 million were registered under the Small Businesses Loans Act. This compares to 7,215 loans, totalling \$170 million, during the same period in 1980. This increase of 23.3 per cent in numbers and 48.6 per cent in dollars shows the increased demand of Canadian small businesses to borrow money under the Small Businesses Loans Act. This is a very important program for small businesses which has gained widespread support from both small businesses and financial institutions.

As my hon. friend the Minister of State for Small Businesses and Tourism has pointed out, the demand for increased lending proves the importance of this program and the necessity for the introduction of this bill. The legislation simply raises the lending ceiling under the act so it can meet the demand of small business borrowers. I join with the minister in urging speedy passage of the bill and I will therefore keep my remarks brief. The number of speakers on this side of the House will be limited and we would like the co-operation of the House in passing this measure.

Mr. Bill Kempling (Burlington): Mr. Speaker, as the hon. member for Cambridge (Mr. Speyer) has said, we support Bill C-84 and its passage through all stages. I would like to congratulate the hon. member for a very excellent analysis of the problems facing the small business community today. His speech was both timely and very much to the point.

Having said that, Mr. Speaker, I must comment on why it is necessary to bring this bill forward. What has happened to the private sector money sources that were the traditional wells of

seed money for the small business sector? Why must we again go the route of guaranteeing loans to chartered banks? One would think that with their massive profits and increases in profits since the dramatic rise in interest rates in the past 18 months, the chartered banks themselves would be more venturesome than they are. However, the real question is, where has the venture capital gone? Some has gone to other countries which are perceived to be more stable or favourable to financial ventures or which have less red tape and regulation. Some of that venture capital found its way into Canada Savings Bonds when the government offered them at 19.75 per cent interest. A large source of venture capital dried up when capital gains tax was introduced. We have reached the sad and sorry position of having the government again act as the guarantor of loans put forward by the chartered banks because those persons desiring loans are not considered credit-worthy to the extent that they can have the loans on their own signature.

Under the terms of the loans, these people must first satisfy the chartered bank that the business in which they will invest the money is viable and has a chance of survival. Only then will the bank proceed and become party to the application for a guaranteed loan backed by the government. It is a form of double insurance which is guaranteed by the taxpayers of Canada through their government.

The government has forced the small-business man, farmer and fisherman into this position because its tax laws, attitude and short-sighted policy over a period of years have eroded sources of venture capital and inhibited the ability of the average person to accumulate wealth. The all-powerful government has the small business community in a position to squeeze it dry and bring it to its knees.

The budget of November 12 is a good example. The provision in that budget of non-deductibility of interest from tax payable for money borrowed to loan or invest in a small business was a cruel and senseless move. Many small businesses faced with bank rates reaching 25 per cent sought additional investment in their company in order to reduce their bank loans. In some instances, the original investors borrowed money to achieve this end or they may have invited employees to buy into the company and counselled them to borrow the funds to do so on the understanding that the interest expense would be a deductible expense from their income tax. They then heard the sad news when the budget was brought in.

I wonder how many people in the Department of Finance really know how a business operates. I do not mean how it operates academically, because I know that the bureaucratic mind sees everything in case studies. However, do they have any concept of the amount of creative thought, the hours of work which goes into planning, the sacrifices which must be made and the risks which must be taken to get a small business operating, and operating profitably? I can assure hon. members that it is as creative as any work of art, any novel, play, painting or sculpture. The venture is undertaken with all the intensity of the most eccentric artist. You will find most