

Loans Acts Amendments

department are so accustomed to being big spenders that they cannot comprehend the plight of small business owners. They obviously do not appreciate the fact that the only way many small business owners can survive is to take out only enough money after meeting employee payroll and operating expenses to provide the bare essentials for their families.

● (1520)

The absence of working capital is not nearly as evident in the two segments of the bill dealing into the Farm Improvement Loans Act, and the Fisheries Improvement Loans Act. These two areas are not involved in having accounts receivable to contend with to the same extent as the small businessman. As I have stated before, the most crucial area that has contributed to the bankruptcy of small businesses has been the lack of working capital. The business is launched, in many cases, with very little surplus cash in the bank. In many cases, if the owner could trade the overabundance of enthusiasm he must have possessed in order to have had the nerve to start the enterprise in the first place, for some working capital he would not have too many financial problems as he progressed. However, this is not the case, as the minister indicated. The bank demands sufficient collateral before lending small business any money. This in essence proves, even if the loan is granted, just how necessary it was in the first place.

Mr. Speaker, the necessity for freer working capital has always seemed so evident that I cannot help but wonder why it has not exercised a more important influence in the structuring of this bill and similar bills over the years since the introduction of the act. The most obvious reason working capital is not considered is that receivables have not nearly the collateral value of physical structures, equipment or real estate. However, take away receivables and most business would not need to exist. So they are, Mr. Speaker, an important cog in the cycle of success. But for banks to use this excuse to support their negative approach to small business loans only supports my further argument that banks should have some degree of obligation to make loans supported by applications which obviously if approved would help the advancement of Canadian products and also create more employment.

We have ambitious young people and, yes, some not so young who, given financial encouragement beyond the normal guidelines laid down for lending money, would continue to create the ideas necessary to keep alive the free enterprise system which has been so significant in our first century of Canadian progress. I have many constituents who are interested in starting a business or looking for ways to continue one already in progress. But by the time they have checked the sources of capital and the red tape involved, they are either discouraged from pursuing their dream of a business of their own or ready to throw up their hands in frustration at being able to continue the one they already have.

Mr. Speaker, we spend a lot of time debating how to encourage more Canadian investment. One obvious way would be to encourage the banks to show some compassion to our small business community, thus discouraging them from having eventually to sell out to foreign investors in order to keep from ultimate bankruptcy. But the only way

[Mr. Frank.]

I can see banks ever doing this is to make it obligatory for them to loan to at least a percentage of applicants. The minister in committee of the whole stated as follows:

I suppose the best way to know what is going on in terms of refused applications is for members, when they are approached by their constituents regarding refused loans, to inform me of these complaints and I will make inquiries directly from the bank concerned to find out what the reasons were for the refusal. I am prepared to do that on a continuing basis.

To me, Mr. Speaker, that sounds like a very diplomatic way of passing the buck, and as far as I am concerned the taxpayer sees far too much evidence of buck-passing now. There must be guidelines laid down so that the banks and their potential customers know what could take place. I do not blame the banks for not wanting to be any more involved than is necessary, and past lending statistics will bear this out. The fact is that from the date the Small Businesses Loans Act came into effect in January, 1961, until September, 1973, approximately \$283 million was lent for all of Canada. This is about \$23 million per year on average. But something is wrong when we find the loans total for small business was no more in 1973 than in 1972, being about \$15 million per year. And now Mr. Speaker, with the recent turn of events of the central bank's interest rate increasing, we will probably see less activity than before. Not only will we see growth restriction, but small business owners already in a bind for working capital will find increased costs in maintaining inventory and receivables because of an interest rate of probably 12 per cent.

Many businesses in the past have had to resort to short-term loans of 12 per cent, or even much higher, from private sources but now they will be faced with 12 per cent from even the banks, and heaven knows how high from private sources. I am afraid this could be the so-called straw that broke the camel's back. Mr. Speaker, many very credible businesses have already exhausted their credit supply. There have been many legitimate reasons for this increase in the cost of doing business. If they are retailers, an increase in the price of the merchandise they sell means more inventory cost. If they are small manufacturers, the increased cost of maintaining inventory also applies. In both cases their cost of maintaining higher receivables will increase.

No one denies business today is strong, and all types of small business is no exception; but with runaway inflation so evident in every phase of our economy, many small businesses could be unknowingly accelerating themselves right into bankruptcy. Unhappily, the government has proven itself bankrupt of any solutions which might slow down this inflation. The inflation we see all around us is not totally induced from outside, as this government would have the Canadian people believe. Better than half of the now well over 10 per cent total inflation rate could be slowed down by a responsible government. It is obvious that we cannot expect any new ideas for fighting inflation from this government, but for the sake of Canada's future let us hope we shall not have to wait too long before the Canadian people have the opportunity to change the government.

As was stated earlier by my colleague from Ottawa West (Mr. Reilly) 60 per cent of the labour force in Canada is supported by small or medium-sized business. That statement in itself should be encouragement to take another