

Government Orders

If you are a retailer, one of the things you have to do when opening a retail shop is the leasehold improvements in the business. This program allows for financing of leasehold improvements. That is a tough thing to get financed in the private sector. Through the Small Business Loans Act, a lot of people who otherwise might not have been able to get the credit to do that, who otherwise might not have been able to open their shops, are able to. It is because of this program and the good this program is doing.

If you are a manufacturer, often you have to go out and buy the equipment. It might be a stamp machine, a conveyor belt, some sort of equipment. Again, this program can help that business do it.

This is not, as one of the members of the Bloc mentioned before, a duplication of an existing program in Quebec, the Paillé program. That program provides credit up to \$50,000. This program provides it up to \$250,000. That program is for start-ups. The small business loan is for start-ups as well, but it also allows us to finance existing business expansion. That is an important source of new wealth creation, an important source of new job creation. Not only are we helping start-ups, but we are also helping existing businesses find capital for their expansions.

In addition, the Small Business Loans Act has a longer amortization than the Quebec program. It has a relatively short amortization of three years, whereas under the Small Business Loans Act you can amortize up to 10 years. For the small business person who is starting off with a new business or with an expansion, it is important to have that longer amortization so that the payments, at least in the beginning, can be relatively low and the cashflow can be reserved for expansion and to keep the company going in what usually are the most difficult years, either at the start-up or after an expansion.

I want to talk a little about the cost of this program. I believe government has a role in creating an environment for small business. I believe government has a role in certain circumstances to assist directly, such as in the Small Business Loans Act. I also think it is important that we do this in a way that is revenue neutral, that recovers costs and is not going to place a large burden on the Canadian taxpayer.

We have seen this work. The Federal Business Development Bank, now the Business Development Bank of Canada, has for many years worked on a mandate of cost recovery. It has to structure its programs, its guarantees, its collateral, its fees, and its interest rates so that it recovers cost. It works, and it is proven that it works.

This SBLA program now is moving along the same basis. It is going to be a cost recovery program. There is always going to be a certain amount of loss that is going to be created with any loan

program. If you lend money, you are going to have a certain amount of loss. The objective as a prudent lender is to make sure there is a provision for that loss and there is the revenue to carry that.

I know that one of the members opposite talked about the great liability that was going to be incurred by the government through this program. In a five-year time frame this program is going from \$4 billion to \$12 billion. That is \$8 billion more capital for the small business men and women of this country. That is important to remember. It is happening over five years.

• (1700)

The potential liability is 10 per cent of \$12 billion. To suggest that is the true liability of the government, that that is what is at risk, is like going to a chartered bank and saying that the risk is the total loan portfolio. Of course we do not say that. We do not suggest to any lender that the risk is the whole loan portfolio.

What lenders do, what we are doing as a government and what the Department of Industry and the Minister of Industry are doing is figuring out through prudent assumptions that the loan loss history is likely to be based on historical data and on economic performance. It is the same thing the banks do. They make a loan loss provision and as a government we ensure that the revenue stream is sufficiently large enough to cover potential losses.

In reality it is not a burden on taxpayers. It is a cost recovery program that ensures capital is provided to the small business sector.

I will comment on a couple of things that were said about how we will go about recovering the costs. The program has always had a 2 per cent fee that is paid up front. It can either be paid in cash or it can be amortized over the length of the loan.

In doing that examination and trying to ensure that it is a cost recovery program, it was determined that additional revenues would be required. Therefore a new fee was put on, an administration fee of 1.5 per cent.

One of the members of the Reform Party was complaining that the administration fee was being passed through not as a direct fee but rather through the interest rate. A small business person will prefer that it happens that way because the fee will be paid on a declining balance, as opposed to the full amount at the time it was borrowed. In reality the fee will be less, because it is on a declining balance calculated through the interest rate, than if the 1.5 per cent was paid up front.

The minister acted prudently and in a way where business people can have some control over their fee based on the speed at which they pay back the advance. That was a good way of doing it. The minister structured it so that the banks pay the administration fee. Then they have the option to collect it from their clients. I hope the chartered banks, as part of their