

PROCEEDINGS ON ADJOURNMENT MOTION

[English]

SUBJECT MATTER OF QUESTIONS TO BE DEBATED

The Acting Speaker (Mr. Paproski): It is my duty, pursuant to Standing Order 45, to inform the House that the questions to be raised tonight at the time of adjournment are as follows: the Hon. Member for Ottawa-Vanier (Mr. Gauthier)—Public Service—Auditor General's report—Job classifications. (b) Contract negotiations; the Hon. Member for Mount Royal (Mrs. Finestone)—Employment—Summer jobs for students. (b) Request for announcement of plans; and the Hon. Member for Swift Current-Maple Creek (Mr. Wilson)—Income Tax Act—Provision affecting land purchases.

GOVERNMENT ORDERS

[Translation]

SMALL BUSINESSES LOANS ACT

MEASURE TO AMEND

The House resumed consideration of the motion of Mr. Stevens (York-Peel) that Bill C-23, an Act to amend the Small Businesses Loans Act, be read the second time and referred to the Standing Committee on Regional Development.

Mr. Gagliano: Mr. Speaker, I would like to ask a question to the Hon. Member which might make him more realistic. I can understand the problems with the banks, but unfortunately, we still do not control the banks and it is up to them to decide whether a loan will be approved or not.

If my hon. friend looks at the statistics collected up to now, he will see that the majority of jobs have been created by small businesses. I think that everyone will agree with that. This morning, everyone said that, during the last few years, 80 or 90 per cent of all jobs created were in the small business sector.

If we look at the statistics, as I understand what the Hon. Member was saying, 50 per cent of all small businesses have used the programs offered under the Small Businesses Loans Act. If we look at the figures, as I was saying, we can see that these are all new businesses. Naturally, the first time a Canadian businessman goes to the bank and asks for a loan, he does not have any experience. It is therefore very difficult for the banks to give him a loan.

Under the Small Businesses Loans Act, the Government guarantees 100 per cent of the loans, which will make the bank more willing to grant a loan to newcomers in business than if, as provided by this bill, the amount of the guarantee goes

Small Businesses Loans Act

down to 90 per cent, in addition to the 1 per cent user fees. In practice, I can assure you that many banks will refuse loans, which means that we shall lose jobs because, usually, every new business creates four or five new jobs.

[English]

Mr. Riis: Mr. Speaker, I am not certain I understood the exact question. I believe the Hon. Member was saying that the Small Businesses Loans Act does enable a new firm to obtain money because of the guarantee, and he asked if that was a good thing. I would have to say, of course, that it is. That is why we are supporting this particular Bill going into committee. However, I believe 100 per cent is a little too much to ask while expecting the banks not to get involved in any serious way themselves. A 90 per cent guarantee in this day and age, I suspect, is about as much as we can expect.

But I do want to say, Mr. Speaker, that the problem I have with the Small Businesses Loans Act is that it is the prime rate plus 1 per cent. Interest rates are going up again. They are higher today than they were a year ago. I think we need to make that point. A year ago today, interest rates were lower in Canada than they are now, and now they are on an upward track. Let us hope that this does not continue, but as I said earlier, all the financial analysts suggest that this is what is going to happen. The prime rate today, Mr. Speaker, plus 1 per cent works out to something like 12.5 per cent. A small business which is expected to pay back a loan at 12 per cent, 13 per cent, 14 per cent or 15 per cent is going to have difficulty doing so. As a matter of fact, it may even be an impossibility. So while it is a step in the right direction, I must say that it is a tiny step. Certainly, much more must be done in terms of changing the Bank Act to require banks and other financial institutions to set aside a certain portion of their loan portfolio for small businesses at a lower rate than prime. That should be an expectation and a requirement under the Bank Act. Perhaps a step in that direction would be for the Minister of Finance (Mr. Wilson) to sit down with the chief executive officers of Canada's banks and ask them at least to shoulder their responsibility during these difficult times and encourage and nurture the small business community.

Mr. Hawkes: Mr. Speaker, it is always a joy to listen to the Hon. Member for Kamloops-Shuswap (Mr. Riis) speak on behalf of the New Democratic Party. Today he spoke some truth when he indicated that the most significant thing which could happen for small business in this country is a low interest rate. I am pleased to see that a sense of enlightenment has come to him and to his caucus. I wonder whether or not the Hon. Member is signalling to the House, on behalf of his Party, the fact that in the future we can anticipate the same support for the Government's effort to reduce its borrowing requirements as we are receiving today for this particular piece of legislation? This is a very significant factor in interest rates in this country. Will his Party support our efforts to reduce those borrowing requirements? Likewise, will his Party support our initiatives which are designed to bring into this country from abroad equity capital as well as skilled entre-