

*Federal Business Development Bank Act*

businessmen who need information on government programs will find such information available at the branches of the bank, some 60 in number right across the country. Those in need of management counselling to solve business problems will find it available at rates which they can afford. If financing is the requirement, small businessmen will find what loans are available under flexible arrangements if such financing is not available on reasonable terms and conditions from the private sector. Moreover, the new bank will develop and enlarge the present program of management seminars and, in general, provide management training courses in conjunction with the provinces, universities and community colleges.

While the Federal Business Development Bank will bring together the necessary facilities to meet the main requirements of small business, it will not meet all of them. When facilities outside the bank are required, Federal Business Development Bank personnel will be able to refer clients to the sources of the additional help they may require, and provide competent assistance to enable them to secure it.

In taking steps to create the Federal Business Development Bank the government is primarily concerned with the needs of small business which are not being met by the private sector on terms and conditions that the small businessman can accept. The intention is to supplement or complement these private services when, for one reason or another, they are not available to the small businessman. I would go further, Mr. Speaker, and say that the bank will be under clear instructions to encourage small business enterprises which have developed an appropriate degree of strength to secure future financing and counselling services from the private sector.

Thus, Mr. Speaker, the three key elements in the philosophy of the Federal Business Development Bank are: first, co-ordinated programs under independent management to meet the major needs of small business; secondly, the provision of a focal point where the small businessman can find a competent person to talk to about his problems and requirements; and thirdly, concentration on filling the gaps which exist in the private sector rather than competing with private institutions.

These elements are summed up in the objectives of the new bank, which you will find set out succinctly in clause 4 of the bill, and I can do no better than read them to hon. members:

(1) The objects of the Corporation are to promote and assist in the establishment and development of business enterprises in Canada by providing, in the manner and to the extent authorized by this Act, financial assistance, management counselling, management training, information and advice and such other services as are ancillary or incidental to any of the foregoing.

(2) The Corporation in carrying out its objects shall give particular consideration to the needs of small business enterprises.

I should like to turn to the powers, and the criteria for the use of these powers, in the bill before us. In order to carry out these objectives the new bank will require certain powers and an indication of how these powers should be used. With regard to financing operations the legislation provides the bank with a full range of powers to enable it to meet any financial need of small business. It will be empowered to make or guarantee loans, to enter into underwriting agreements, to make equity invest-

ments, and to engage in leasing—five separate financial operations.

● (2010)

The powers are similar to those now exercised by the Industrial Development Bank, with the exception of leasing, which is considered a desirable addition in order to equip the new corporation with a full coverage of the various kinds of financial resources which are available to present day businesses. Certain of the basic criteria to be set up for the use of these powers will also be basically similar to those of the Industrial Development Bank.

Financing is to be made available only when (a) a person is engaged or about to engage in a business enterprise in Canada, (b) credit or financial resources may not otherwise be available on reasonable terms and conditions and, (c) the enterprise may reasonably be expected to prove successful. I might underline that third condition.

However, whereas the Industrial Development Bank Act requires that the amount invested or to be invested in the enterprise by persons other than the bank, and the character of that investment, should be such as to afford the bank reasonable protection, it is now proposed that this last mentioned condition should be replaced by one requiring only that the amount and character of the investment should be such as to afford a reasonable expectation of a continuing commitment to the enterprise by persons other than the bank. It is hoped that this will replace the note of caution struck in the previous act with a more flexible and freer approach to the needs of a small businessman in solving his financial problems.

The objective of the bank, coupled with powers and criteria for the financial services program, is designed not only to enable the provision of financing when it is not available from the private sector on reasonable terms and conditions, but also to encourage private institutions to provide such financing.

The decision on what are reasonable terms and conditions will be the responsibility of the board, as it is not possible to provide other than broad guidelines in the changing circumstances of the financial markets. While these powers, except for leasing, are similar to those under which the Industrial Development Bank has operated successfully for many years, it is expected that the new bank will make fuller use of them.

I confidently expect that the establishment of the new corporation, the scope for innovation and imagination opened up by the new responsibilities to be given to it, and the stimulation to thought aroused by the discussion and consideration that has led to our proposing the establishment of the new corporation will stir up new approaches to the financial needs of small business.

I would expect this to be particularly the case with respect to the providing of equity financing, where this is desired and required by a small business and is peculiarly suitable to its needs. This appears to be a better means than a loan of providing it with a suitable financial structure. With regard to term lending, no specific limitation is placed on the size of loan or size of business which may be financed, but general guidance is given that particular attention is to be paid to the needs of small business.

[Mr. Gillespie.]