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Speaker: The Honourable Gilbert Parent

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HOUSE OF COMMONS

Friday, October 27, 1995

The House met at 10 a.m.

Prayers

GOVERNMENT ORDERS

[*Translation*]

SMALL BUSINESS LOANS ACT

The House resumed from October 26, consideration of the motion that Bill C-99, an act to amend the Small Business Loans Act, be read the second time and referred to a committee.

Mr. Pat O'Brien (London—Middlesex, Lib.): Mr. Speaker, it is an honour and a privilege for me, as the member for London—Middlesex, to address the House of Commons this morning on a very important subject, Bill C-99.

[*English*]

I am very pleased to speak on Bill C-99 this morning as the member for London—Middlesex. We like to think that London is the unofficial capital of southwestern Ontario. Our business community is quite diverse, with small business being an important part of it.

With Your Honour's indulgence, I must confess that as you called for a moment of silence this morning my thoughts then and even now are with people from all across Canada and many people from the London area. I know my staff worked very hard to organize 11 buses from London and area. They are on their way to la belle province of Quebec to tell the people there how much we understand that they face a very crucial decision and that our prayers and our hopes are that they will remain a part of Canada.

It is with some mixed thoughts that I stand this morning to speak on the subject of Bill C-99 when frankly I would like to be with friends and fellow Canadians from all parts of Canada who are on their way to Quebec to make it clear to our fellow Canadians in Quebec that we sincerely hope they will continue the partnership in the great country we have built together. I did not feel that I could launch into debate on Bill C-99 without sharing a few personal thoughts.

Bill C-99 is very important. It continues the process of modernization and improvement that has moved the Small Business Loans Act program to a full cost recovery. We could ask ourselves what is so important about the bill since we deal with so much legislation in the House and most of it, if not all of it, is important and significant. I believe it is particularly important given that we are discussing it at the end of 1995 and as parliamentarians we face the enormous challenge of trying to help the country prepare for the 21st century. As I have already said, we certainly hope it will be a united country that heads into the 21st century with all members of the family intact.

We obviously need an economic recovery. We have made some steps in the right direction toward it over the past couple of years. Quite candidly, we have had some backward steps in that regard. It has not been a steady progression forward as we would all like. It has been a two steps forward one step back process. However we must continue and we must persist in an economic recovery as we prepare the nation for the 21st century.

There is no area of greater importance in my mind as a Canadian and as a member of Parliament than the area of small business. In times past we would lure a large employer to a community who would create 1,000 jobs. It seems appropriate to use a baseball analogy with the World Series going on. We used to look for the grand slam home run in economic terms in wanting a major employer. I have several in my riding such as General Motors Diesel and 3M, to name two.

The days are gone of attracting major employers to our cities, except for rare circumstances. We will not see situations in which we instantly gain 500, 1,000 or more jobs. It seems evident that our number one crisis is the job crisis. The debt and deficit are very crucial. My colleagues opposite certainly know that, as they speak to it all of the time. While we may differ on the pace of the deficit reduction as part of economic recovery, I do not think we differ on the goal.

In spite of the importance of the debt and deficit, the number one crisis in the country we all love is the inadequate number of jobs. The best way to solve that crisis is through encouraging small business. It will be through new small businesses starting up and employing three, five, ten or twenty Canadians that we will create new employment. We would love to see the large corporations coming in and suddenly creating 1,000 jobs, but I do not think we will see that happen too often.

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The evidence is clear that Canadians can succeed in small businesses but they need help. That is what the act is specifically designed to do. In my riding many women, for example, have shown great entrepreneurial spirit, have launched small businesses, have been successful in that regard and have employed three to five people who before were unemployed.

There is a fairly significant immigrant population in my riding. There are many Arab Canadians and a large Polish Canadian community, people from all parts of the world. I see evidence time and again of how immigrant Canadians come to Canada and successfully launch new businesses, despite the xenophobia Canadians are from time to time perhaps prone to engage in. I can give many examples where new Canadians have come to Canada, started businesses and employed three to five Canadians who were born here in their quite successful businesses. The evidence is there that small business will really be key to economic recovery and to solving the jobs crisis in Canada. That is not totally new but it is much more obvious to us now that it will be the case.

• (1010)

Since 1961 more than 400,000 SBLA loans totalling close to \$16 billion have been made by financial institutions to small businesses. The SBLA helps entrepreneurs whose firms have less than \$5 million in annual sales.

I should like to speak about that number for a moment. Within my party there has been considerable discussion about this subject. None of the businesses that I referred to earlier do \$5 million in annual sales. Some small businesses of three, four, five or ten employees do not do \$5 million a year in business. We might have to look at that number as we fine tune. What is a small business? Does it need sales of up to \$4.5 million to \$5 million to be considered a small business? I think not. We should have a look at that definition.

The program success both as an economic development tool and as an example of public and private sector co-operation has inspired similar guaranteed programs at both the federal and provincial levels. The program will engender new approaches to encourage small business in Canada. That will be one of its most important purposes.

I will share with my colleagues in the House today—we are not as numerous as normal because many of our colleagues are on their way to or already in Montreal to make their feelings known about Canada—that the city of London has two important initiatives in the area of small business worth mentioning. The first is the advanced manufacturing technology centre that we hope will soon come to fruition. The groundwork has been laid. It is our government that announced it. It looks like we might

have to scale it back somewhat because of the economic times we face.

However, at the research park at the University of Western Ontario in the city of London we are awaiting very anxiously, along with municipal and provincial government officials, the completion of the advanced manufacturing technology centre. It will be located in an existing research park and will be a very important part of helping to encourage innovative technologies and business opportunities as it combines with research opportunities available at the university right now.

There has been quite a bit of time spent on the project. It will come to fruition soon and is anxiously awaited in London. I have been very pleased to spend quite a bit of time working on the project along with my colleagues in London. It will be a big benefit not only to London, Ontario, but to the whole region of southwestern Ontario.

In southwestern Ontario the agri-food industry is a major industry. We ought not to forget there are many opportunities in urban centres and in the agri-food industry for small business. The centre is awaited with anticipation.

The second successful venture that has been under way for several years in the riding of London—Middlesex is a small business centre just inside the eastern part of the city of London. It is a converted plant that closed some years ago. It was formerly called Prototool. I remember it well, being that it was my first summer job. I was there recently for a ribbon cutting ceremony because they had refurbished and expanded the centre. I made the point that every time I went there, as much as I enjoyed it, it seemed as if I was going back to work.

• (1015)

The small business centre is located in the George Stewart building which was named in honour of a well known Londoner who has put many, many years into the facility. It is a business incubation centre. The centre helps those people who are starting up a business with one or two employees. These people need mentors. They certainly need start-up capital. They need the help which is available to them largely through the voluntary efforts of London's successful business people who are now mostly retired and are willing to help younger people launch small businesses. The small business centre in my riding of London—Middlesex has been very successful. It is an example of the type of program the SBLA meshes with very nicely.

I look forward to the visit of the industry minister to this centre in November. He will see firsthand the success we can have with this kind of program. It is an excellent example of why our government must continue to consider small business as a key part in our attempt to get the economy moving again.

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In recent years the SBLA program had been running at an annual government cost of some \$20 million to \$30 million. Significant changes were made in April 1993. There was a major increase in activity from some \$500 million to over \$4 billion in 1994–95. In historical loss rates, this increase in lending was projected to cost over \$100 million which was obviously a threat to the program in these economic times.

It is a very correct change to the program and a wise for the government to move to full cost recovery on this program. We might say it is a bit of a user pay concept, which we are seeing more of at all government levels. My previous government experience was at the municipal level in London, Ontario for 13 years. There is certainly a call for more of a user pay concept at all government levels.

I would never subscribe to the user pay concept for things like health care. Certainly we on this side of the House would not subscribe to the user pay concept in health care and in certain other fundamental core services which as Liberals we believe must be available to all Canadians regardless of their ability to pay. There is however a place for the user pay concept in our society.

Moving the SBLA program to full cost recovery is employing that concept. I applaud the effort of the government in that move. To this end, the government initiated a review of the program which included extensive consultations with major stakeholders representing both borrowers and lenders. Likewise we heard from the Standing Committee on Industry and the small business working committee. All of these groups were unanimous in recommending to the government that we proceed on a full cost recovery basis which is exactly how the government has responded.

Two major changes have been made through regulatory amendments which came into effect on April 1. First, a new 1.25 per cent annual fee was levied on each lender's average outstanding balance of SBLA loans made after March 31, 1995. Second, the maximum rate a lender can charge under the SBLA has been increased by 1.25 per cent to the prime interest rate plus 3 per cent for floating rate loans and to the residential mortgage rate plus 3 per cent for fixed rate loans.

Bill C-99 will continue the process of renewal by putting in place additional changes to the Small Business Loans Act. As I said at the start of my remarks, if we are to make a serious attempt at solving the job crisis and getting the economy moving again on a steady basis, we will have to focus our efforts on small business.

• (1020)

I applaud the government for the changes in the bill. It clearly indicates the intention of our government. That is what I am hearing from Canadians. In all parts of Canada people are speaking out with that kind of message. Certainly in my riding of London—Middlesex new business opportunities and job

creation are happening in the smaller micro-firms with one to four employees. The government is moving in the right direction.

We need to consider what is a small business; \$5 million dollars strikes a lot of people in business as a pretty big number to achieve. They would be thrilled with that, but they do something like \$750,000 or \$1 million worth of business each year. We have to continue to look at that number to determine exactly what constitutes a small business.

I want to say very clearly that this bill is a major step in the right direction. I am pleased as a member of the government to be part of the team which recognizes that we have to make this a priority.

[*Translation*]

Mr. René Laurin (Joliette, BQ): Mr. Speaker, I want to start by thanking the hon. member for London—Middlesex for expressing these thoughts inspired by our prayers this morning. I share them. I think the people of Quebec are focused on this crucial moment in their lives and accept the mark of affection shown by anglophones today.

We are sure that this demonstration of affection, friendship and even love, as some were saying, will last more than one day. Indeed we are confident that this demonstration of love and friendship will last for more than one weekend and that the best way to ensure that it does is to accept and respect the decision of the people of Quebec and thus transform these marks of friendship into acceptance of a rewarding and effective partnership between our two nations.

As far as the bill is concerned, I must deplore one thing. It is true that the bill raised the maximum for small and medium size businesses. However, one of the main problems for job creation, especially in Quebec, is the fact that very small businesses do not have access to these loans because the criteria have become more restrictive.

We must not forget that nearly 90 per cent of all new jobs, according to the figures for Quebec, are created by very small and medium size businesses. They should be helped. These are not businesses that require start up capital in excess of \$250,000, \$500,000 or one million dollars.

Last month, I witnessed the birth of thirty or so very small businesses in my riding, started by people who were on unemployment insurance, people who had decided to take the initiative and create their own jobs, set up their own business. In the process, they created some forty new jobs, and they were able to get started thanks to loans which, in most cases, did not exceed \$10,000.

In other words, what we need to help these small businesses is not a higher maximum. There was nothing wrong with the maximum. The problem is a lack of more flexible criteria that would give these very small businesses access to more readily available venture capital.

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I do not think the bill makes any provision for this, although in some respects it is well intentioned. I think the bill will not do anything to promote very small businesses. I would appreciate the hon. member's comments.

• (1025)

[English]

Mr. O'Brien: Mr. Speaker, I thank my colleague for his comments.

He addressed the outpouring of affection—and concern of other Canadians that Quebec remain part of the Canadian family. He spoke about his wish that this would continue. I fully and completely support that as a francophone who for most of my life has understood and appreciated the importance of Quebec in this country.

Every chance I get I emphasize to people in my riding that we need to make clear that we understand and realize the importance of Quebec in this country. I can assure the hon. member that if the vote is a no vote, as I hope it will be, I will continue to say that after Monday. I applaud that sentiment.

I disagree with the hon. member about the need to forge a new partnership. I simply ask him and all Quebecers to reflect on the fact that we have had a successful partnership in Canada for a long time. Yes, we have had our problems. We have had our quarrels as families will, but we have been able to work through them. We have worked them out. It was not lightly or easily that Canada was recognized as the best country in the world in which to live.

I ask him and all Quebecers, as the Prime Minister has done much better than I can do, to reflect very carefully on the fact that together we have built the best country in the world. It would be a tremendous risk and gamble to vote to break up our family. I sincerely hope Quebecers will not do that when they vote on Monday.

Mr. Elwin Hermanson (Kindersley—Lloydminster, Ref.): Mr. Speaker, I listened with interest to the member for London—Middlesex speaking on Bill C-99, an act to amend the Small Business Loans Act.

I conducted a survey of my constituents. In my householder I asked questions about increases in government spending. There were some increases in the area of regional development loans, particularly western diversification which affects my part of the country and also FORD-Q and ACOA.

People in my riding were very opposed to these loans being offered to regions outside of our area of the country. Even on loans granted through western diversification which affected them, there was about a 50-50 division on whether it was the right procedure.

I would like the member to comment on the problems loans based on regional development are causing in the country and perhaps some of the divisions we are dealing with in the referendum campaign which perhaps have been caused by the regional development approach. Maybe the better route would be to put more of our eggs into this type of basket, a national program. This would affect small business right across the country on the same basis with the same rules rather than dividing the dollars into regional development programs, often loans, particularly to Atlantic Canada through ACOA or to western Canada through WED.

Those programs are causing hard feelings. Western Canada has looked at ACOA and said it has not worked. We have been pumping regional development dollars either through grants or loans into Atlantic Canada and unemployment is rising in Atlantic Canada. We have been pumping dollars for regional development into Quebec and some Quebecers want to separate. We are hoping less than 50 per cent want to separate, but it is not creating national unity by putting dollars through grants or loans into regional development.

Would it not be better to put money into loan guarantees for small business or national programs? It might make us feel as if we are all playing on a level playing field rather than making people angry by dumping some money into western Canada, some into Atlantic Canada, some into Quebec and some into the north.

Mr. O'Brien: Mr. Speaker, I appreciate my colleague's questions and comments on this program. I do not think he used the phrase but I think he is questioning the efficacy of the whole concept of regional economic expansion.

I come from southwestern Ontario, which is a rather successful part of Canada when we look at the full nation, although we certainly have some problems to solve such as unemployment. We are doing our best in that regard.

• (1030)

My colleague opposite comes from the province of Saskatchewan and he understands that his part of Canada is quite successful. However there are some problems as well.

The question my colleague puts is an either/or. Should we put all of our attention on to the small business loans approach or should we continue with the concept of sharing economically through a regional economic sharing of resources? Frankly, as a Canadian I reject the choice. I do not think it is an either/or. The answer to my colleague is that we should do both. I believe there is a place for both.

The people I represent by and large understand and appreciate that they are economically in an advantaged part of Canada. They are quite prepared and magnanimous enough to share with other Canadians as part of the price to pay to have a nation from coast to coast.

I will be candid and say that we had a little dispute recently about the idea of some workers coming from Cape Breton. The question was never where the people came from. We have thousands of Atlantic Canadians and Canadians from all other provinces living and contributing to the community. The only question was to what degree the trip would be subsidized.

As far as the concept of sharing and being open to Canadians to come to our city or sharing our resources with people from coast to coast, the people I represent endorse that. They see it as an important part of being a Canadian. It is a small price to pay to be part of the great nation we all live in.

The Speaker: That concludes the portion of the debate of 20-minute speeches and 10 minutes of questions and answers. What we are going into now—

[*Translation*]

From now on, those wishing to speak will have ten minutes, but there will be no questions and comments.

[*English*]

Mr. George Proud (Hillsborough, Lib.): Mr. Speaker, it is a pleasure for me to rise today to support Bill C-99, an act to amend the Small Business Loans Act. This legislation is just part of the whole Liberal approach to government.

Members may recall the current Liberal government was elected on a jobs and growth agenda as promised in the red book. Two years ago the government was given a mandate to revitalize Canada's economy. All Canadians, including the people of Quebec, are benefiting from these promises.

Our economy is still recovering from one of the worst recessions in our history. The recession was not only just a slowdown of our economy but a massive reorganization of how our economy operates. It has been a painful journey.

The previous government led us down this debt ridden path but we are getting Canada turned around and moving back toward prosperity. The Liberal government through its jobs and growth agenda is creating an economic atmosphere conducive to job creation. Over the last two years we have created approximately half a million full time jobs.

The main pillar of our approach is to reduce the deficit. By reducing the deficit the government will break the crutches that are slowing down our economy. The federal government, as we all know, is under tremendous financial strain. Some people

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criticize our cuts, they are not enough or they are too much. But the government is committed to a balanced and a realistic approach. In contrast, the third party proposes devastation through its plan to eliminate the deficit in three years. I am no economist but I know that such a plan is much too severe and would do more harm than good.

• (1035)

Our deficit reduction plan is based on credible analysis of our situation. We have instituted short term goals that have been reached. We are on the track to achieving this year's target of \$32.7 billion. In next year's budget we will reach our election promise of a budget deficit of only 3 per cent of GDP.

It will not stop there. We will continue to set short term goals and before the end of the century we will see the light at the end of the tunnel.

The proposed amendments to the Small Business Loans Act follow our plan. Some may ask how. We did not call our red book "Creating Opportunity" for nothing. These amendments will create more opportunities for small and medium size businesses to access the capital they need.

More entrepreneurs will obtain loans to make their business dreams become a reality. Through these new private sector initiatives, made possible by the Small Business Loans Act and the proposed amendments in Bill C-99, new jobs will continue to be created.

As some of my colleagues have already pointed out, the Small Business Loans Act is not new. However, earlier this year we made regulatory changes to the act in order to make it more effective and accountable. Only those who truly need our assistance will receive it.

The fee structure introduced in April of this year serves to encourage those applicants who are more financially secure to seek capital loans directly from financial institutions without the federal guarantee. It will also provide an incentive for borrowers to down the road seek normal commercial financing as soon as possible.

This is consistent with the many other policies we have introduced. Our government believes that it must carefully review all government activities, to recognize areas where we can achieve our objectives more effectively.

We conducted one of the most, if not the most, extensive program reviews by any federal government. This is one of those areas and we have made some necessary changes. Due to the competitive environment of the financial sector, we believe that the new fee structure, whereby the administration fee is incorporated in the interest rate, will improve the effectiveness of the program.

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A further step has been taken by the amendments contained in Bill C-99. We have already made the program more effective and accountable on the user side of it, but now our side must be streamlined. Bill C-99 addresses that matter. With the implementation of this bill, the program will be a full cost recovery program. As I mentioned earlier, we are reducing our deficit. It is through changes like these that allow us to reach our deficit targets.

We will also be improving the loan guarantee coverage for low volume lenders. This is an important aspect that should not be overlooked. Better coverage for the smaller lenders will strengthen our financial sector. These financial institutions may be small, but collectively they count for a significant portion of the loans administered by this program.

Previously these lenders in relative terms were vulnerable to a greater proportion of losses. Due to the existing regulations, these institutions were limited in the amount of losses that could be claimed to the federal government. The new provisions create a more equitable arrangement for these small lenders.

On Tuesday I heard some members from across the floor state that this bill violates the democratic process. On the contrary, extensive consultations were held to get the views of all sides of the issues. We reviewed the report of the Standing Committee on Industry. What more do they want? We listened to the Canadian Federation of Independent Business. We listened to the Canadian Chamber of Commerce. We listened to the Canadian Bankers Association, to name a few. Through those consultations we obtained substantial support for proposed changes.

Furthermore, some of the provisions of this bill were a direct result of the report from the industry committee. Going back to the red book, we promised to regain the confidence of Canadians. We want Canadians to be able to believe in the political process.

Over the last two years we have been reintroducing integrity into the political process. Again, someone might ask how. It is by holding consultations with Canadians, by listening to Canadians, which is more than I can say for official opposition members. They are so busy listening to themselves that they cannot hear Canadians, including Quebecers, telling them they want Quebec to stay in Canada.

The Small Business Loans Act plays an important role in my province of Prince Edward Island. In the previous fiscal year loans under this program totalled \$21.8 million. This is a substantial amount of money for a small province. Our economy is seasonal by nature. Any initiatives to create business operations that can counter the seasonal aspect of our economy are very welcome. Small firms wanting to expand can do so with

financing under this program. Entrepreneurs with dreams of owning a successful business are given a chance under this program.

• (1040)

Our economy has an abundance of small and medium size firms. The Liberal government acknowledges this reality and knows how to address the concerns of Atlantic Canadians. When it comes to small business, a loans program is not the only solution. This is just part of a larger package. We have refocused our regional development programs on small businesses, in particular I am referring to the Atlantic Canada Opportunities Agency. ACOA has been instrumental in assisting small businesses in Atlantic Canada and it has done so through many varied ways.

I would like to point out a few recent activities of ACOA. Just last week ACOA hosted a delegation of trade representatives from the Russian federation. The delegates were here to pursue joint ventures between Russian and Atlantic Canadian firms. Among the topics discussed were geomatics, aquaculture, agriculture products and current trade activities in other sectors.

This is an important step for business in Atlantic Canada. We are becoming more aggressive in pursuing world markets and the Russian federation, although poor economically in many standards, is open for investment opportunities.

In September the Atlantic Canada Home Program was held in Halifax. The program was designed to take advantage of opportunities created by the deregulation of building standards in Japan which permits a wider range of home construction. Prince Edward Island was represented there by the provincial minister of economic development and tourism.

Canada is always searching for new markets to access throughout the world. Our economy is geared toward exports. Our relations within the global economy are helping to drive the Canadian economy.

The government is working with the private sector and the provincial governments to open up new markets abroad, to ensure that Canadian firms have access to markets they need to grow and create more jobs. We need to do all we can to assist in that aspect and Bill C-99 in part does just that. We are improving a federal program so that it can adjust to current demands and be more flexible to meet our future demands.

Last week, on the eve of small business week, the Association of Atlantic Women Business Owners hosted a conference, trade show and an Atlantic Hall of Fame for Women Entrepreneurs, a ceremony sponsored in part by ACOA. The theme of the conference was "New Markets and Opportunities for Growth".

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To me that sounds a lot like our jobs and growth agenda. Is it not funny how our approach is similar to private enterprise? I believe that would suggest that we are going about our business in the correct fashion.

Earlier in the fall also in Halifax key stakeholders in the Atlantic Canada economy discussed the business support system for young entrepreneurs. This was hosted again by ACOA. It was designed to highlight the needs and challenges facing our young entrepreneurs and establish services to meet those needs as well as to encourage young people interested in starting their own businesses. These young people are the future of the country.

Mr. Speaker, I thank you for allowing me the time to speak in support of this bill because I believe it will give to the small business community the impetus it needs to get up and get going.

Mr. Paul Steckle (Huron—Bruce, Lib.): Mr. Speaker, it is an honour for me to speak on Bill C-99, an act to amend the Small Business Loans Act.

Along with my colleague from London—Middlesex this morning, I extend my thoughts to those people who have travelled from our various communities today to the heartland of Quebec, to Montreal. Our thoughts are with these people. We all share the same common sentiment that we want Quebec to remain a part of us and share the business climate we have in this country come Monday of next week.

As the member of Parliament for Huron—Bruce, representing a small yet mostly rural riding, I do not have large municipalities. I do not have large urban centres. The largest community in my constituency is the town of Goderich which has 8,000 people. In Goderich there are two main plants, which employ 900 people: Champion Road Machinery, a manufacturer of road graders and other roadbuilding equipment, and Sifto Salt Mines, which produces the third largest quantity of salt in North America.

• (1045)

As a rural constituency, the businesses we have are largely small in nature. Many of the businesses are agri-related. When I was elected to be the member of Parliament for Huron—Bruce, I believed, as do all members of the House, that we were elected to create a climate of employment in Canada. We spoke about jobs and growth. This bill goes a long way in helping us to achieve those goals.

How do we create jobs? Government cannot by itself create jobs. Government jobs are largely jobs that do not contribute to the GDP of our country. While government cannot create jobs, government can certainly create an environment in which business can grow and prosper. The importance of Bill C-99 is that it becomes another avenue for small business to access capital and operating moneys.

As I said earlier, I represent a small rural constituency. We have many resources in our riding. Most of them are rural agricultural resources: wheat, hogs, beef and all the other commodities we grow so well in Huron—Bruce. The riding produces more dollar value in agricultural products than any riding east of Winnipeg. I therefore speak with a great deal of pride about my riding this morning.

The greatest resources in any riding are the youth of our communities. When we closely examine the resource of youth we find that many of these young people upon completion of their secondary education move on to other communities. For the most part they leave to further their education and then go on to careers often in large urban centres simply because job opportunities are not as plentiful today as perhaps they were a decade ago, certainly not in small communities.

Some of these youth are now returning to their communities of origin simply because jobs in the urban centres are not as plentiful as they once were. The young people are returning to their communities, in some cases to enter into a partnership with a family business or to enter into a partnership with an established business. In some cases they are coming home to seek the future they have dreamed of, a career of choice based on and related to the training and educational background they have achieved.

This is where the banks and the lending institutions become involved. Allow me to give a personal example. About eight years ago our two sons had a dream. Upon completing their secondary education they wanted to pursue a business career. One of the first things they had to do was find the capital required to begin a business. That was the first experience. Of course they had to visit the bankers. They found that the bankers were not all in agreement with their dream. In many cases they were turned away. However, there was one banker who, because of his appreciation for young people, sensed that there might be merit in the dream and that it might go somewhere. He invited them in. He asked their father to sign a few papers and these two young men began a business.

It has been eight years since they began the business. They have realized their dream. The dream will continue. It was only six months after they had begun the business that they asked the banker to remove their father's name from the papers. People are realizing their dreams in the country. This is an example of what can happen when we take those dreams to the ultimate end. Now that they have established their business it is the bankers who are knocking on their door to see if they can lend them a bit of money.

• (1050)

My point is that the risk in doing anything is always great but I believe we have to take some of these risks. When I chose this position in Parliament I accepted a risk. I was walking away from a business that had given me 21 years of fruitful employment. My background in small business and in the agricultural

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sector gave me an appreciation for and insight into the borrowing needs of small business.

Early in my new career as a member of Parliament I quickly became aware of the inability of entrepreneurs to gain access to business capital. If there has been one area of frustration in my career as a politician it has been that of my being unable to resolve the matter of banks and small business.

A few months ago Bluewater Fibre Inc., with 150 employees in the northern part of my riding, found itself in the very untenable position of risking closure of its plant if a resolution of a border tax was not found. To the credit of the Minister of Finance's department, this issue was resolved and the jobs of 150 people were ensured.

Another situation concerns Tackle Windpower, a manufacturer of rotor blades for windpower electricity generation, which just recently began manufacturing in Huron Park in the southern part of my riding. Before this company turned one employee hour in its plant it had \$9.5 million in guaranteed orders for a product it was about to build, but it had difficulty in obtaining a \$500,000 operating loan. Through much difficulty and a great deal of effort on the company's part and a small effort on my part, financing was finally procured. This company started with two, three, four employees, and has now reached 28 employees and is quickly moving to full employment of 70.

Stories like this go on and on. How many members here would have believed that so much of our time would be spent on helping small business achieve funding and financing?

There are two million small businesses in Canada, and 82 per cent of new jobs are created by small businesses. When one puts these numbers in perspective it puts a new importance on entrepreneurialism. If every small business would employ just one more person we would eliminate unemployment.

This is an important bill for two reasons: the increase in the maximum size of the loan to more accurately reflect the realities of doing business, and the movement of the SBLA to full cost recovery, a measure in keeping with our promises as a government to maintain fiscal management policies.

Given the extensive consultations with the major stakeholders, it is imperative that we seek swift passage of this bill for the benefit of all small businesses in Canada. I look forward to supporting this bill at a future time in the House.

[*Translation*]

The Speaker: The hon. member for St. Boniface has the floor. As you know, dear colleague, you will start your address and will finish it after question period. Agreed?

Mr. Ronald J. Duhamel (Parliamentary Secretary to President of the Treasury Board, Lib.): So, Mr. Speaker, I shall have two speeches.

I am pleased to speak today on the Small Business Loans Act. I shall address the key principles rather than its details, which some of my colleagues with an in depth knowledge of this field have already done.

I wish to point out that this bill is part of a total strategy for supporting the growth of small businesses, particularly their access to capital. This must be clearly understood. We wish to provide more help to small businesses so that they may grow, have greater access to capital and thus create additional employment. We are very much aware that the bulk of jobs created over the past decade have been in small and medium size businesses. The figures indicate 85 to 90 per cent. This is very impressive.

● (1055)

This bill was proposed after much consultation with lenders and borrowers. It is not something that we just decided to impose. It is not something where we are just going ahead without consultation, without advice from all sides. We believe that the way to have an excellent bill, with a better chance of success, with a better chance of being accepted by those targeted by it, is to ensure that there have been consultations. This has been done country-wide with the groups I have referred to.

Another very important aspect of this bill is self-funding. Yes, costs will be higher, because we want it to be self-sustaining, but this is in keeping with two government policies. The first is to decrease grants and subsidies to business. We realize that, in today's reality, there is less financial flexibility and that we must reduce the costs of government. Reducing these financial supports to businesses is one way of being proactive and attaining that objective.

Another objective is reduction of the deficit and the debt. Since this program will be self-supporting, there will be less government money going to businesses. This will have a positive impact on the deficit and the debt. I must add that the new program will provide a better response to businesses needing funding. This is very important.

We are well aware that 30 or 40 per cent of businesses receiving assistance at this time can go to a bank or a caisse populaire and have their needs met by those institutions. So, if 30 or 40 per cent go elsewhere for solutions to their financial needs, more financial assistance will be getting to the businesses that need it.

I have spoken to a number of Manitoba businessmen and businesswomen in my riding and all have indicated to me that this was a step in the right direction. This is an example of a federal government initiative which is country-wide, an example of what we can do together. I will close on this and pick up where I left off later on.

The Speaker: It being 11 a.m. we will now proceed to Statements by Members.

[English]

I know this is a very special time for all of us but with all respect, should you be tempted to use what I call props, I would prefer that you did not.

STATEMENTS BY MEMBERS

[English]

CANADIAN UNITY

Mrs. Carolyn Parrish (Mississauga West, Lib.): Mr. Speaker, through a project called "Cher ami", 5,000 children in my riding of Mississauga West have written in French to the children of the province of Quebec in a gesture of friendship. They want to show that French is spoken all over Canada and that there is no such thing as "English Canada".

I will read today a few excerpts from the children's letters. From six-year-old Diane:

[Translation]

"Hello, my name is Diane. I am six years old. I like speaking French. I love Canada and Quebec."

[English]

From a grade eight student at St. Rose de Lima School:

[Translation]

"Dear friend, I love Canada, because I love the winter and the summer. I love Canada, because it is a multicultural country. It is important to have friends in Quebec, because that gives us a chance to learn about another culture".

[English]

If children can understand that fundamentally we belong together, so should we. Several hundred thousand people demonstrating in Montreal today also agree.

Mr. Speaker, I will respect your wishes and not lift this box of a thousand letters on to my desk.

The Speaker: I do thank you for that.

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GUN CONTROL

Mr. Jack Ramsay (Crowfoot, Ref.): Mr. Speaker, yesterday constitutional lawyer Peter Hogg and former deputy minister of justice Ian Binnie appeared before the Senate justice committee on the gun control bill. These two respected lawyers stated unequivocally that the government has not consulted with the aboriginal people, as required by section 35 of the Constitution. According to this testimony the constitutional rights of the aboriginal people have been abrogated by the government. Bill C-68 will directly affect aboriginal treaty rights and therefore they should have been consulted.

• (1100)

Mr. Binnie went on to say that Bill C-68 indicates that the government did not consider how the legislation would affect aboriginal people and called it an abdication of their responsibility.

The justice minister states that Bill C-68 is a done deal. I suggest nothing could be further from the truth.

* * *

QUEBEC REFERENDUM

Mr. Walt Lastewka (St. Catharines, Lib.): Mr. Speaker, I speak on behalf of my colleague from Peterborough who lost his voice and on behalf of the people of St. Catharines.

Four buses, two from each city, two cities which normally compete with each other, today drive together to join people from all over Canada at the no rally in Montreal.

Today Canadians are voicing their opinion. They are in Montreal to say to Quebecers that they want to stay together, they want to stay united. They are also reminding Quebecers of the seriousness of the vote.

Canadians are asking Quebecers to say no to destroying our political union, to say no to destroying our economic union, to say no to destroying Canada as we know it and as it has existed for many years.

Keep the family together. On Monday vote no. As proud Canadians we say let us keep the country together. We join in spirit with our constituents in Montreal in saying our Canada includes Quebec.

* * *

JOHNNY MILES

Mr. Russell MacLellan (Cape Breton—The Sydneys, Lib.): Mr. Speaker, it is with pleasure that I rise today to offer birthday wishes to a great Canadian.

On October 30, Mr. Johnny Miles will be celebrating his 90th birthday. Mr. Miles is a two-time winner and the oldest surviving winner of the Boston Marathon.

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As a native of Sydney Mines, Nova Scotia, and a current resident of Hamilton, Ontario, Mr. Miles has been a role model for generations of young athletes all across Canada.

He is a distinguished ambassador of Canadian amateur sport who has been honoured with the Order of Canada and inducted into the Nova Scotia and Canadian Sports Halls of Fame.

As a proud Canadian, Mr. Miles has said that nothing gives him greater pleasure than to do something for his country. We should all take pride in what this fine Canadian has achieved. I am sure my colleagues will want to join me in wishing him a very happy 90th birthday.

* * *

QUEBEC REFERENDUM

Mr. John Finlay (Oxford, Lib.): Mr. Speaker, I believe passionately in this country and its citizens. Whether we belong to one of the three founding realities in Canada, the aboriginal people, the French or the English, or whether we hail from a group that chose to come to Canada to find a nation that provided hope and opportunity, we love our country.

This summer I visited communities in the Gaspé region of Quebec. I did not meet wild eyed separatists with an animosity toward Canada. Instead I met people who deeply respected Canada but were also proud of their distinct culture and traditions.

I will not raise the letter I have on my desk, but I have a letter signed by 65 seniors in my riding asking me to tell Quebecers to stay in Canada so that we may continue to be together in the world's best country.

The only way to do this is to vote no on Monday.

* * *

[Translation]

QUEBEC REFERENDUM

Mr. Maurice Godin (Châteauguay, BQ): Mr. Speaker, Bob White, the most powerful union leader in Canada, warned Canadian political leaders against being vengeful following a victorious yes vote in the referendum on Monday. He called on them to act responsibly and to negotiate with Quebecers, saying that millions of Quebecers want a different relationship and different recognition by Canada, and so serious discussions will have to be undertaken.

Mr. White acknowledged that it was in Canadians' and Quebecers' interest to establish an economic and political partnership. Given the size of the stakes involved, it would probably not be hard to find support among business people to defend and promote a partnership with Quebec.

Quebecers will vote yes on Monday, confident in their ability to finally negotiate with their Canadian partners as one people with another.

* * *

● (1105)

REFERENDUM CAMPAIGN

Mr. Stephen Harper (Calgary West, Ref.): Mr. Speaker, today, we should express our true sentiments. People know where I stand, I support a no vote on Monday. I am for a French Quebec in a united Canada.

During this referendum campaign and since my election here, I have had the opportunity to improve my ability to speak the beautiful French language. I am very grateful indeed for the patience, tolerance and friendship of federalist and sovereignist Quebecers.

I think people are fortunate to be Quebecers. They are part of a large family. In my view, this family has long been divided by this national question. I hope that, whatever the outcome, the family will be reunited Monday evening after the vote.

* * *

REFERENDUM CAMPAIGN

Mr. Ronald J. Duhamel (St. Boniface, Lib.): Mr. Speaker, the Parti Québécois claims it will save \$3 billion in an independent Quebec through the elimination of the overlap and duplication of the federal system.

How does Premier Parizeau expect to achieve this objective when he is promising to hire the thousands of federal public servants living in Quebec? Premier Parizeau said in August of this year that an independent Quebec could not hire all the federal public servants working for the departments of Agriculture and of the Environment, for example, because Quebec's departments in these areas are already fully staffed.

The so-called promise the Government of Quebec is making to hire federal public servants living in Quebec reminds me of the generous collective agreements the Parti Québécois accorded Quebec public servants prior to the 1980 referendum. Following the rejection of the referendum question, the Parti Québécois government then cut provincial public servants' salaries by some 20 per cent. Federal public servants have therefore every reason to mistrust the Parti Québécois promises.

* * *

REFERENDUM CAMPAIGN

Mr. Roger Pomerleau (Anjou—Rivière-des-Prairies, BQ): Mr. Speaker, today, the federal government and the Canadian establishment are putting all their power at the service of the No cause: a paid holiday for employees who want to attend the rally in Montreal, transportation services subsidized by the major Canadian carriers, and I could go on. Even Ottawa high school teachers are using school buses to send their students to the rally in Montreal.

As the director general of elections in Quebec reminded us, all these referendum related expenses by the federal government and private enterprise violate Quebec's referendum act, since any service that promotes a referendum option constitutes a regulated expense. The Liberal Party of Canada and the federal government are supporting these illegal referendum expenses.

This rally in Montreal was meant as a demonstration of love. Is it becoming a giant intimidation manoeuvre paid for with taxpayers' money, in defiance of the referendum act and of all Quebecers' idea of democracy?

* * *

REFERENDUM CAMPAIGN

Ms. Albina Guarnieri (Mississauga East, Lib.): Mr. Speaker, at this very moment, thousands upon thousands of Canadians from coast to coast are gathering at Place du Canada to join the most popular Prime Minister ever to lead the best country in the world.

In this great Canadian pilgrimage, hundreds of constituents from my riding of Mississauga East are opening their hearts to their friends and relatives in Quebec, going even further for a strong and united Canada.

Today's rally will show the rest of the world that the Canadian people are a great people whose warmth transcends any division in this united nation they love with all their heart.

Canadians are together and want to stay together because Quebec and Quebecers are at the heart of the Canadian dream.

* * *

[English]

NATIONAL UNITY

Mr. Bob Ringma (Nanaimo—Cowichan, Ref.): Mr. Speaker, I have listened to members across the way cry out with self-righteous and sanctimonious indignation about the need for a code to govern freedom of speech in the Chamber. Perhaps they should start with their own party.

Recent remarks made yesterday by the minister of fisheries and by the Deputy Prime Minister about members of the Reform Party have reached an all-time low. The Deputy Prime Minister stated publicly that the Reform Party wanted Quebec out of Confederation. This is not only totally untrue but it is so untrue that it is offensive. We are communicating in the newspapers with one million Quebecers this week on our proposals for decentralization which will contribute to national unity.

S. O. 31

• (1110)

If the Deputy Prime Minister wishes to do something positive for national unity, she should stop misrepresenting the views of loyal Canadians.

* * *

[Translation]

QUEBECREFERENDUM

Mrs. Anna Terrana (Vancouver East, Lib.): Mr. Speaker, the members of the Bloc Quebecois keep focusing on the past, and only on the negative aspects of the past. They do not remember the positive aspects, like what we have built together, what we have become collectively and the efforts made by many Canadians to give Quebecers opportunities and rights that no other province has.

I would like to inform this House that the constituents of my riding of Vancouver East and of every riding in this country, from Tofino to Signal Hill, including a large number of Quebecers, are saddened by the actions of those whose goal is to destroy Canada. On the other hand, you have people like the Prime Minister, who have been fighting for many years to make sure that all Canadians have equal rights.

Today, Canada is doing as well as any country with a huge territory, a small population and diverse needs can expect.

Canadians are fond of their country. They do not say it too often, but they are proud of the maple leaf, their passport, the freedom they enjoy and the respect they are shown everywhere else in the world by people who cannot understand—

The Speaker: I am sorry for interrupting. The hon. member for Shefford.

* * *

QUEBECREFERENDUM

Mr. Jean H. Leroux (Shefford, BQ): Mr. Speaker, just four days before the vote is held, the Prime Minister of Canada is still beating around the bush about recognizing the referendum results.

If 51 per cent of the population vote no, that is a good result, but if 51 per cent vote yes, that is a different story. The Prime Minister of Canada is out full time on the referendum campaign trail, and he will be voting on Monday. He is taking part in the referendum, yet he still refuses to commit to recognizing a yes victory.

There is nothing more democratic than a referendum in our society, and Quebecers will not tolerate having their choice put down.

Oral Questions

On Monday, the majority of Quebecers will vote yes. This strong yes will show that they are united and stand as one. It will ensure that, as a sovereign people, their laws and values will be respected.

* * *

[English]

QUEBEC REFERENDUM

Mrs. Marlene Cowling (Dauphin—Swan River, Lib.): Mr. Speaker, I stand today to add my voice to the chorus of voices ringing from coast to coast to coast calling for a united Canada.

Yesterday three 16-year old high school students from Russell, Manitoba landed in my office en route to Montreal for the no rally, hungry and tired. They had driven all night to get to Winnipeg to catch a plane to Montreal. They were spending their hard earned money to demonstrate how important their country is to them, how their country Canada includes Quebec.

The courage and commitment of these young people is a shining example of the belief western Canada has that a strong Canada is a united Canada. They represent the sentiments of thousands of Manitobans who could not make the journey but whose hearts are in Montreal today for their love of the greatest country in the world. Vive le Canada.

* * *

[Translation]

QUEBEC REFERENDUM

Mr. Lee Morrison (Swift Current—Maple Creek—Assiniboia, Ref.): Mr. Speaker, separatists and traditional federalists say that it will be either black or white with the referendum, that is independence or status quo.

By contrast, the Reform Party pledged to renovate the Canadian home. You do not burn down a nice house just to get rid of a few cockroaches. You simply clean it.

Millions of Canadians, including many outside Quebec, have felt frustrated and threatened by the centralizing governments which have dominated our confederation by taking advantage of regional splits and claim that they were acting in the national interest.

• (1115)

A no vote in the referendum will open the door to a new decentralized Canada, patterned on the model proposed by the Reform Party, which is designed to give greater autonomy to the provinces.

THE ENVIRONMENT

Hon. Charles Caccia (Davenport, Lib.): Mr. Speaker, at this important time in our history, we must remember that environmental issues know no political boundaries.

Federal initiatives such as the Fisheries Act and the Canadian Environmental Protection Act protect public health and all Canadians. For example, those who live close to the St. Lawrence River benefit a great deal from these laws. Indeed, since 1990, the federal government has spent millions of dollars to clean up the St. Lawrence River.

Moreover, the international agreements negotiated by Ottawa on acid rain have benefited all Quebecers. Consequently, those who take the environment seriously should reflect on the positive aspects of Canadian federalism, before casting their vote on October 30. Let us not forget these major federal initiatives.

ORAL QUESTION PERIOD

[Translation]

REFERENDUM CAMPAIGN

Mr. Michel Gauthier (Roberval, BQ): Mr. Speaker, the president of the Canadian Labour Congress, Mr. Bob White, said that Canadian workers should continue to maintain close ties with workers in Quebec the day after a yes vote and that negotiations with Quebec should start without delay.

Politicians in the rest of Canada should do likewise to ensure the stability of Canada and Quebec the day after a yes vote. Yesterday, the Prime Minister said that 50 per cent plus one was enough if it was a no but not if it was a yes.

My question is directed to the Minister of Intergovernmental Affairs. How can the Prime Minister of Canada question the validity and outcome of this democratic exercise and go so far as to say that 50 per cent plus one is all right for a no but not for a yes?

Hon. Marcel Massé (President of the Queen's Privy Council for Canada, Minister of Intergovernmental Affairs and Minister responsible for Public Service Renewal, Lib.): Mr. Speaker, we should recall that a few months ago, the Leader of the Opposition said clearly: "If it is yes, it is sovereignty; if it is no, we will do it again".

The Official Opposition should not be surprised if we say: "We expect it to be no". That would be the right answer, for Canadians who are now in Montreal to show their solidarity to Quebecers and for Quebecers who have gained so much from Confederation.

Oral Questions

Mr. Michel Gauthier (Roberval, BQ): Mr. Speaker, on this last sitting day of the House of Commons before the referendum, I think it would be appropriate for the minister to be accurate and direct in his answers to my questions.

He knows perfectly well that the Leader of the Opposition and all the people on the yes side have always said, on every occasion, that they would respect the verdict of the people, the outcome of this democratic process.

My question, and I would appreciate a straight answer, is this: Why, when it is about their side, does the Prime Minister seem unwilling to commit himself to respecting the democratic process, going so far as to say: "If those are the results for the no side, we agree, but if the same figures turn up for the yes side, we do not"? Let him explain that instead of trying to skirt the issue.

Hon. Marcel Massé (President of the Queen's Privy Council for Canada, Minister of Intergovernmental Affairs and Minister responsible for Public Service Renewal, Lib.): Mr. Speaker, the hon. member for Roberval implies he has the right to make preambles in which he says things that are inaccurate, makes statements that do not correspond with the facts and indulges in innuendo directed at those involved in the campaign, as he just did in my case.

He seems to think we will be less than democratic as we explain our position. He should know better, considering his experience in the House.

• (1120)

We made it quite clear that we believe the no side will win and that Monday Quebecers will realize that separation is not the way to go, and that is why we are clearly indicating that with a no, we will be able to continue to implement reforms in Canada.

Mr. Michel Gauthier (Roberval, BQ): Mr. Speaker, I am sorry but the minister will not get off that easily. I am entitled to three questions, and so for the third time I will ask him to make his position clear to Quebecers, to set aside his customary arrogance we have seen enough of and give a clear answer to Quebecers.

Can the Minister of Intergovernmental Affairs, who is speaking on behalf of the government today, explain clearly, honestly and frankly how the Prime Minister of Canada can say: "Fifty per cent plus one for the no is fine. I can go along with that. Fifty per cent plus one for the yes, I am not sure". What explanation does he have for an attitude that is so obviously unacceptable? I would like an answer.

Hon. Marcel Massé (President of the Queen's Privy Council for Canada, Minister of Intergovernmental Affairs and Minister responsible for Public Service Renewal, Lib.): Mr. Speaker, this day and the next few days are too important for us to waste our time responding to invective from the opposition. Their attitude is not very parliamentary.

On the fundamental issue, we have always said that we recognize the democratic right of Quebecers to vote in a referendum, but we have also clearly indicated our position and the fact that we believe the no side will win.

The Leader of the Opposition has indicated that if it is a no, he would not accept the outcome, so why does the hon. member for Roberval not talk to his own leader and tell him that his answer is not democratic because he does not accept the answer given by the people, while we believe our position is democratic, especially considering that 32 per cent of Quebecers have indicated that a yes vote means they very properly want the province of Quebec to remain a part of Canada.

The Speaker: Dear colleagues, I am sure that today, like all other days, we will always show respect in speaking to each other here in the House of Commons.

Mr. Gilles Ducesse (Laurier—Sainte-Marie, BQ): Mr. Speaker, let us make things perfectly clear. The Leader of the Opposition has said that he would respect the decision of the men and women of Quebec, which does not prevent our continuing to battle for our ideals as in 1980. René Lévesque kept his word, which the Prime Minister of Canada did not, and once again will not. If the minister cannot see the difference between continuing to fight for one's ideals and implementing a legal decision, he has a big problem, and it is not from the neck down.

The Prime Minister, who is seeing the choice of Quebecers being increasingly confirmed, has been quick to abandon the attitude of openmindedness and understanding adopted in his message to the nation, an attitude that is unusual for him, and has reverted to his true nature, menacing and vengeful toward Quebec.

My question is for the Minister of Intergovernmental Affairs. Does the Prime Minister's attitude augur well for the day after the referendum, when we already see him threatening not to respect the result, the referendum verdict, showing his true colours as a non-respecter of democracy, allowing the Quebec referendum act to be violated with impunity, non-respecter of democracy that he is?

Hon. Marcel Massé (President of the Queen's Privy Council for Canada, Minister of Intergovernmental Affairs and Minister responsible for Public Service Renewal, Lib.): Mr. Speaker, I believe that history speaks for itself and that our Prime Minister has shown over his thirty years in politics that he is a democrat. He has expressed his opinions clearly, expressed his options clearly, and has never backtracked; he has never changed political affiliations during his career; he continues to believe in the values in which he believed in the past; he has always defended both Quebec and Canada, and continues to do so.

Oral Questions

The arguments of the Bloc and the PQ will not do anything to change reality. The reality is that our Prime Minister has defended both Quebec and Canada well, and will continue to do so. A no is a no, one which will again work in favour of Quebecers, and Quebecers will come to see that it is in their interests to continue to make the reforms and changes they want within the federation, as they did during the first quiet revolution.

• (1125)

Mr. Gilles Duceppe (Laurier—Sainte-Marie, BQ): Mr. Speaker, the minister has said two things that are true. First, the Prime Minister has not changed his opinion; he continues to mock Quebecers and to do things behind their backs. He has not changed. Second, when the minister tells us there will be a second quiet revolution, he is right and that revolution will start with a yes on Monday.

I am asking the minister how Quebecers can trust the Prime Minister when he engages in doubts and threats to force them to choose Canada, rather than admitting that the days following the yes vote have already been anticipated by the government, which will have to adopt a responsible attitude toward the international financial market for once, as Quebec certainly will?

Hon. Marcel Massé (President of the Queen's Privy Council for Canada, Minister of Intergovernmental Affairs and Minister responsible for Public Service Renewal, Lib.): Once again, Mr. Speaker, I think that no one will accuse our Prime Minister of not having made his thoughts clear, and of not having changed his way of thinking as he went along.

But I have a quote to offer to you, Mr. Speaker, and it is as follows:

[English]

"I am a Canadian. Who will doubt that? I was born a Canadian and we have been Canadians since 1636 in Quebec. I am very proud to be a Canadian."

[Translation]

In English, the quote is: "I am a Canadian. Who will doubt that? I was born a Canadian and we have been Canadians since 1636 in Quebec. I am very proud to be a Canadian". Who said this? Lucien Bouchard.

[English]

The Speaker: Once again I ask you not to refer to hon. members by their names but by their titles in the House. I know you will respect that.

* * *

QUEBEC REFERENDUM

Mr. Preston Manning (Calgary Southwest, Ref.): Mr. Speaker, throughout the Quebec referendum campaign Reform-

ers have made every effort to show Quebecers that Canada is open to real change, that is not founded in the exaggerated promises of the separatists and change that is not found in symbolic constitutional amendments.

We want a no vote on Monday to mean a mandate for a new Confederation, a decentralization of power and the reform of federal institutions. Reformers and provincial governments are going to work for those changes. The tens of thousands of Canadians who are going to Montreal will work for those changes.

On the eve of the Quebec vote, does the federal government have anything more substantive and constructive to say on its agenda for change, something that would persuade a soft sovereignist or a discontented federalist to vote no on October 30?

Hon. Marcel Massé (President of the Queen's Privy Council for Canada, Minister of Intergovernmental Affairs and Minister responsible for Public Service Renewal, Lib.): Mr. Speaker, I think the Prime Minister has indicated on a number of occasions this week that he is ready to continue to implement change and to consider further change.

• (1130)

What he has said about the distinct society and the right of veto are important announcements in terms of constitutional change. What is as important is that a number of provinces, including Newfoundland, have now passed resolutions on distinct society to indicate their respect for the province of Quebec and their desire that they continue to work in a strong and united Canada.

In terms of non-constitutional change, which is as important, we have indicated in the budget that we are ready to revise programs and jurisdictions in order to let the level of government which is most efficient do the work. We intend to continue in that direction.

Mr. Preston Manning (Calgary Southwest, Ref.): Mr. Speaker, I thought the minister might have said that one of the most important changes the government could initiate the morning after a no vote would be to start real reform of this institution, the House of Commons.

Canadians inside and outside Quebec want their priorities and their concerns to be better represented in the Chamber. That can be achieved through a simple government commitment to freer voting in the House and the exercise of less party discipline by the governing party. Are these the sort of practical and positive changes the government would be willing to vigorously pursue after a no vote on October 30?

Hon. Marcel Massé (President of the Queen's Privy Council for Canada, Minister of Intergovernmental Affairs and Minister responsible for Public Service Renewal, Lib.): Mr. Speaker, I agree with the leader of the third party that we have to increase the amount of change we are making in this country.

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I remind him again that we did program review and the budget downsized the government by 20 per cent. We started to reform the various programs in order to make the federal government more efficient. We indicated very clearly that we want to change and we want to listen to what Canadians tell us.

In terms of the House, I only have to indicate the reforms which have taken place to reduce its costs and increase its efficiency. We hope to continue in that direction.

Mr. Preston Manning (Calgary Southwest, Ref.): Mr. Speaker, the most compelling reason for making changes in the Chamber have been provided by the Quebec referendum debate.

Here we have a debate on the future of federalism and the country itself, but where has it occurred? Not directly, not forcefully, not thoroughly on the floor of the Chamber, but everywhere else. While the number one priority of the agenda of the people has been the future of their country, formal debate in the Chamber has focused on manganese as an additive to gasoline and the national horse act. That is why the House must change if the federal government is ever to lead change in the country.

Is the government open to changes in this institution so that the agenda of the people and the country becomes the agenda of the House?

Hon. Marcel Massé (President of the Queen's Privy Council for Canada, Minister of Intergovernmental Affairs and Minister responsible for Public Service Renewal, Lib.): Mr. Speaker, the debate about the referendum has taken place mostly in Quebec because it is a Quebec referendum.

I certainly agree with the leader of the third party that all Canadians feel personally involved. I am especially happy to see that desire for involvement has finally been met by the huge rally which is presently taking place in Montreal. It shows that all Canadians from every part of the country consider that the choice being made in Quebec is the choice of their own country. That choice affects them personally and is one in which they want to have a voice.

I am proud so many people have found it possible to go to Montreal. They are expressing not only their love for Quebec and their desire to stay together but also their view that Quebecers and the rest of the Canadian population will be able to go through problems in the future much better if they stand together, which is what we hope will happen, than if they divide.

[Translation]

REFERENDUM CAMPAIGN

Mr. René Laurin (Joliette, BQ): Mr. Speaker, the Minister of Intergovernmental Affairs earlier quoted Lucien Bouchard as saying he was proud to be a Canadian. He neglected, however, to add that this statement was made before Meech Lake, that is, before the hon. Jean Chrétien's fancy tactics to sabotage the accord.

Some hon. members: Oh, oh.

Mr. Laurin: The hon. Prime Minister's, pardon me, Mr. Speaker.

• (1135)

The Speaker: Thank you, my dear colleague. You will address our colleagues by their proper and acceptable title here in the House.

Mr. Laurin: Mr. Speaker, I am sorry.

The director general of elections for Quebec, Pierre F. Côté, criticized those offering paid holidays or lower priced tickets for demonstrations in connection with the referendum debate. According to him, it is making a mockery of the Referendum Act, it is a real expression of contempt. He went on to say that this sort of behaviour encourages civil disobedience.

How could the federal government itself contravene the Quebec Referendum Act by allowing subtle arrangements to be made for its employees to be away from work in order to go to a demonstration in Montreal without loss of salary?

Hon. Marcel Massé (President of the Queen's Privy Council for Canada, Minister of Intergovernmental Affairs and Minister responsible for Public Service Renewal, Lib.): Mr. Speaker, first, I will deal with part of the hon. member's opening remarks, when he talked about the statement by the Leader of the Opposition, which was made in 1988, that is, well after the start of the Meech Lake accord debate.

Here is a quote that indicates the transparency of his statements now. When Mr. Bouchard, when the Leader of the Opposition, pardon me, spoke on Wednesday, he spoke in French and English. In French, he said: "Alliances—thanks but no thanks". A total refusal. In English, he said: "I am deeply committed to this partnership". So, once again, when opening remarks are used to deliver messages, they should not be based on the misleading appearances created.

As regards the rally currently going on in Montreal, we must remember that Canadians and Quebecers are equally proud of demonstrating their patriotism in Montreal and are doing so on their own initiative. The federal government did not organize

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the gathering. It was born of a desire by Canadians, inside and outside Quebec, to express their pride in Canada, and the federal government is not paying their way. On the contrary, a Treasury Board directive provides that, if they go, they must take leave to do so.

Mr. René Laurin (Joliette, BQ): Mr. Speaker, the alliances the hon. Leader of the Opposition was talking about were the alliances René Lévesque had had with the other provincial ministers before the night of the long knives. This is the sort of alliance the Leader of the Opposition was alluding to.

How does the minister explain that federal government managers were informed by telephone that they should allow their employees to go to Montreal after they signed an insurance form. Even this leave is paid by the government.

[*English*]

Hon. Arthur C. Eggleton (President of the Treasury Board and Minister responsible for Infrastructure, Lib.): Mr. Speaker, the federal government is operating today. Offices are open from coast to coast. In accordance with common practice which has existed for time and is in the collective agreements, if employees want a day off, they can ask for a day off.

Mr. Duceppe: All together, all at the same time?

Mr. Eggleton: Yes, they can take it as a vacation day. They can take a vacation day if they want. They can do it today, on Monday, or any other time of the year, providing they get the permission of their manager. In each case it is a personal choice. Nobody is being forced to do anything.

A lot of people who work in the public service feel strongly about the country and want to be part of today's rally in Montreal. They are doing it all in accordance with the rules, practices and collective agreements of the federal government.

* * *

HEALTH CARE

Mrs. Sharon Hayes (Port Moody—Coquitlam, Ref.): Mr. Speaker, my question is for the Minister of Health.

Improving our medicare system is on the agenda of all Canadians. Reformers have proposed a series of constructive alternatives to solve the problems with our health care system for all Canadians. What changes are the minister and the government considering in the field of health care to make Canadians, including Quebecers, feel more at home in this Confederation?

• (1140)

Hon. Diane Marleau (Minister of Health, Lib.): Mr. Speaker, a lot of work is ongoing with the federal government in co-operation with the provincial ministers of health and their officials.

One which is ongoing is the work on the vision for the future of the health care system in Canada. Many actions are being contemplated. We are very optimistic that we can continue to deliver first class health care in Canada and that we can make that health care equally accessible to all residents.

Even people who live in Quebec appreciate our medicare system. They too are concerned that rapid changes would decrease their ability to access equitably a health care system when they need it. The government is committed to ensuring equitable access for everyone.

Mrs. Sharon Hayes (Port Moody—Coquitlam, Ref.): Mr. Speaker, like Reformers, Canadians affirm the value of medicare. We desire medicare to be a core set of national standards. We desire a system that is publicly funded and universally accessible, regardless of one's ability to pay, but that system must make room for choice to be sustainable. Is the minister open to this kind of change?

Hon. Diane Marleau (Minister of Health, Lib.): Mr. Speaker, we are open to any kind of change that will make our health care system better.

We are committed to equitable access, access based on the need of the individual person and not on his or her ability to pay. That is one of the essential cornerstones of medicare in Canada. We believe it is that particular form of medicare which makes Canada the very best country in which to live.

* * *

[*Translation*]

REFERENDUM CAMPAIGN

Mrs. Pierrette Venne (Saint-Hubert, BQ): Mr. Speaker, my question is for the Minister of Intergovernmental Affairs.

The Minister of Fisheries and Oceans has launched an operation to bring thousands of federalists from across Canada to Montreal. The government is even urging its employees to go there to put pressure on Quebecers under the pretence that they suddenly love them.

Does the minister not feel that the best way to show Quebecers they are loved would be above all to respect their laws, starting with the referendum act?

Hon. Marcel Massé (President of the Queen's Privy Council for Canada, Minister of Intergovernmental Affairs and Minister responsible for Public Service Renewal, Lib.): Mr. Speaker, once again, we did not organize the rally being held in Montreal. This spontaneous rally shows that Canadians from every region in the country are concerned about what is happening in Quebec and want to show their solidarity.

I am proud to belong to a country where all parties are so concerned by the situation in Quebec that they are willing to make an effort to travel to Montreal and to clearly express their feelings toward Canada and Quebecers. Quebecers who, like us, are federalists and want to remain part of this country feel that other Canadians are expressing clearly the feelings we have

always believed in, that is to say, they are supportive of Quebec, they are with us, and they want the No side to win on Monday so that our nation can continue to help and support its citizens.

Mrs. Pierrette Venne (Saint-Hubert, BQ): Mr. Speaker, what better way is there for the federal government and the rest of Canada to show their commitment to Quebecers than to respect the democratic process, thus allowing Quebecers to make a decision on their future without any interference?

• (1145)

Hon. Marcel Massé (President of the Queen's Privy Council for Canada, Minister of Intergovernmental Affairs and Minister responsible for Public Service Renewal, Lib.): Mr. Speaker, since the only people the official opposition believes are those who share their views, I will point out that, in an interview he gave at Magnan tavern this week, the Leader of the Official Opposition stated very clearly that he agreed that people from the rest of Canada could come to Montreal because, as he said, they will be affected by the referendum result.

For once, the leader of the Bloc Québécois is right, and he expressed this pride in being Canadian he had asserted so clearly in 1988. We are proud to belong to a country, a nation that is willing to give its more vulnerable parts a helping hand as a sign of friendship and solidarity.

* * *

[English]

THE ENVIRONMENT

Mr. Paul E. Forseth (New Westminster—Burnaby, Ref.): Mr. Speaker, my question is for the Minister of the Environment.

On Monday and Tuesday the minister met with provincial counterparts in Whitehorse. The Canadian Council of Ministers of Environment has created a framework agreement to harmonize the provinces' respective roles. Canadians have a deep desire to see real co-operation.

Following the Whitehorse discussions, can the government tell the House what we can expect to see in respect of the environmental harmonization process being put into place with the provinces?

Hon. Diane Marleau (Minister of Health, Lib.): Mr. Speaker, I am pleased to report that my colleague, the Minister of the Environment, together with provincial and territorial environmental ministers, agreed to release a draft environmental framework. This framework has been released for public discussion.

Oral Questions

Hearing the views of Canadians on whether this draft accomplishes our shared objective is very important in terms of a consistent high level of environmental protection.

Mr. Paul E. Forseth (New Westminster—Burnaby, Ref.): Mr. Speaker, clearly there is a need for a new confederation, a balanced federation of provinces in Canada that the Minister of Environment should no longer resist.

The process of environmental harmonization has been going on for two years. Can the minister tell the House what the spectrum of changes the government is prepared to make to produce a genuine harmonious front to protect the environment?

Hon. Diane Marleau (Minister of Health, Lib.): Mr. Speaker, while there are often points of discussion, the environment ministers, for example, agreed unanimously to look at automobile emissions and regulations for cleaner gasoline. The federal government is committed to acting on these initiatives.

Meanwhile, the provincial ministers of the environment are also free to look at taking the actions necessary to protect the air that the people in their provinces breathe.

* * *

[Translation]

UNEMPLOYMENT INSURANCE REFORM

Mr. André Caron (Jonquière, BQ): Mr. Speaker, my question is for the Minister of Human Resources Development. Yesterday, the CNTU revealed that the HRD minister's bill on UI reform does exist. And its provisions are identical to what has been leaked from various sources since June. The draft bill is dated October 10, 1995.

Will the minister admit that the bill on UI cuts is indeed ready, as evidenced by the existence of this document, and that its tabling is being delayed by the government to hide these cuts from Quebecers until after the referendum?

Hon. Marcel Massé (President of the Queen's Privy Council for Canada, Minister of Intergovernmental Affairs and Minister responsible for Public Service Renewal, Lib.): Mr. Speaker, we have been working on reforming the UI program, and in fact the social security system as a whole, for the past two years. We never hid the fact that we were putting our fiscal house in order and reviewing various social policies.

Regarding unemployment insurance, we announced in the last budget exactly what our plans were, and the Prime Minister stated in this House that a bill would be produced by the end of the year. Cabinet has not approved, passed or even seen the bill, and the document referred to may well be one of the many versions of the bill that could eventually be submitted to cabinet. This is a normal process, one that does not involve cabinet for the time being and that must follow its course.

Oral Questions

• (1150)

Mr. André Caron (Jonquière, BQ): Mr. Speaker, we are pleased to hear the minister admit that the bill does exist.

Will the minister try to deny the obvious or will he admit that his bill will reduce UI benefits, exclude thousands of young people and women from the system, and put in place a two tiered system for seasonal workers? What is keeping the minister from admitting the truth? The imminence of the Quebec referendum?

Hon. Marcel Massé (President of the Queen's Privy Council for Canada, Minister of Intergovernmental Affairs and Minister responsible for Public Service Renewal, Lib.): Mr. Speaker, once again, the opposition is twisting my words. I said "may well be" because I do not know if the bill the hon. member is referring to even exists. However, I do know that it is only natural for us, after promising to overhaul social programs, including unemployment insurance, to be working on it.

No decision has been made so far. There is therefore nothing to say on this issue. It is clear that, as announced in the budget, a reform will take place to make the system more efficient and reduce the burden of government on Canadian taxpayers, including Quebec taxpayers. We urge the Parti Québécois to put its fiscal house in order as we did with ours in the budget we tabled in February.

* * *

[English]

QUEBEC REFERENDUM

Mr. Sarkis Assadourian (Don Valley North, Lib.): Mr. Speaker, my question is for the Minister of Foreign Affairs.

On Wednesday President Bill Clinton stated that a strong and a united Canada has been a powerful and loyal ally to the United States and a model for the world on how people from different cultures can live in peace and harmony.

Would the Minister of Foreign Affairs elaborate on the president's statement? Also, would he address the comment made in the *Wall Street Journal* regarding the negative effect that a possible yes vote in Monday's Quebec referendum might have on NAFTA and our bilateral relationship with the U.S.?

Hon. David M. Collenette (Minister of National Defence and Minister of Veterans Affairs, Lib.): Mr. Speaker, I welcome the question.

[Translation]

President Clinton clearly said that Monday's vote is a domestic issue. It is for Canadians to decide. However, the president also said that his country hopes to maintain relations with a strong and united Canada. I have no doubt that, after Monday's vote, Canada will remain united and strong.

As for the other part of the question, I fully agree with the opinion expressed by the hon. member.

[English]

The question of trading arrangements in the context of sovereignty will be the one described by the hon. member.

* * *

SOMALIA INQUIRY

Mr. Bob Ringma (Nanaimo—Cowichan, Ref.): Mr. Speaker, earlier this week government lawyers were chastened by Justice Létourneau of the Somalia inquiry. He was concerned that a letter from crown counsel would put a chill over the inquiry.

The government has tried to gag members of the forces before. Now it is trying to filter both the information and the sources of information.

Why are both the justice department and the Department of National Defence working to intimidate soldiers and keep them from testifying before this important commission? Why?

Hon. David M. Collenette (Minister of National Defence and Minister of Veterans Affairs, Lib.): Mr. Speaker, the hon. member knows full well there is no truth to that assertion.

The government has nothing to hide with respect to the engagement of Canadian forces personnel to Somalia. It was this government in opposition that had asked the former government to set up a board of inquiry. That was long before the election. We did that once the court martials were dealt with.

However, what happened this week is rather unfortunate since the tone of a letter sent by a Department of Justice official has given the wrong impression to the various counsel. The chairman of the commission has called for the various counsel to discuss this matter and to make sure the impression the hon. member has reached that somehow we want people not to come forward is dispelled.

The lawyers for the respective individuals before the commission and the commission lawyers themselves are working this matter out.

Mr. Bob Ringma (Nanaimo—Cowichan, Ref.): Mr. Speaker, indeed I would really love to see that impression dispelled. In a hierarchical society such as the military, even

subtle signals from the top permeate down and can cause an undesired effect below. In this case it is telling the troops to keep quiet. The commissioners are doing their best to send the soldiers the signal that the inquiry is open, but the assurances must come from the very top. The very top in this case is the Minister of National Defence.

• (1155)

Will the minister put himself in the position of our uniformed troops and recognize that he has a responsibility to reassure the military personally that all is fine, they can speak as they will.

Hon. David M. Collenette (Minister of National Defence and Minister of Veterans Affairs, Lib.): Mr. Speaker, no one has ever accused me of being unduly subtle. Every member of the Canadian Armed Forces has an obligation to come forward to that commission. The government will not tolerate any intimidation toward any of those people.

I hope the hon. member understands the message. Certainly the members of the armed forces understand it.

* * *

[Translation]

OLD AGE SECURITY

Mrs. Pauline Picard (Drummond, BQ): Mr. Speaker, my question is for the Minister of Human Resources Development.

Yesterday, the minister refused to admit that a document from his department entitled "Serving Canada's Seniors" does indeed show the direction his government intends to follow in restructuring old age security programs.

The government has been saying since its budget of February 1994 that it would table a document unveiling its new approach.

How can the government justify that, after reviewing Canada's old age security program for over 18 months, the human resources minister still claims that he has not yet made a decision on the new direction to be taken? Mr. Speaker, it has been 18 months.

Hon. Marcel Massé (President of the Queen's Privy Council for Canada, Minister of Intergovernmental Affairs and Minister responsible for Public Service Renewal, Lib.): Mr. Speaker, I believe the answer sought by the hon. member is included in a statement made last night by the Prime Minister to Mr. Mongrain, regarding the issue of pensions. The Prime Minister said: "What I do know is that, if people vote no on Monday, all those who receive pension cheques will still get the same cheque. Some tried to make me say that I was going to cut pension cheques. I clearly said in the House of Commons that there will be no statement in November to the effect that the government is cutting pensions, and that the February budget

Oral Questions

will include no changes to old age pensions. I cannot not be any clearer than that".

This quote shows that we looked at the issue of old age pensions and that we arrived—as the Prime Minister clearly said—at a conclusion which is valid now and for next February.

* * *

SOCIAL PROGRAMS

Mrs. Jan Brown (Calgary Southeast, Ref.): Mr. Speaker, as both Reform members and Canadians, we sincerely believe in a strong and united country now and in the future. I am confident that the Liberal government shares our vision of decentralized powers.

My question is for the Minister of Human Resources Development. What changes in the powers and responsibilities attached to social programs will he offer the provinces to show them that a no vote is not a vote for the status quo?

Hon. Marcel Massé (President of the Queen's Privy Council for Canada, Minister of Intergovernmental Affairs and Minister responsible for Public Service Renewal, Lib.): Mr. Speaker, I think that, in the past two years, our government has indicated very clearly that it is upholding the Liberal tradition of supporting the most vulnerable members of our society. We are forced to do so in a context of financial and economic constraint. I feel that we have assumed our responsibilities within a responsible fiscal framework by stating in the February 1995 budget that we would continue to help the neediest in our society.

There is no question that, in order to help the most vulnerable in our society, we must overhaul our social programs to make them more effective, efficient and productive, and that is what we are doing. The changes under way to improve government will also help us convince Canadians, including Quebecers, that the Government of Canada looks after the interests of all its citizens, including Quebecers, and that it is in their interest to vote No on Monday.

* * *

• (1200)

TOURISM INDUSTRY

Mrs. Pierrette Ringuette—Maltais (Madawaska—Victoria, Lib.): Mr. Speaker, could the Minister of Industry briefly mention the main initiatives he has undertaken, since the announcement, last February, of the establishment of the Canadian tourism commission, and could he also give us some details on the impact that these initiatives have, and will have, on the tourism industry and on the Canadian economy?

Government Orders

Hon. Jon Gerrard (Secretary of State (Science, Research and Development), Lib.): Mr. Speaker, the Canadian tourism commission has already spent \$50 million, while its partners have invested \$35 million.

This year, revenues related to tourism increased by 18 per cent in our country. Clearly, a united Canada, in which the provinces and the federal government co-operate, is the best thing for Canadian tourism. It is definitely an argument in favour of a no vote on Monday, so that we can indeed have a united country and the best possible environment for tourism.

ROUTINE PROCEEDINGS

[Translation]

GOVERNMENT RESPONSE TO PETITIONS

Hon. Alfonso Gagliano (Secretary of State (Parliamentary Affairs) and Deputy Leader of the Government in the House of Commons, Lib.): Mr. Speaker, pursuant to Standing Order 36(8), I have the honour to table, in both official languages, the government's response to six petitions.

* * *

INTERPARLIAMENTARY DELEGATION

Hon. Charles Caccia (Davenport, Lib.): Mr. Speaker, I have the honour to present the report of the Canadian delegation to the Committee on economic affairs and development of the Council of Europe, regarding the activities of the Organization for Economic Co-operation and Development, and of the European Bank for Reconstruction and Development, which held meetings in Paris and in Strasbourg, in June 1995.

I also have a report of the Canadian delegation to the Parliamentary assembly of the Council of Europe, regarding the expanded debate on the activities of the Organization for Economic Co-operation and Development, held in Strasbourg, on September 27 and 28, 1995.

[English]

Mr. George Proud (Hillsborough, Lib.): Mr. Speaker, pursuant to Standing Order 34(1), I have the honour to present to the House the ninth report of the Canadian delegation of the Canadian NATO Parliamentary Association from the seminar of the working group on northern security issues of the North Atlantic Assembly held in Copenhagen, Denmark, on September 25, 26 and 27, 1995.

COMMITTEES OF THE HOUSE

FINANCE

Mr. Ron Fewchuk (Selkirk—Red River, Lib.): Mr. Speaker, I have the honour to present, in both official languages, the 21st report of the Standing Committee on Finance on Bill C-102, an act to amend the Customs Act and the customs tariff and to make related and constitutional amendments to other acts.

* * *

[Translation]

QUESTIONS ON THE ORDER PAPER

Hon. Alfonso Gagliano (Secretary of State (Parliamentary Affairs) and Deputy Leader of the Government in the House of Commons, Lib.): Mr. Speaker, I ask that all questions be allowed to stand.

The Deputy Speaker: Is that agreed?

Some hon. members: Agreed.

GOVERNMENT ORDERS

[Translation]

SMALL BUSINESS LOANS ACT

The House resumed consideration of the motion that Bill C-99, an Act to amend the Small Business Loans Act, be read the second time and referred to a committee.

The Deputy Speaker: The Parliamentary Secretary to the President of the Treasury Board has the floor. He has six minutes remaining.

Mr. Ronald J. Duhamel (Parliamentary Secretary to President of the Treasury Board, Lib.): Mr. Speaker, I will repeat the key points I made earlier and continue my speech. I said that the Small Business Loans Act was part of a global strategy by the government to boost the growth of such business, and more particularly its access to financing and capital. I also said we did a lot of consulting, before we went ahead. I said, as well, that this project would be self-supporting, and that the government's action was in keeping with two of its policies: to reduce subsidies to business and to reduce the deficit and the debt.

● (1205)

I also indicated that the new program would better suit businesses with a greater need for access to capital, because, according to our research, 30 per cent to 40 per cent of businesses are getting from the existing program capital which could be used elsewhere. I added that I had talked to many business men and women in my riding of St. Boniface, who told me this was a step forward.

I concluded the first part of my speech by saying that this was the sort of government initiative that reached across the entire country—an example of what we can accomplish together.

Now for the second part. Speaking of what we can accomplish together, let us have a look at what we have already done in Canada. We all know that Canadians are respected around the world, for a number of reasons. We all know that we are the best country on the whole planet, and we are not the ones to say so. Organizations are saying so. We all know that people in many countries, in the vast majority of countries, would like to join us.

We are a pretty formidable economic power, since we rank seventh based on our gross domestic product. We know that the government is evolving, and even when people do not have the same philosophy of government, I think they should realize that governments and government institutions evolve and change. And that is exactly what this government has done for the past two years. To put it another way, it has embarked on a review of the federal government's mandate and that of other levels of government in order to eliminate duplication and overlap.

It has done so while respecting the authority of other levels of government and at the same time reducing government expenditures. It has taken steps to ensure that this initiative will be able to continue, because we still have some way to go.

Consider what we have done together so far. If we look at the past two years, we see that more than 600,000 jobs have been created. That is a lot, but it is not enough. We must create more jobs. We need a climate that is conducive to job creation. Our objective with respect to the debt and the deficit is a case in point. We wanted to ensure that the deficit would not be in excess of 3 per cent of the gross domestic product. We think we can achieve that.

Interest rates are among the lowest we have seen for a long time. The inflation rate is much lower than it was. Consider our growth figures. Economic growth has increased by 33 per cent. Exports have gone up by 5.2 per cent; investment in material and equipment, for instance, has increased 11.6 per cent; deliveries in the manufacturing sector have gone up 10.9 per cent.

Quite frankly, we have done remarkably well in a pretty difficult situation. Our concern, and this includes both government members and the members of the opposition, should be the results of the vote on October 30. Because we must continue to do well.

• (1210)

These successes improve Canadians' quality of life. These successes can assure us of growth, of keeping our number one status, if you will, as the best country in the world. I have a few

Government Orders

quotations here I wanted to share with you on the successes we have enjoyed, the successes others have applauded us for.

[*English*]

For example, Sherry Cooper, chief economist at Nesbitt Burns, responded to the drop in September's unemployment rate to 9.2 per cent by saying:

Today's buoyant job report is yet another arrow in the quiver of economic recovery.

That was on the CP wire on October 6.

Andrew Pyle, Path International senior economist, responding to the drop in September's unemployment rate to 9.2 per cent said:

One would expect in October barring any surprises we should see even better job growth.

Robert Fairholm, chief economist with DRI/McGraw-Hill, in reacting to the Statistics Canada report showing that the country's GDP increased by 0.1 per cent in July, said:

Pull out a microscope and you'll see growth in July. But it's an improvement and that's encouraging for the markets.

Gordon Thiessen, Governor of the Bank of Canada, said:

I know the economy is not booming along, but it is performing in such a sound way, such a basically sturdy way.

I could go on. I have another dozen quotes from influential, knowledgeable, insightful people that show the country is working. As has been said by the Prime Minister on many occasions and by many colleagues, it is not perfect but it is the best country in the world. The commitment of all of us, whatever our political preferences, political values or political ideologies, ought to be to make this country, which is the best, better still.

[*Translation*]

For this reason I hope from the bottom of my heart that Quebecers who see all of those Canadians rallied together in Montreal will listen to their heartbeats, listen to what they have to say. Some would like to have us believe this is not real, not spontaneous. It is real, it is spontaneous.

There is a deep affection for Quebec, for Quebec men, and for Quebec women, and that affection is being manifested today in Montreal. If on October 30 we can have a no vote to separation, to the breakup of this country, we are going to continue to improve the quality of life of all Canadians, whether they live in Quebec or in other parts of the country. This is why I want a no vote, and I hope from the bottom of my heart that is exactly what the answer will be. No to separation, no to breakup, so that we can continue to progress.

[*English*]

Mrs. Beryl Gaffney (Nepean, Lib.): Mr. Speaker, I am very pleased to speak to Bill C-99.

Government Orders

Since taking office two years ago the government has created an economy of employment that has grown. Good fiscal management is the foundation of the government's jobs in a growth agenda. The 1995 budget marks a decisive turning point, making \$7 in cuts to government spending for every new \$1 of tax revenue raised. The deficit is being reduced, as planned, and the red book target of 3 per cent of GDP by 1996-97 will be met.

Small business has been the engine of job creation in Canada in the last decade. To fulfil its promise to help them compete, the government has cut red tape and has increased access to government services, financing new technologies and export markets.

Our trade missions to China and Latin American led by the Prime Minister brought home \$10 billion in trade deals for Canadian businesses and positive jobs for Canadians. Barriers to trade within Canada are dropping, thanks to the agreement on interprovincial trade. These efforts help Canadian businesses find markets for their products and services at home and abroad.

Changes to the Small Business Loans Act is one of the most significant efforts of the government toward a strong economy and creating opportunity for growth. The changes made by Bill C-99 will enable the completion of the process of modernization and improvement that has brought the SBLA program to full cost recovery. This renewal will relieve the financial burden of the program on Canadian taxpayers while enabling the SBLA to continue to provide its benefits to small business.

• (1215)

Over the years the program carried out under the Small Business Loans Act has been very successful. The SBLA was passed in 1961, and since then more than 420,000 SBLA loans, totalling over \$15.5 billion, have been made to small business.

The benefits of SBLA are widely recognized. It provides needed help to small businesses, which are so important to the Canadian economy. The program is open and simple to administer. It is delivered by private sector lenders who have great expertise in the granting of credit and the monitoring of loans.

The program's success both as an economic development tool and as an example of public sector and private sector co-operation has inspired similar guarantee programs at both the federal and provincial levels in Canada.

In recent years the SBLA program has been running on an annual government cost of \$20 million to \$30 million. However, following a significant program change effective April 1, 1993 the annual activity increased from \$500 million to \$2.5 billion in 1993-94 and to over \$4 billion in 1994-95. Assuming a continuation of the historical loss rate, this meant that the annual program costs would increase by over \$100 million. Clearly this was a threat to the sustainability of the program.

Both the potential costs of the program and the government's overall need for deficit control required that the program be brought to full cost recovery. Consequently the government initiated a review of the program. Extensive consultations with major stakeholders representing both borrowers and lenders were held in October and November 1994. Recommendations were also provided by the industry committee and the small business working committee of the House of Commons. The views of the federal Liberal caucus task force on small business were taken into account as well.

The major recommendation of all those consulted was unanimous: the government should act quickly to put the SBLA program on a full cost recovery basis. We have responded.

Two major changes were made through regulatory amendments which came into effect on April 1, 1995. First, a new 1.25 per cent annual fee was levied on each lender's average outstanding balance of SBLA loans made after March 31, 1995. Second, the maximum rate a lender can charge under the SBLA was increased by 1.25 per cent to the prime interest rate plus 3 per cent for floating rate loans and to the residential mortgage rate plus 3 per cent for fixed rate loans.

These changes have put the SBLA program on a sustainable cost recovery basis for all loans made after March 31, 1995. Now Bill C-99 will continue the process of renewal by putting in place additional changes to the SBLA. It will grant an authority respecting the release of security, including personal guarantees taken by lenders for the repayment of SBLA loans. It will grant an authority to make regulations for the establishment of a claims processing fee.

Bill C-99 will improve government guaranteed coverage for low volume lenders. It will enable the SBLA program to respond more quickly in future to changing economic and program circumstances by allowing the guaranteed percentage to be adjusted by regulation, and it will potentially accelerate an already legislated decrease in the percentage of an SBLA loan that is guaranteed by the government from 90 per cent to 85 per cent.

The changes that will be brought about by Bill C-99 will complete the transformation process that has made the SBLA program sustainable. Putting the program on a full cost recovery basis has caused the cost of loans made under the SBLA to increase slightly. However, the federal government's consultations with all parties recognize the need for the program to be self-sustaining.

The changes we are making are entirely in keeping with the need to reduce subsidies to business and the overall need to get the deficit under control. These changes actually mean the SBLA will be better positioned to target its loans toward those small businesses that really need its help.

Government Orders

• (1220)

At present, an estimated 30 per cent to 40 per cent of SBLA loans go to enterprises that are able to take advantage of normal business financing. Without the subsidy implicit in the present interest rate, the higher cost of SBLA loans will mean that these financially strong businesses will probably now switch to lower cost commercial financing.

Even the most successful programs must be kept relevant and responsive and must be run in an effective manner, especially in these days of deficit fighting and limited government resources. The increase in government costs resulting from the surge increase in SBLA activity was a challenge that had to be met if the SBLA was to continue to serve the needs of small business. That challenge was met, and now the changes we are proposing will further enhance the administration of the SBLA program.

I bring to the attention of the businesses and people in Quebec who have been part of this program and who have participated in it in an effort to better not only the economy of Quebec but also the economy of Canada that this is very beneficial to the province of Quebec. Obviously we hope that all those businesses, when it comes to voting on Monday in the referendum, will recognize the importance of staying within Canada and vote with the rest of Canadians with a resounding no.

Mr. Walt Lastewka (St. Catharines, Lib.): Mr. Speaker, it is appropriate that we discuss Bill C-99, an act to amend the Small Business Loans Act, at this time because this week is small business week.

We know that small business is the lifeblood of our economy. Statistics tell us that 99 per cent of businesses in Canada have fewer than 100 employees. Because of their numbers in small businesses they tend to drive the economy. Growth in small business means economic growth, but the bottom line is that the government does not create jobs, businesses create jobs. Small businesses create almost 80 per cent of new jobs in Canada.

Government plays a very key role. It creates the climate and builds the framework for economic growth. The Liberal government has taken important steps to create the right climate.

We have reduced regulation. We have eliminated 250 regulations already and amended another 300-plus. The process continues to eliminate paperwork and regulations and streamline the cost of doing business.

We have improved the access for small businesses to technology through programs like the technology partnership program.

We have reduced the paper burden and red tape that small businesses struggle with. Ten business service centres have been opened up across Canada from coast to coast, which provide 24-hour a day services.

We have just announced the business networks initiative, which brings businesses together. Networks and working together with people makes things happen and makes business grow. We have introduced a single window business number at Revenue Canada so businesses can make one call instead of four.

We have introduced new legislation like Bill C-102, which creates the equivalent of free trade zones in Canada and allows Canadian businesses like those close to the U.S. border in my riding to compete against the U.S. companies head on. This bill will also assist businesses throughout Canada, wherever they may be.

We have the team Canada trade strategy aimed at helping businesses export. SMEs produce only 10 per cent of our exports, and only about 4 per cent of the small business sector exports. We need to improve this record. We need to make continuous improvements to assist small and medium size entrepreneurs to export. This is where government can play a key role.

As a member of Parliament I have been able to work with a committee in the St. Catharines-Niagara area to help small business understand what it takes to export and how really easy it is if we know the system. By teaching this system the committee is trying to assist some 350 small exporting companies in my area.

• (1225)

This leads us to a problem, because we know it takes money for small business to expand. Business needs access to capital. One of the largest problems facing small business people and entrepreneurs is financing. Here too government has played a major role. The industry committee of the House has studied this issue extensively. It was very interesting to see the participation of all parties, the Bloc, Reform and the government members, working together on improving the system within the industry committee, such that we could make more improvements for all businesses no matter where they are located in Canada.

Banks have responded to introduce codes of conduct and an alternate dispute resolution system and some have ombudsmen. Maybe there has been some picking on the banks and maybe it was required, but they are also working with many of the small businesses and many community committees to really get things happening.

Government also plays a direct role in lending to small businesses. We do this through the Business Development Bank and the Business Development Corporation. We lend through the Small Business Loans Act.

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The Small Business Loans Act creates an economic development tool for the government. The act was first passed in 1961. Since that time more than 420,000 loans have been made, totalling over \$15.5 billion.

Recently the SBLA has been running at a cost of \$20 million to \$30 million per year. This is a cost the government incurs; in other words, it is a cost to taxpayers. As lending has increased over the last couple of years, we are now looking at a loss of over \$100 million annually. Over five years the program will be tripled, from \$4 billion to \$12 billion, and then we are looking at a potential liability of \$12 billion plus. That represents a problem for the government and for the taxpayer. That is why the government initiated a review last year and consulted with borrowers and lenders from across the country and the various agencies and institutions involved.

For a government that is tackling the deficit and the debt, we know that we cannot sustain this SBLA program on taxpayers' backs forever. The government has had to reduce its spending. We have cut overall expenditures by 19 per cent, the public service by 14 per cent, transportation subsidies across this land by some 97 per cent, business subsidies by 60 per cent. This is only a small sample of our cuts to reduce the deficit.

The important item I would like to bring forward to the House is that while we have been doing this cutting, we have done it in a progressive manner. We have done it by getting input from all the people involved and understanding the facts that are required as we go through these cuts.

Yes, we are making changes, and for the last number of weeks changes seem to have really hit the House. We have been making those changes a little at a time, not going from one extreme to the other but making those continuous improvements that are so important to industry.

The reason we have Bill C-99 before us today is to make the small business loans program revenue neutral for the government over time. When this legislation is implemented, we will be able to recover the cost of the program and the burden will not be placed only on taxpayers.

As has been mentioned, several actions have already been taken as of April 1, 1995. There is a new 1.25 per cent annual fee levied on lenders' average outstanding balance of loans made after March 31, 1995. The maximum rate a lender can charge increased by 1.25 per cent, the prime interest rate plus 3 per cent for floating rate loans and for residential mortgages it is rate plus 3 per cent for fixed rate loans. This means the program has been put on a cost recovery basis for all loans made after March 31.

• (1230)

Bill C-99 makes further changes to the Small Business Loans Act. The amended act will grant authority respecting the release of security, including personal guarantees taken by lenders for the repayment of the SBLA loans. It will grant authority to make regulations for the establishment of a claims processing fee. The bill will also improve government guaranteed coverage for low volume lenders.

The bill will enable the SBLA program to respond more quickly in the future to changing economic and program circumstances by allowing the guaranteed percentage to be adjusted by regulation, to be adjusted as mentioned as the future unfolds. As things change around the world, we are in the global economy and we will be able to adjust and make those changes on an ongoing basis. As has been said over and over, in this world nothing stands still; everything changes slowly and continuously.

The amended act will potentially accelerate an already legislated decrease in the percentage of an SBLA loan which is guaranteed by the government from 90 per cent to 85 per cent.

The theme for small business week this year is, New Markets—Opportunities for Growth. The government wants to help small businesses grow and expand. I have outlined the many ways in which we are doing that. However, we are not doing a favour to businesses if we hand them money while increasing the deficit which thus reduces the strength and growth of our economy.

We are working to get the basics in place. We are providing several sources of income to small businesses which have difficulty attaining access to capital through other sources. We are improving and refocusing these programs so they will better target those who really need them.

Without the subsidy in the SBLA program's present interest rate the higher cost of these loans will mean financially strong businesses will switch to lower cost commercial financing. More funding will be available to small businesses that really need the programs. We will be doing this in a revenue neutral manner which will not cost taxpayers extra dollars they do not have.

This is important legislation which builds on the government agenda to help businesses succeed. We want a strong and vital growing economy and we need businesses to grow to accomplish that. This bill means financing will be available to help the small business person and it will be provided without an additional cost to taxpayers.

The government has put forward many programs to assist small business. Community groups, of which I have one in my community called the FMP group, are excited about the changes this government is bringing forward to help small business.

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I urge all members in the House to join me in support of Bill C-99, an act to amend the Small Business Loans Act, so that we can work together across the country. We have shared this country and have made improvements across this country. Likewise, I hope that when the people of Quebec, including Quebec's business people, come forward on Monday they will vote no in order to continue to share and make improvements in this great country of ours.

Mrs. Jean Payne (St. John's West, Lib.): Mr. Speaker, I am very pleased to add my voice to those of my colleagues today in speaking on Bill C-99, an act to amend the Small Business Loans Act.

As parliamentarians we are frequently called upon by our constituents to assist in the creation of employment in order to boost the economies of our ridings and subsequently the economy of our country.

Often two very significant areas, increased employment and minimal debt, are found to be in contrast with one another. Bill C-99 will provide a vehicle whereby businesses have greater access to capital which of course in turn creates more employment resulting in a healthier economy.

• (1235)

In my riding of St. John's West, the community of Argentia was struck about a year ago by the closure of the U.S. naval base. The closure of that base caused the residents of the area a great deal of distress. However, they did not roll over and die at the thought of losing their jobs. Instead they decided to build on what had been left on the base by the Americans.

With the very generous assistance of this government, they are now slowly beginning to open a few new businesses. One of the greatest setbacks to many of those new businesses is the inability to obtain financing in order to keep the businesses going. They seem to be having difficulties obtaining the required financing because of the size of their businesses. This new act will be a major asset to them.

Bill C-99 is a vehicle those people will be able to use hopefully in the very near future so they can continue to keep their businesses operating. This loans act is a part of the government's overall strategy to provide a positive environment for the growth of small business, especially with regard to accessing financial capital.

The SBLA came into effect in 1961. Its purpose was to continue to increase the availability of loans for the establishment and improvement of small business enterprises. Since then more than 420,000 loans totalling over \$15 billion have been made to businesses. For over 30 years the SBLA has been helping such businesses obtain capital for improvements and expansion. This government is committed to maintaining the basic nature of this successful program.

The goal of the program is to assist small businesses in obtaining fixed asset financing which is otherwise unobtainable because businesses lack sufficient collateral, they are too new, or they are not located in large growth areas such as central Canada. Of all SBLA loans, 35 per cent go to start-ups and a further 20 per cent go to businesses under three years old.

As I stated earlier, the SBLA is particularly significant in my riding of St. John's West because it does provide funding for the formation and stabilization of an economic foundation based on small enterprise. The benefits are widely recognized. It helps small businesses which are so important to the economy right across the country. They are the foundation for economic strength and stability. The future economy of our country has been built on small business and it will continue to depend on them.

The cod fishery off the coast of Newfoundland has suffered a destruction and now there is a moratorium. Alternate measures must be found to promote the economy of that area. The SBLA mandate provides for funding to be targeted toward small businesses which are lacking collateral, which are not new and which are not located in the large centralized or industrial areas of Canada.

Newfoundland is a province with an abundance of culture, an educated populace and an international accessibility through trade due to its coastal location. Throughout my riding of St. John's West, industry based resources are abundant. There are natural harbours, forestry, and watershed management, to name a few.

Since April 1993 activity under the program has increased dramatically. A potential program deficit of over \$100 million annually based on the 1994-95 activity levels was threatening the sustainability of the SBLA. The proposed changes would decrease the costs and increase the efficiency of the SBLA. The resulting strengthening of the program will enable it to continue to provide benefits to small businesses.

The proposed legislation was developed after extensive consultation with lenders and borrowers alike. Recommendations of the Standing Committee on Industry and the small business working committee have also been addressed. The major recommendation of all those consulted was unanimous: the government should act quickly to put the SBLA program on a full cost recovery basis, a move initiated by a regulatory change effective April 1, 1995.

• (1240)

Bill C-99 moves to initiate full cost recovery. The regulatory amendments of April 1 include a new 1.25 per cent annual fee which is levied on each lender's average outstanding balance on loans made after March 31, 1995. The second amendment states that the maximum rate a lender can charge under the SBLA is increased by 1.25 per cent to the prime interest rate plus 3 per cent for floating rate loans, and to the residential mortgage rate plus 3 per cent for fixed rate loans. These changes have put the

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SBLA program on a sustainable cost recovery basis for all loans made after March 31, 1995.

In addition to full cost recovery incentives, Bill C-99 provides for improvements relating to borrowers and low volume lenders. These changes are secondary to the major regulatory changes of April 1, 1995 which introduced a new annual fee on lenders and an increased maximum interest rate.

Bill C-99 will continue the process of renewal by putting in place additional changes to the SBLA. It will permit the release of security, including personal guarantees, taken by lenders for repayment of the loans. It will also permit the establishment of a claims processing fee by regulation. It will improve government guarantees for coverage for low volume lenders, to improve competition among lenders particularly in the smaller communities, such as those in my riding.

Bill C-99 will permit the SBLA program in the future to respond more quickly to changing economic and program circumstances by allowing the guarantee percentage to be adjusted by regulation. It will accelerate a previously legislated decrease in the percentage of an SBLA loan which is guaranteed by the government from 90 per cent to 85 per cent.

These changes are of particular importance to my riding of St. John's West because of the emphasis on smaller communities.

In addition, new resiliency clauses which will be implemented into the SBLA are tailored to help small business respond more quickly to changing economic circumstances.

In summary, the changes incorporated into Bill C-99 will ensure that the program will continue to be successful in assisting small businesses in obtaining the financing which they so badly need for expansion and the creation of jobs throughout the country.

Mr. Roger Gallaway (Sarnia—Lambton, Lib.): Mr. Speaker, it is a pleasure to speak in support of Bill C-99, an act to amend the Small Business Loans Act.

I could start out by stating the obvious, that we are reminded daily that the future of jobs in Canada is to come from small business. We are reminded daily that it is the fastest growing sector with respect to job creation. In fact, it is that sector of our economy where there is opportunity for work. I have been reminded three times in the last six days of the importance of the small business sector.

Last Saturday I met with the chamber of commerce in my riding. In a brief which was submitted to me it was stated that there is nothing that can replace a job created by a small enterprise. We all agree with that.

On Wednesday night I was in the city of North York and had the opportunity to attend a small business fair which took place at the city hall. There was a large display by support agencies. There were all types of computer consultants and business consultants. It is important to note that the banks were also there in large numbers. There are groups within the communities which are willing to facilitate ongoing small business and are willing to work with people who want to create small businesses.

Last evening in my riding of Sarnia—Lambton the board of directors of Lambton College agreed to proceed with an innovative international trade centre. I am quite pleased to say I have been actively involved in this project. I started it with the college in conjunction with my neighbour across the river in the United States, Congressman David Bonior from the 10th congressional district of the state of Michigan.

We are working together on both sides of the border to facilitate small businesses in order that they can find markets on both sides of the border. We want to work in partnership so we have linked these two centres located at community colleges in Canada and in the United States by modem. Now a Canadian small business person can find a partner and can obtain the kind of information he or she needs to enter the American marketplace.

• (1245)

There are 40 million people living within an hour's drive of my riding. There are 80 million people within an eight-hour drive. The marketplace is not just within Canada for small business. Indeed, for many of us it is in the United States. I am pleased to say that small businesses are awakening to this marketplace.

I know of one small business operator in my riding who employs 17 people. He was able to increase his business by some 35 per cent by working actively in the city of Port Huron in the state of Michigan, 400 yards away from Canada.

The marketplace out there is huge. I know of another gentleman who employs two other people making ice boats. His market is in the area surrounding the city of Detroit on Lake St. Clair. He is able to do that from Canada.

There is a huge marketplace out there for small business but there are two areas of specific need that must be addressed to assist small business people. First, small business needs access to capital. That is stating the obvious. We must remember that job creation in the private sector requires an investment. It can vary.

I am talking only about the private sector. In the high tech business, the cost of creating a job, if I can put it in such blunt terms, is \$750,000. In other words, that corporation must, to add a person to it, often invest up to \$750,000.

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In manufacturing in a general sense that number is somewhere between \$750,000 and \$1 million. That means a corporation must have several million dollars of capital invested to employ people. For those that are specialized the numbers increase even more. I can speak firsthand of the petrochemical and refining industries where the investment required of the corporation can be anywhere from \$1 million to \$1.5 million.

Changes in the way large industry works are in fact changing that ratio. Across North America we are undergoing a phenomenon known as restructuring. Large corporations examine their workforces and they tend to remove those who are not tied directly to production so that the ratio of job to investment is increasing all the time.

It is because of this that we have to look to small business where we know jobs can be created when an entrepreneur invests anywhere from \$3,000 to \$25,000. It is because of numbers like those that tells us the future of the job market is in the small business sector.

We all know also that access to funds is the number one obstacle encountered by small business. The Small Business Loans Act is there to support lenders and in turn help small business obtain debt financing often otherwise inaccessible to them.

I state the obvious when I say that if one reads any number of newspapers one will note there are, across the country, often complaints of the lack of access to funds. Although this will not remove every obstacle, it is working toward it.

It is important to realize that the Small Business Loans Act program is delivered not by government agencies but by private sector lenders. We know the Small Business Loans Act has been around for some 34 years now and this bill simply reflects what the realities of today are from a fiscal perspective.

Organizations such as the Canadian Federation of Independent Business, which I should point out is a group which never is hesitant to express its opinion, have supported this bill. That is an important factor to point out. There is support for this bill not just in the House but where it really counts, within the business community and especially within the small business community, a great number of whose representatives are members of the Canadian Federation of Independent Business.

• (1250)

As a result it is important that the House support Bill C-99. It has, since 1961, resulted in a program which I suggest has been successful. We are told that there have been some \$16 billion lent by banks under the Small Business Loans Act since 1961. In many people's opinions it is not enough when one considers that in other economies around the world much greater numbers are spent on an annual basis on small business expansion. However, it is important that this tool be there. It is there as an economic

tool and it is there as an example of public sector and private sector co-operation and partnership. That is becoming more and more important in government at all levels.

It is also important to remember that government costs associated with this program have escalated quite dramatically in recent years to the point where its sustainability has been called into question. This, quite frankly, is the reality of government today.

As a result, the government has initiated a review of the program and extensive consultations were held over a year ago involving all concerned parties. It is not a unilateral consultation. It is a bilateral consultation involving the public and the private sectors. We are certainly aware of the valuable input that the industry committee provided on this subject.

It is safe to say that the overwhelming consensus from all the major stakeholders is that the government must act swiftly to transform the Small Business Loans Act program into a full cost recovery situation. It must be operated on a full cost recovery basis.

The bill accomplishes this objective and will grant authority respecting the release of security. Many other speakers before me have laid out the technical details of it. I believe that the changes contained in Bill C-99 will complete a transformation process to make the Small Business Loans Act sustainable and realistic and a program that has the support of small business and business associations across the country.

Mrs. Rose-Marie Ur (Lambton—Middlesex, Lib.): Mr. Speaker, I want to add my support to everyone in Montreal today for the walk for unity. Canadians have come from all parts of Canada and I truly wish the best for everyone in Montreal, especially today. This is truly a reflection of our great Canadian spirit and our great Canadian family.

I am pleased to speak on Bill C-99, an act to amend the Small Business Loans Act. For almost 35 years now, the Small Business Loans Act program has provided a valuable means of assisting Canadian small businesses to obtain the financing they need for capital, improvements and expansion.

The government is firmly committed to maintaining the basic nature of this successful program. This act is truly important for the riding of Lambton—Middlesex. I represent a rural riding with the largest urban centre being Strathroy with a population of about 11,000. My riding depends on the small business for economic growth and success. Businesses vary from the manufacturing of clothing and footwear to food processing and auto parts, to name a few.

The Small Business Loans Act encourages financing for small businesses which typically have difficulty in securing fixed asset loans financing for the establishment, expansion and/or modernization.

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Under the SBLA, the federal government guarantees loans up to \$250,000 which are made to small businesses by private sector financial institutions. New and existing businesses which are not farms or religious or charitable enterprises are eligible for Small Business Loans Act loans as long as their annual gross revenues do not exceed \$5 million annually. It is safe to say that the SBLA has been to some degree responsible for the dramatic success of the small business sector in helping keep the Canadian economy vibrant.

• (1255)

Job creation is one of the most important economic contributions made by the small business sector. Since the late 1970s, smaller firms have been the key contributors to net job creation. Between 1979 and 1989 alone, businesses with fewer than 100 employees created over 2.3 million net new jobs in the Canadian economy, 87 per cent of all growth in private sector employment during that period. The self-employed added a further 400,000 new jobs to this total.

The role that the SBLA plays in nurturing small businesses, particularly start-up businesses, is significant. The objective of the act is to assist in the establishment of small businesses and the stats indicate that this objective is being met. From 1990 to 1994, 40 per cent of SBLA loans were made to start-up companies, which together with other very young businesses, those three years old or less, have obtained about 50 per cent of all SBLA loans.

The SBLA is meeting its goals and objectives in other ways as well. As is intended, the average size of loans made is modest. From 1989 to 1993, the average size SBLA loan was \$38,000 and 38 per cent of the loans were \$20,000 or less, 63 per cent were \$40,000 or less. In 1994 the average loan size increased to \$58,000, mainly because of an increase in the permissible maximum loan limit.

While these stats confirm that the program is serving start-ups in young business and providing loans of smaller amounts, there is other evidence to show that the SBLA is promoting the establishment and expansion of businesses in other ways. In a review carried out by independent consultants in 1992, some 60 per cent of the borrowers surveyed indicated that they would not have been able to obtain a bank loan without the assistance of the program. The review cross-checked and confirmed this finding when lenders surveyed reported that 50 per cent of the loans would not have been granted in the absence of this program.

Another study of the SBLA was undertaken in 1994 by a team of analysts under Dr. Allan Riding of Carleton University. Dr. Riding surveyed SBLA loan files and also worked with the Canadian Federation of Independent Business survey data. Dr. Riding found that the SBLA borrowers tend to be those targeted by the act and, as intended, their businesses tend to be smaller, more risky and with fewer resources than the non-SBLA borrowers.

Dr. Riding concluded that some 50 per cent to 70 per cent of the SBLA loans are truly incremental; that is, the lender and the federal government as guarantor are demonstrating confidence in the borrowers because of the risky nature of his or her business.

The SBLA program is an important one for small businesses and a popular one. A fivefold increase in the use of the program has resulted in a potential annual program deficit of \$100 million or more. Clearly this would have been an intolerable burden on the taxpayer, one which would have made the SBLA program unsustainable.

The importance of the program to small businesses required that it be updated and modernized so that it can continue to provide its benefits. In particular, the program needed to be truly sustainable through a move to a full cost recovery. Full cost recovery was supported by all those who made their opinions known, both borrowers and lenders, during the extensive consultations that preceded both the changes before us today, as well as the changes of April 1, 1995.

Significant action has already been taken by the government to achieve cost recovery. Effective April 1, 1995, a new annual fee of 1.25 per cent was introduced on lenders' outstanding balance of SBLA loans made after March 31, 1995. The maximum interest rate charged by lenders was increased by 1.25 per cent to the prime rate plus 3 per cent for floating rate loans and to the residential mortgage rate, plus 3 per cent for fixed rate loans.

• (1300)

Bill C-99 will institute a second set of changes, some of which relate to program improvement and others to the recovery of the program cost. These changes include accelerating already scheduled decreases in the government loan guarantee from 90 per cent to 85 per cent. They will grant authority to make regulations for the establishment of claims processing fees and regarding the release of security, including personal guarantees taken by lenders in repayment of SBLA loans. They will improve the government guarantee coverage for low volume lenders.

Furthermore, they will enable future changes to the level of government guarantees to be made through the regulatory rather than the legislative process. This will add flexibility to the program and permit easier fine tuning in the future.

The move to cost recovery for the SBLA and the introduction of a new fee structure were announced in December 1994 when the Minister of Industry presented the paper "Building a more innovative economy" to the House of Commons. After consultations with all stakeholders the annual 1.25 per cent fee was deemed necessary to achieve immediate cost recovery on all new loans made after March 31, 1995.

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The losses being incurred annually under the SBLA program were threatening to spiral out of control. They were in excess of \$100 million a year. The SBLA shortfall was also adding considerably to the overall deficit the government is determined to reduce. The program is a good one. The SBLA performs a valuable service, one that should be continued.

With the changes being brought about by Bill C-99 the move to bring the SBLA to full cost recovery will be completed. Efficiency in making future changes to the SBLA will be improved. Unnecessary subsidies to businesses will be ended and a significant advance will be made in the government's fight to control the deficit.

I urge all members of the House of Commons to work for swift passage of the bill.

Mr. Reg Alcock (Winnipeg South, Lib.): Mr. Speaker, it gives me pleasure to speak to the debate today. I have been involved in the question of how we provide financing to small business for some time and it is my feeling that the act in some way is somewhat misnamed.

If we reflect on it for a moment, perhaps we should call it the Canadian banking system failures act, because it is the failure of our banking system to adequately provide support to small businesses that makes the act necessary.

In the late 1980s and early 1990s I had the privilege of co-chairing a task force on the Manitoba economy which travelled the length and breadth of the province. It held meetings with chambers of commerce, town councils, small business people and large business people from all over the province of Manitoba. The one thing we heard over and over again was that for small, remote centres access to financing was extremely difficult.

We must ask ourselves why that is. We have a comprehensive system that the government has supported since the creation of the country. Banks throughout the country function in an oligopoly and have incredible protection from competition. They have the ability to fall back on the government and the taxpayers to bail them out whenever they make a mistake in a foreign country.

Why cannot banks, which as a result of that protection have become incredibly profitable, adequately meet the needs of small business? That is an important question we must ask ourselves and must keep asking the banks until we get an answer. We are correcting a flaw that should be corrected by the banking system.

• (1305)

We are talking about raising the loans, capital or equity available to small business to an average level of about \$4

billion a year. We say that will cost us, if it spirals the way it has been, about \$100 million a year. I ask members to reflect on what percentage of last year's bank profits is \$100 million. If they do the mathematics they will find that it is something less than 1 per cent. Is it too much to ask the Canadian banking system to invest 1 per cent of its profits in Canadian small businesses? Why is it incapable of meeting this challenge?

An example that comes to mind is a small business in south central Manitoba in the riding of the member for Lisgar—Marquette. It had 12 employees and made electrical equipment. It designed a yard light. The principal of the business was something of an amateur inventor. He developed a number of successful products that are now being marketed throughout the world and can certainly be found in almost every farmyard in western Canada.

Through ingenuity and hard work he managed to convince a giant company, Quebec Hydro, of the efficiency of one of his products. Quebec Hydro gave him an order. It is a huge company that is certainly capable of paying its bills. The first order in the series was something like \$9 million. However there was a catch. He had to meet the time requirements that are quite common in today's business world. He had to increase his inventory to a level that would meet the demand requirements of the order from Quebec Hydro.

Despite the fact he walked into the bank he had been doing business with for 20 years with the signed contract in hand, he could not get the bank to lend him the money. It could not happen because it was larger than the bank's policy for that area or because the bank did not understand that a business capable of doing that amount of business could exist in a small rural town in Manitoba. Whatever its rationale the bank did not respond to his need.

The banking system that we protect, that we bail out when it gets into trouble, that we protect because we want to have secure access to capital available for the economy, could not respond to his need. It is a tragedy.

If we look at what we are talking about here and we look at the Carleton study, the average business which received funding under the legislation had 7.5 employees. They have annual sales of roughly three-quarters of a million dollars and before tax profits of just under \$50,000. These are the small businesses of the country.

On average 88 per cent of the businesses that received funding under the act created 5.3 new jobs. They did what we have claimed small business would do. If we give them access to capital they will create the jobs and they will create per dollar more jobs than large corporations. That is one of the reasons we agreed to increase the total lending available under the legislation.

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Nearly 30 per cent of small businesses reported that as a result of the loans they were able to obtain they became more efficient and decreased their costs and 41.7 per cent reported their loans helped their firms to survive.

I support the legislation. It is a necessary and important change that makes it possible for small businesses in Canada to continue to fulfil a role in our community that is important to all Canadians, the creation of jobs, allowing people to obtain work and live in dignity. This is the foundation of the economy. Why cannot large banks, the banks with the billion dollar profits, find it within their operations to fill this niche? Why can they not find resources within their huge operations to meet the needs of small businesses?

• (1310)

We have a real problem. I was disappointed today to hear the question of the member of the Reform Party from Lloydminster who spoke strongly against regional economic development and against the provision of capital to businesses in western Canada. It showed a profound misunderstanding of some of the problems businesses face.

Another example I will use that came across my desk recently is of a company in Winnipeg, not a small town but a relatively large centre with some financial strength, which is extremely profitable and doing very well in the construction sector. It has lots of work and has never been at risk. All of a sudden its credit lines were changed. It had not defaulted on anything. Its business was still strong. It was doing well. It inquired into why there was a change in the payment of certain bills from 90 days to 30 days.

The answer had nothing to do with western Canada. It had nothing to do with that business. The answer was that losses had been sustained in southern Ontario.

There is a real problem. If we talk to people in medium size businesses in western Canada we find there is a serious problem. They can grow to a certain size but to get above that the capital is not there. Or, if it is there, they have to work harder and pay more for it than a similar business in Toronto. That is not right. That is a failure of the market in the same way that the legislation represents a failure in our banking system.

Those are the places where government can play a role. Those are the places where government can act to ensure that the necessary resources are available so small businesses continue to produce the jobs members of Parliament and our constituents want them to produce.

I support the legislation I am sure all members of our caucus support it. We will be voting for the legislation when it comes forward. We are saddened by the fact that the banking system has been unable to respond to this need. We feel it is such a vitally important area that the government must continue to be involved and strengthen its involvement in support of small business.

The Deputy Speaker: Is the House ready for the question?

Some hon. members: Question.

The Deputy Speaker: Is it the pleasure of the House to adopt the motion?

Some hon. members: Agreed.

Some hon. members: No.

The Deputy Speaker: All those in favour of the motion will please say yea.

Some hon. members: Yea.

The Deputy Speaker: All those opposed will please say nay.

Some hon. members: Nay.

The Deputy Speaker: In my opinion the yeas have it.

And more than five members having risen:

The Deputy Speaker: Pursuant to the standing orders the division stands deferred until Monday at the ordinary hour of daily adjournment.

Mrs. Cowling: I rise on a point of order, Mr. Speaker. I believe you would find unanimous consent to further defer the vote on second reading of Bill C-99 to Tuesday, October 31, at 5.00 p.m.

[*Translation*]

The Deputy Speaker: Do I have the unanimous consent of the House to defer the vote until Tuesday, October 31, at 5.30 p.m.?

Some hon. members: Agreed.

[*English*]

Mrs. Cowling: Mr. Speaker, on another point of order, I believe you would find unanimous consent to call it 2.30 p.m.

The Deputy Speaker: Is there unanimous consent?

Some hon. members: Agreed.

The Deputy Speaker: Accordingly the House stands adjourned until Monday at 11 a.m.

(The House adjourned at 1.16 p.m.)

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