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Industry, Science and  
Technology Canada

Industrie, Sciences et  
Technologie Canada



**SMALL BUSINESSES LOANS ACT**

**Annual Report on Operations  
for the 12-month period ended March 31, 1992.**

**Canada**



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version 50 on September 6, 1992

16 53 Jan 21/93

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## *Small Businesses Loans Act*

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His Excellency, The Right Honourable Ramon John Hnatyshyn, P.C., C.C., C.M.M., C.D., Q.C.  
Governor General and Commander-in-Chief of Canada  
Government House  
1 Sussex Drive  
Ottawa, Ontario  
K1A 0A1

Your Excellency,

In accordance with section 11 of the *Small Businesses Loans Act* (the Act), the undersigned have the honour to lay before Your Excellency a report on the administration of the Act for the 12-month period ended March 31, 1992.

Respectfully submitted,

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Tom Hockin  
Minister of State  
Small Businesses and Tourism

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Charles Mayer  
Minister of Western  
Economic Diversification

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Elmer MacKay  
Minister for the purposes of  
the *Atlantic Canada*  
*Opportunities Agency Act*

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Benoit Bouchard  
Minister for the purposes of  
the *Federal Office of Regional Development - Quebec*

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## **Introduction**

This Annual Report on the operations of the *Small Businesses Loans Act* (the Act) is being presented by four ministers as a result of the following:

1. As at June 5, 1987, the Minister responsible for the Atlantic Canada Opportunities Agency became the designated minister for purposes of the Act in relation to small business enterprises located in the provinces of New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland. The combined area of those four provinces is referred to in this report as Atlantic Canada (ATL).
2. As at August 4, 1987, the Minister responsible for Western Economic Diversification became the designated minister for purposes of the Act in relation to small business enterprises located in the provinces of British Columbia, Alberta, Saskatchewan and Manitoba. The combined area of those four provinces is referred to in this report as Western Canada (WEST).
3. The Minister of Industry, Science and Technology continues to be the designated minister for purposes of the Act in relation to small business enterprises located in the province of Ontario as well as in the Northwest Territories and Yukon. He also continues to be the minister responsible for all other purposes respecting the Act. It has been the practice since 1977 for the Minister of Industry, Science and Technology to delegate his responsibility with respect to the Act to the Minister of State for Small Businesses and Tourism. The combined area of the aforementioned province and two territories is referred to in this report as Central and Northern Canada (CENTL).
4. As of June 13, 1991 The Minister of Health and Welfare became the designated minister for purposes of the Act in relation to small business enterprises located in the province of Quebec

## **Background**

The objective of the Act, which has been in force since January 1961, is to encourage lenders in the private sector to increase the availability of loans for the purpose of the purchase, renovation, modernization or improvement of fixed assets, including land, buildings, and equipment, but does not include loans for inventory financing, working capital requirements or the refinancing of existing debts.

Under the Act, the Minister is liable to pay to an approved lender 85 percent of the amount of any loss sustained by the lender as a result of a Business Improvement Loan made subsequent to March 31, 1985, provided the lender has generated sufficient indemnification from the making of loans and that requirements specified in the legislation are met. The principal requirements relate to the eligibility of the borrower as a defined small business enterprise, the eligible purpose for which a loan may be made, the maximum amount which may be outstanding to an individual borrower at any one time, the maximum repayment term, the maximum rate of interest which may be charged to a borrower and the minimum security to be taken.

## *Small Businesses Loans Act*

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### *Approved Lenders*

Since its inception in 1961, all banks chartered under the *Bank Act* have been automatically authorized as approved lenders for the purposes of this Act. As a result of changes made in March 1970, the provisions of the Act were widened to include all credit unions, caisses populaires, other cooperative credit societies as well as trust, insurance and loan corporations which, upon request, may be designated by the minister as approved lenders for the purposes of the Act. In 1974, the Alberta Treasury Branches were included as approved lenders.

Any enterprise in Canada operating for gain or profit, within the following categories as each is specifically defined in the subordinated Small Businesses Loans Regulations, is eligible to borrow under the Act provided its estimated gross revenue does not exceed \$2 million in the year of application:

- Communications (Comm.) Construction (Const.) Fishing Manufacturing (Mfg. Retail trade (Retail)
- Service businesses (Service), Transportation (Transp. Wholesale trade (Wholesale)

### **Operating Results**

#### *Total Program*

During the fiscal year ended March 31, 1992, 10 526 Business Improvement Loans amounting to \$395 080 364 were made. The average size of a Business Improvement Loan made during the fiscal year ended March 31, 1992, was \$37 669 compared to \$39 121 during the previous 12-month period.

Of the dollar value loaned during the period under review, \$286.8 million, or 70.2 percent, was used to finance the purchase, installation, renovation, improvement and/or modernization of **equipment**; \$108.3 million, or 29.8 percent, was used to finance the renovation, improvement, modernization, extension, construction and/or purchase of **land and premises**.

As in the past, **service businesses** led all other types of small business enterprises in borrowing under the Act and, for the 12 months under review, accounted for \$179 million or 44.4 percent of total loans made. **Retail trade** followed with \$99 million or 25.6 percent; **transportation** with \$41 million or 10.1 percent; **manufacturing** with \$32 million or 8.7 percent; **construction** with \$25 million or 6.6 percent; **wholesale trade** with \$9 million, or 2.1 percent; **fishing** with \$6 million or 1.7 percent; and **communications** with \$3 million or 0.8 percent.

### **The Minister's Contingent Liability**

1 115 272 041	BILs outstanding on lenders' books as at March 31, 1992 (see Table 4)
The Minister's liability	in relation to this total is \$471 million

## Age of Small Business Enterprise Borrowers

As at November 2, 1987, it became mandatory for a lender to report the age of a business enterprise in respect of which a Business Improvement Loan had been made under the Act. As a result, the statistics listed hereafter only reflect the November 2, 1987 to March 31, 1992 period.

Fiscal Year	Age of Business Enterprise				Sub-Total	Older Than Three Years	Totals
	Start-ups	1st Year	2nd Year	3rd Year			
1987/88	2 911 38.5%	567 7.5%	567 7.5%	492 6.5%	4 537 60%	3 027 40%	7 564 100%
1988/89	6 987 39.3%	1 227 7.0%	1 424 8%	1 107 6.2%	10 745 60.5%	7 012 39.5%	17 757 100%
1989/90	5 293 38.6%	940 6.9%	1 064 7.8%	921 6.7%	8 218 60%	5 554 40%	13 772 100%
1990/91	4 254 40.0%	700 6.6%	710 6.7%	644 6.0%	6 308 59.3%	4 332 40.7%	10 640 100%
1991/92	3 921 37.3%	658 6.3%	682 6.5%	660 6.3%	5 921 56.3%	4 567 43.7%	10 488 100%

These statistics demonstrate that business start-ups, which have no track record in terms of profitability and management, and those businesses in their formative years, are the recipients of the majority of loans made under the Act. In addition it can be seen that the Small Businesses Loans Act is a successful instrument in addressing the mandate to "...foster entrepreneurship and the start-up, growth and expansion of small businesses," as set out in paragraph 8.(1)(c) of the *Industry, Science and Technology Act*

## Employment by Small Business Enterprise Borrowers

Employment by small business borrowers is also being reported by lenders in respect of loans made under the Act since November 1987. The following is reported by the lenders:

Fiscal Year	No. of Borrowers	Total Employment by Borrowers	Average Employment per Borrower	Additional Employment <sup>1</sup>	
				Total	Per Borrower
1988/89	17 757	83 678	4.7	37 290	2.1
1989/90	13 772	63 125	4.6	36 963	2.7
1990/91	10 640	50 433	4.7	25 549	2.3
1991/92	10 488	47 910	4.6	24 250	2.3

<sup>1</sup> Additional number of employees to be engaged as estimated by borrowers and reported by lenders.

When compared to the net cost of claims of \$40 million this additional employment of 24 250 appears to justify the costs incurred under this program.

Any questions respecting the Annual Report or other aspects of this program should be addressed to:

Small Business Loans Administration  
Industry, Science and Technology Canada  
235 Queen Street  
OTTAWA, Ont.  
K1A 0H5

Table 1

## Summary of Operations — Total Program

Period	Business Improvement Loans (BILs) Made		Average Size of BIL \$	Claims Paid	
	Number	Amount \$		Number	Amount \$
<b>12 months ended Dec. 31</b>					
1961-1969	20 865	195 424 436	9 366	142	873 289
1970	1 367	13 772 340	10 075	27	148 649
1971	2 138	22 361 763	10 459	20	71 329
1972	2 860	28 453 509	9 949	21	125 955
1973	3 149	32 068 566	10 184	17	112 178
1974	2 947	37 241 269	12 637	37	239 175
1975	4 835	82 003 157	16 960	35	237 093
1976	5 106	91 893 663	17 997	42	231 896
1977	5 001	99 636 016	19 923	72	632 794
1978	7 321	176 760 504	24 144	122	1 380 584
1979	10 821	268 770 603	24 837	152	1 788 619
1980	16 829	421 402 955	25 040	242	3 825 688
1981	17 544	522 475 588	29 780	390	6 761 102
1982	17 378	450 871 284	25 944	561	11 705 508
1983	26 493	713 248 686	26 922	998	22 283 733
<b>3 months ended March 31</b>					
1984	7 590	210 895 467	27 785	368	10 724 817
<b>12 months ended March 31</b>					
1985	34 741	1 006 033 478	28 958	1 533	29 079 005
1986	23 586	737 223 434	31 256	1 884	44 429 322
1987	21 143	709 537 242	33 558	1 524	37 066 765
1988	18 665	683 990 962	36 645	1 457	35 052 253
1989	17 758	682 893 862	38 455	1 436	32 345 578
1990	13 803	539 505 804	39 086	1 224	32 951 533
1991	10 624	413 583 513	38 929	1 556	33 233 302
1992	10 488	395 080 450	37 669	1 927	46 424 478
<b>Total</b>	<b>303 056</b>	<b>8 535 157 142</b>	<b>28 164</b>	<b>15 787</b>	<b>351 725 167</b>

Note: (1) Statistics shown above under "BILs Made" and "Average Size of BIL" for prior periods may differ from those presented in previous Annual Reports because of late registration of BILs and sundry adjustments.

(2) Subsequent to the December 31, 1983 calendar year, the reporting period was changed to coincide with the Government's fiscal year-end of March 31.

Table 3

## Record of Claim Payments, Recoveries and Receipt of Fees

Period	Claims Paid				Recoveries of prior years' claims \$	Claims paid less all recoveries \$	Receipt of fee of 1% \$	Claims less all recoveries less all 1% fees \$
	Number	Gross \$	Recoveries in year \$	Net * \$				
<b>12 months ended Dec. 31</b>								
1961-1969	142	873 289	-	873 289	(2 386)	870 903	-	870 903
1972	21	125 955	-	125 955	(13 028)	112 927	-	112 927
1973	17	112 178	-	112 178	(13 379)	98 799	-	98 799
1974	37	239 175	-	239 175	(8 615)	230 560	-	230 560
1975	35	237 093	-	237 093	(4 323)	232 770	-	232 770
1976	42	231 896	-	231 896	(17 051)	214 845	-	214 845
1977	72	632 794	-	632 794	(7 287)	625 507	-	625 507
1978	122	1 380 584	-	1 380 584	(13 808)	1 366 776	-	1 366 776
1979	152	1 788 619	-	1 788 619	(51 633)	1 736 986	-	1 736 986
1980	242	3 825 688	-	3 825 688	(62 036)	3 763 652	-	3 763 652
1981	390	6 761 102	-	6 761 102	(88 662)	6 672 440	-	6 672 440
1982	561	11 705 508	-	11 705 508	(63 385)	11 642 123	-	11 642 123
1983	998	22 283 733	-	22 283 733	(178 500)	22 105 233	-	22 105 233
<b>3 months ended March 31</b>								
1984	368	10 724 817	-	10 724 817	(44 625)	10 680 192	-	10 680 192
<b>12 months ended March 31</b>								
1985	1 533	29 079 005	-	29 079 005	(670 000)	28 409 005	-	28 409 005
1986	1 884	44 450 775	(21 453)	44 429 322	(592 178)	43 837 144	(7 101 331)	36 735 813
1987	1 524	37 331 898	(265 133)	37 066 765	(507 944)	36 558 821	(7 172 167)	29 386 654
1988	1 457	35 379 304	(327 051)	35 052 253	(1 102 547)	33 949 706	(6 639 065)	27 310 641
1989	1 436	32 675 582	(330 004)	32 345 578	(1 004 661)	31 340 917	(6 887 911)	24 453 006
1990	1 224	33 562 975	(611 442)	32 951 533	(1 364 747)	31 586 786	(5 545 077)	26 041 709
1991	1 553	33 600 015	(366 713)	33 233 302	(1 729 656)	31 503 646	(4 179 079)	27 324 567
1992	1 924	46 424 478	(500 101)	45 924 377	(1 655 259)	44 269 118	(3 931 474)	40 337 644
<b>Total</b>	<b>15 784</b>	<b>353 646 441</b>	<b>(2 421 897)</b>	<b>* 351 224 544</b>	<b>(9 217 328)</b>	<b>342 007 216</b>	<b>(41 456 104)</b>	<b>300 551 112</b>

\* Equals figure appearing in Table 1.

Table 4

*BILs Advanced, Repayments Made and Principal Balance of BILs Outstanding*

Periods	Loans Made \$	Repayments* \$	Balance of Loans Outstanding as at March 31, 1992** \$
Period 1: January 19, 1961 – December 31, 1963	74 549 220	74 549 220	-
Period 2: January 1, 1964 – December 31, 1966	72 662 656	72 662 656	-
Period 3: January 1, 1967 – December 31, 1969	48 212 560	48 212 560	-
Period 4: January 1, 1970 – June 30, 1971	23 140 841	23 140 841	-
Period 5: July 1, 1971 – June 30, 1974	86 924 604	86 924 604	-
Period 6: July 1, 1974 – June 30, 1977	241 496 183	241 496 183	-
<b>Sub-Totals</b> <b>Jan.19, 1961 – June 30, 1977</b>	<b>546 986 064</b>	<b>546 986 064</b>	-
Period 7: July 1, 1977 – June 30, 1980	672 547 942	672 395 022	152 920
Period 8: July 1, 1980 – March 31, 1983	1 354 152 068	1 352 409 730	1 742 338
Period 9: April 1, 1983 – March 31, 1985	1 799 689 460	1 774 949 226	24 740 234
Period 10: April 1, 1985 – March 31, 1990	3 353 238 142	2 834 737 007	518 501 135
Period 11: April 1, 1990 – March 31, 1993	945 977 171	375 841 757	570 135 414
<b>Sub-Totals</b> <b>July 1, 1977 – March 31, 1992</b>	<b>8 125 604 783</b>	<b>7 010 332 742</b>	<b>1 115 272 041</b>
<b>Total 1961 to 1992</b>	<b>8 672 590 847</b>	<b>7 557 318 806</b>	<b>1 115 272 041</b>

\* Includes principal amount of claims paid under the Minister's liability to lenders.

\*\* As reported by lenders at time of printing.

Table 5

*Summary of BIL Lending Classified by Type of Lender and by Province  
April 1, 1991 — March 31, 1992*

Lender Province	Chartered Banks under the Bank Act		Credit unions, caisses populaires and cooperative credit societies		Trust, Loan and Insurance Corporations		Alberta Treasury Branches		Total Lending	
	Number	Amount \$	Number	Amount \$	Number	Amount \$	Number	Amount \$	Number	Amount \$
B.C.	1 131	41 447 257	103	3 348 797	1	100 000	0	0	1 235	44 896 054,
Alta.	1 261	38 348 557	22	616 953	0	0	137	6 753 854	1 420	45 719 364,
Sask.	576	14 578 974	165	4 939 520	5	204 900	0	0	746	19 723 394,
Man.	212	7 191 368	28	1 040 995	1	100 000	0	0	241	8 332 363,
WEST	3 180	101 566 157	318	9 946 265	7	404 900	137	6 753 854	3 642	118 671 177,
Ont.	1 815	78 059 324	7	273 476	52	2 599 540	0	0	1 874	80 932 340,
Que.	1 841	83 634 327	2 225	83 523 199	3	112 100	0	0	4 069	167 269 626,
N.W.T.	45	1 751 903	0	0	0	0	0	0	45	1 751 903,
Y.T.	14	407 772	0	0	0	0	0	0	14	407 772,
CENTL	3 715	163 853 326	2 232	83 796 675	55	2 711 640	0	0	6 002	250 361 642,
N.B.	273	9 869 427	1	14 269	1	45 183	0	0	275	9 928 879,
N.S.	242	7 240 088	0	0	0	0	0	0	242	7 240 088,
P.E.I.	89	2 816 833	0	0	0	0	0	0	89	2 816 833,
Nfld.	238	6 061 829	0	0	0	0	0	0	238	6 061 829,
ATL	842	25 988 178	1	14 269	1	45 183	0	0	844	26 047 630,
TOTAL	7 737	291 407 663	2 551	93 757 210	63	3 161 723	137	6 753 854	10 488	395 080 450,

Table 6

*BIL Lending by Class of Business Enterprise and by Province  
April 1, 1991 – March 31, 1992*

Business Province	Communications		Construction		Fishing		Manufacturing		Retail Trade		Service Businesses		Transportation		Wholesale Trade		Total	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
B.C.	7	222 759	99	3 017 194	38	1 865 948	84	2 939 168	190	7 344 797	596	21 208 814	193	7 297 665	29	999 703	1 236	44 896 048
Alta.	12	261 646	165	4 399 514	0	0	56	2 089 895	227	7 875 462	665	21 975 018	271	8 213 424	26	905 399	1 422	45 719 358
Sask.	6	138 360	86	2 001 143	0	0	31	739 471	161	4 312 229	347	9 673 807	101	2 507 287	19	354 090	751	19 723 387
Man.	1	14 800	25	531 968	1	95 000	21	751 703	62	2 427 190	105	3 752 405	17	580 061	8	179 235	241	8 332 362
WEST	26	637 565	375	9 949 819	39	1 960 948	192	6 516 237	640	21 959 678	1 713	56 610 044	582	18 598 437	83	2 438 427	3 650	118 671 155
Ont.	14	482 392	127	4 278 823	2	78 000	173	6 783 898	527	26 771 953	866	36 789 896	116	3 718 254	63	2 029 108	1 888	80 932 324
Que.	43	2 046 029	242	7 680 537	8	579 000	429	18 071 554	1 035	44 764 943	1 865	76 809 645	353	13 606 543	108	3 711 338	4 083	167 269 589
N.W.T.	1	100 000	4	223 563	1	5 150	1	35 000	9	314 097	23	942 417	6	131 678	0	0	45	1 751 903
Y.T.	0	0	2	62 225	0	0	0	0	2	62 747	8	224 800	2	58 000	0	0	14	407 772
CENTL	58	2 628 421	375	12 245 148	11	662 150	603	24 890 452	1 573	71 913 740	2 762	114 766 758	477	17 514 473	171	5 740 446	6 030	250 361 588
N.B.	2	15 500	44	1 106 119	15	541 181	12	540 498	34	1 288 436	85	3 162 867	71	2 865 257	13	409 020	278	9 928 878
N.S.	2	45 400	26	645 399	44	1 123 636	15	295 407	52	1 599 166	58	2 008 306	38	1 287 030	7	255 741	242	7 240 085
P.E.I.	3	80 120	8	230 780	26	720 364	4	85 224	7	211 597	25	932 674	12	347 426	5	208 647	90	2 816 632
Nfld.	0	0	35	1 028 689	56	513 293	5	83 108	60	1 962 863	51	1 611 302	25	773 151	6	89 420	238	6 061 826
ATL	7	141 020	113	3 010 887	141	2 898 474	36	1 004 237	153	5 062 062	219	7 715 149	146	5 252 884	31	962 828	846	26 047 621
TOTAL	91	3 407 006	863	25 205 954	191	5 521 572	831	32 410 928	2 366	98 935 480	4 694	179 091 951	1 205	41 385 774	285	9 141 701	10 488	395 080 364