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# Canada Small Business Financing Act

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## *Annual Report*

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## 2002-2003



Canada

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## *Annual Report*

### 2002-2003

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The Canada Small Business Financing (CSBF) Program is a national program operating in all provinces and territories. Under the loans component of the program, financial institutions make term loans of up to \$250 000 to small businesses to purchase land, buildings or equipment, or to improve buildings and equipment. Under the CSBF Capital Leasing Pilot Project, participating lessors provide leases of up to \$250 000 to small businesses to finance the leasing of equipment. The Government of Canada underwrites 85 percent of the eligible losses incurred on defaulted loans and leases. One of the objectives of the *Canada Small Business Financing Act* is to move toward cost recovery. Revenues on loans and leases are expected to offset claim costs over a period of 10 years. The other objective is incrementality, which is the program's effectiveness in extending financing that would otherwise have been unavailable to small and medium-sized enterprises, or available only under less attractive conditions.

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Ministre de l'Industrie  
et ministre responsable de  
l'Agence de développement  
économique du Canada  
pour les régions du Québec



Minister of Industry  
and Minister responsible  
for the Economic Development  
Agency of Canada for the  
Regions of Quebec

Lucienne Robillard  
Ottawa, Canada K1A 0H5

The Government of Canada is committed to helping small- and medium-sized enterprises (SMEs) succeed as they are key drivers of economic growth and job creation. Research indicates that start-up or new businesses continue to have difficulty in accessing the financing they need to launch or to grow.

The purpose of the Canada Small Business Financing (CSBF) Program is to increase the availability of financing for the establishment, expansion, modernization and improvement of eligible small businesses in Canada, thus promoting business confidence and encouraging productivity and innovation.

In 2002–03, there were 11,252 loans made under the program, worth approximately \$955.9 million in asset-based debt financing, an increase of about 2 percent by number and 6 percent by value from 2001–02.

On April 1, 2002, the CSBF Program was expanded to include the Capital Leasing Pilot Project. The purpose of the pilot project is to test the feasibility and utility of a loss-sharing program for capital leasing, a rapidly growing form of financing for SMEs.

More than half of the CSBF loans and about one-quarter of the leases made in 2002–03 were to start-up or new businesses. This demonstrates the program's success in filling a significant market gap in debt financing available for SMEs. Moreover, CSBF borrowers estimated the employment impact of the program in 2002–03 at 2.8 jobs created for each loan made and 2.5 jobs for each lease made, for a total of more than 31,000 new jobs across Canada.

These achievements are the reasons that I am pleased, in accordance with section 18 of the *Canada Small Business Financing Act* (CSBFA), to place before Parliament a report on the administration of the CSBFA for the 12-month period ending March 31, 2003.

A handwritten signature in black ink, reading 'Lucienne Robillard'.

Lucienne Robillard

Canada



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## Highlights

### Loans/leases made

During 2002–03, 11 252 small business loans totalling \$955.9 million and 57 capital leases totalling \$8.8 million were made. The average loan size was about \$85 000; the average capital lease was about \$154 000.

### Loan/lease assets financed

Of the \$955.9 million in loans made, 55 percent financed equipment, 22 percent financed real property or immovables, 21 percent went to leasehold improvements, 1 percent went to purchasing software and another 1 percent went to financing loan registration fees. This distribution is consistent with the four-year average. Capital leases financed equipment and registration fees.

### Firms using Canada Small Business Financing Program loans and leases

Start-ups and new businesses accounted for 50 percent of the number and 57 percent of the value of loans made in 2002–03. By value, 55 percent of the loans went to four industry sectors: food and beverage services; retail trade; manufacturing; and transportation and warehousing. Franchise businesses accounted for 11 percent of the value of loans made.

In the case of capital leases, start-ups and new businesses accounted for 27 percent by value, while 47 percent were made to firms more than three years old.

### Employment impact

Borrowers estimated the employment impact for all loans made in 2002–03 at 31 173 new jobs across Canada, or about 2.8 jobs per loan made. Job estimates for leases were 140 new jobs, or about 2.5 per lease made.

### Claims paid

During 2002–03, 1425 claims totalling \$69.4 million were paid for loans made during the four-year life of the Canada Small Business Financing (CSBF) Program. No claims for loss were submitted in the case of capital leases.

### Cost recovery

Industry Canada has developed a risk-management framework for the CSBF Program to better assess and manage the goal of cost recovery. Included in this framework were revenue and expense forecasting models to determine the extent to which the goal of cost recovery was being met. Preliminary results indicate that the CSBF Program will not achieve cost recovery for loans made during the 1999–2004 period.

Industry Canada will be addressing the issues surrounding cost recovery through the comprehensive review of the program currently under way and scheduled to be completed in 2004–05.



## Introduction

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The *Canada Small Business Financing Act* (CSBFA) facilitates asset-based debt financing of up to \$250 000 for small and medium-sized enterprises (SMEs) in Canada with revenues of up to \$5 million per year. Financing is available in two forms: loans and capital leases, the latter available from April 1, 2002 under the Capital Leasing Pilot Project (CLPP).

The purpose of the Canada Small Business Financing (CSBF) Program is to improve access to financing for the establishment, expansion, modernization and improvement of small businesses in Canada. Loans are available for financing equipment, real property and leasehold improvements; leases are available for financing equipment and registration fees. Farming and charitable institutions are not eligible for financing under the CSBFA.

Industry Canada administers the CSBF Program through a network of about 1540 private-sector lenders with about 15 200 points of service in all provinces and territories. The lenders and lessors, while acting with due diligence, are responsible for all credit decisions, making the loans and leases, and registering them with Industry Canada. The funds disbursed by a lender for a loan registered under the program are the

funds of the lender, not of the government. Consequently, the government plays no role in assessing individual loan applications. Lenders and lessors are responsible for registering security and, when necessary, realizing on the security, in accordance with the CSBFA and its Regulations. The Government of Canada pays 85 percent of lenders' and lessors' eligible net losses on defaulted loans and leases registered under the program. In addition, there is a cap on claims paid to any particular lender or lessor; this effectively limits the Crown's exposure to high-volume lenders and lessors to 10 percent of the value of loans and leases registered by that lender or lessor.

The CSBFA was enacted in 1999 to build on the success of its predecessor, the *Small Business Loans Act* (SBLA). Over the past four years, the CSBF Program has facilitated access to about \$4.4 billion in financing through 54 455 loans. The CSBFA's goals and parameters closely parallel those of the SBLA, but provisions have been incorporated to streamline loan and lease administration, improve the program's ability to achieve its cost recovery objective, and extend financing that would otherwise have been unavailable to SMEs or available only under less attractive conditions.



# 1. Overview of the *Canada Small Business Financing Act*

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## 1.1 Goals of the Canada Small Business Financing Program

The CSBF Program is evaluated on its ability to achieve two goals:

- **Incrementality** is the program's effectiveness in extending financing that would otherwise have been unavailable to SMEs, or available only under less attractive conditions. Attractiveness refers not only to formal loan/lease terms (interest rate, term, security arrangements, etc.) but also to such factors as timeliness, a better lender-borrower/lessor-lessee working relationship, and the availability of a wider range of financial services to SMEs.
- **Cost recovery** is the ability of the program's revenues to offset its associated cost of claims. Cost recovery is measured by comparing the fee revenues generated by the loans/leases made in a

given year to the total claims paid for losses on those loans/leases over their term, up to a maximum of 10 years. Operating costs associated with the administration of the program are not cost-recovered. The program's loans component and lease pilot are evaluated separately for cost recovery.

These goals must be kept in balance. As incrementality increases, so usually does the loan/lease portfolio's potential for default, thereby possibly affecting cost recovery. Industry Canada is aware of this need for balance, and of the need to monitor performance and recommend any adjustments for an optimal level of incrementality, while ensuring that the program continues to pursue cost recovery.

## 1.2 Major Program Parameters

The CSBF Program operates according to the following major parameters.

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Parameter	Loan Component	Capital Lease Component
Loss-sharing ratio	The Government of Canada shares in eligible losses after realizations on security. The government's share of eligible losses for loans/leases in default is 85 percent. Lenders/lessors are responsible for the remaining 15 percent.	
Cap on claims	Each lender/lessor has a separate account for loans/leases registered under the program. The Government of Canada's obligation to an individual lender/lessor is to pay eligible claims (i.e. 85 percent of the eligible losses) on defaulted loans/leases in its account, up to a maximum of the aggregate of 90 percent of the first \$250 000 in loans/leases registered, 50 percent of the next \$250 000 and 10 percent of all loans/leases in excess of \$500 000.	

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<b>Parameter</b>	<b>Loan Component</b>	<b>Capital Lease Component</b>
<b>Assets financed</b>	Loans are restricted to financing: (1) purchase of leasehold improvements, equipment, software and real property or immovables; (2) improvement to equipment and real property; and (3) program registration fees.	Leases are restricted to financing: (1) new equipment, or used equipment that has a remaining economic life greater than the term of the lease; and (2) program registration fees.
<b>Percentage of asset cost accepted for financing</b>	The maximum amount of financing available under the loans component is 90 percent of the eligible cost of the assets.	The maximum amount of financing available under the pilot project is 100 percent of the cost of the equipment.
<b>Fees</b>	A one-time, up-front fee of 2 percent of the amount financed is paid at the time of registration. This fee can be included in the CSBF loan/lease. In addition, the lender/lessor is charged an annual fee of 1.25 percent (paid quarterly) on outstanding loan/lease amounts. Lenders/lessors may pass this fee on to borrowers/lessees only as part of the interest rate charged on their loans/leases.	
<b>Maximum interest rate</b>	The maximum floating rate is the lender's prime rate plus 3 percent (including the 1.25 percent annual fee). The maximum fixed rate is the lender's residential mortgage rate plus 3 percent (including the 1.25 percent annual fee).	Lessors may not charge interest in excess of the Government of Canada Bond rate plus 13.25 percent (including the 1.25 percent annual fee).
<b>Maximum financing amount</b>	A borrower/lessee cannot have more than \$250 000 in total loans and leases outstanding under the CSBF Program and the Small Business Loans Program.	
<b>Length of term</b>	The maximum term for any loan is 10 years from the date the first principal payment is scheduled to be made.	The maximum term for any lease is 10 years from the date the lease was entered into.

## 2. Performance Review

### 2.1 Program Activity

During 2002–03, 11 252 loans totalling \$955.9 million were made under the program.<sup>1</sup> This represented an increase of about 2 percent by number and 6 percent by value from the previous year, marking the first year-over-year increase since the inception of the CSBF Program in 1999. The average loan size was \$84 954, an increase of 4 percent over the previous year.

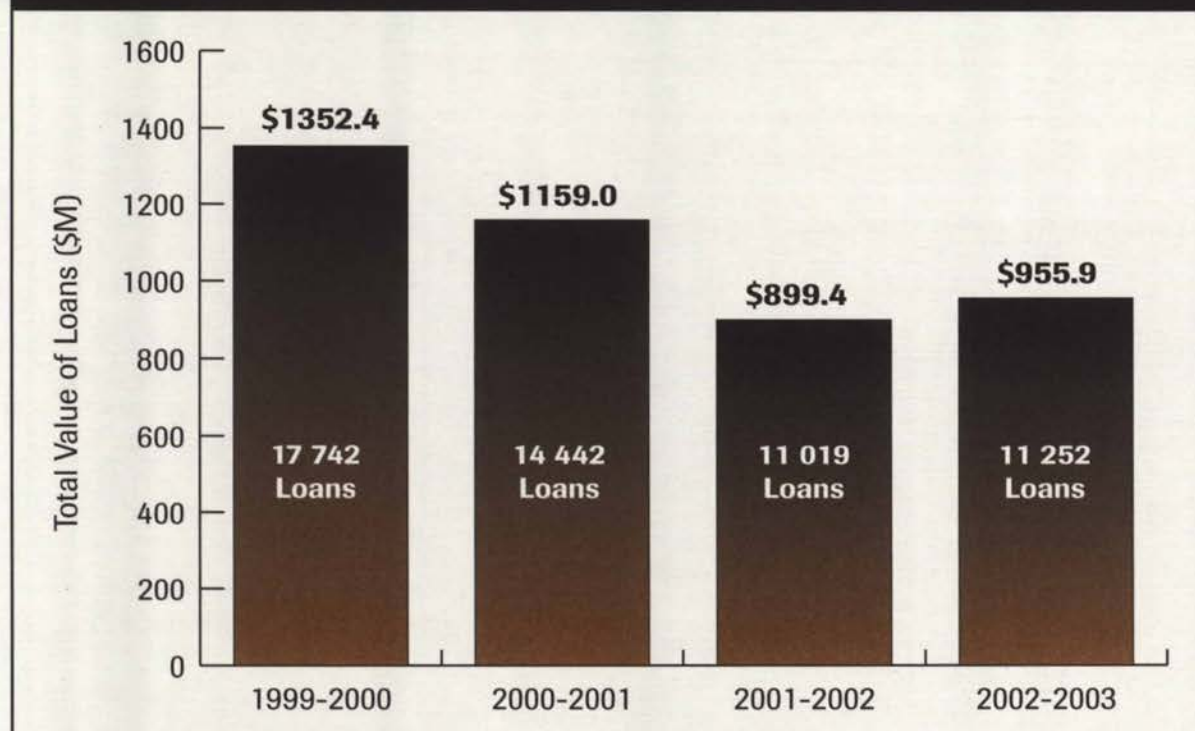
#### Loan uses

CSBF loans made in 2002–03 were used for the following purposes:

- Equipment purchase, including installation, renovation, improvement
- Real property renovations, including improvements, modernization and/or purchase of real property, accounted for \$214.5 million. This represented 22 percent of total 2002–03 loans, consistent with the four-year average.
- Leasehold improvements accounted for \$198.8 million. This represented 21 percent of 2002–03 loans, slightly higher than the four-year average of 18 percent.

and/or modernization, accounted for \$523.8 million of loans. This represented 55 percent of total 2002–03 loans, slightly lower than the four-year average of 58 percent.

**Figure 1: Number and Value of CSBF Loans, 1999–2003**

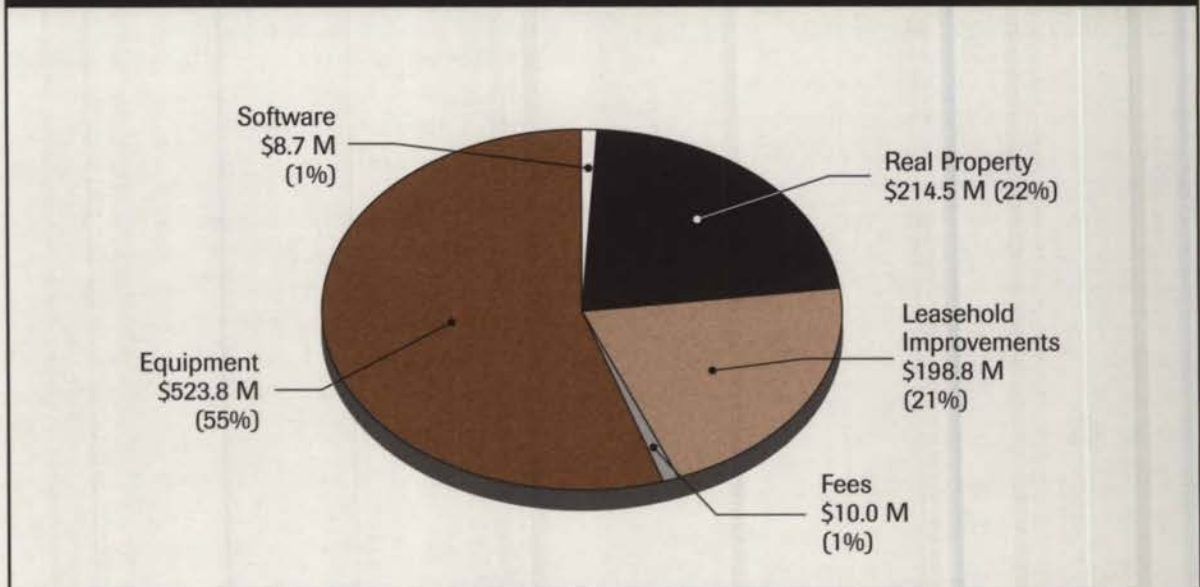


For more detailed information, see Appendix A, Table I.

1. To ensure consistency in the reporting of program financing information (loans, revenues and expenses) to Parliament, this report has adopted accrual accounting procedures similar to the Public Accounts. All previous periods have been restated accordingly.



**Figure 2: Value of CSBF Loans by Asset Type, 2002-2003**



For more detailed information, see Appendix A, Table II.

- Software acquisition accounted for \$8.7 million (1 percent of 2002-03 loans).
- Loan registration fees accounted for \$10 million (1 percent of 2002-03 loans).

### **Lending by province and territory**

In 2002-03, the program facilitated access to financing by SMEs in all provinces and territories. Most of the loan activity, however, took place in Quebec and Ontario:

- Quebec accounted for the most loans in number (4381, representing 39 percent) and in value (\$327.9 million, representing 34 percent) for the 2002-03 period, as well as for the four-year period 1999-2003 (20 334, representing 37 percent of the total number of loans; and \$1410.9 million, representing 32 percent of the total value of loans).
- Ontario accounted for the second-largest in number (2748, representing 24 percent) and in value (\$294.4 million, representing 31 percent) of loans for 2002-03, as well as for 1999-2003

(14 063, representing 26 percent of the total number of loans; and \$1367.7 million, representing 31 percent of the total value of loans).

- Together, Quebec and Ontario (which have about 58 percent of Canadian SMEs) accounted for 63 percent of the number and 65 percent of the value of loans in 2002-03, and 63 percent of the number and 64 percent of the value of loans in 1999-2003.

It should be noted that the program does not target any region, province or territory, but is, instead, demand-driven. Variations in its use reflect choices made by lenders and borrowers across the country.

### **Lending by industry sector, type of operation and firm size**

As part of the registration process, Industry Canada requires lenders to provide information on borrowers, including their size by annual revenues, the industry sector in which they operate and the type of operation (franchise or non-franchise).



On the basis of this information, the distribution of firms obtaining financing in 2002–03 showed the following patterns:

- Four industry sectors — food and beverage services, retail trade, manufacturing, and transportation and warehousing — accounted for 51 percent by number and 55 percent by value of loans made, compared with the 1999–2003 average of 53 percent by number and 56 percent by value. (For more detailed information by industry sector, see Appendix A, Table IV.)
- By type of operation (franchises versus non-franchises), franchise businesses accounted for 12 percent by number and 17 percent by value of loans made; these figures are roughly the same as the four-year averages. (For more detailed information by type of operation, see Appendix A, Table V.)
- Firms with revenues of \$100 001 to \$2.5 million accounted for 85 percent by number and 87 percent by value of loans

made. This distribution has remained very stable over the past four years.

### Incrementality

The CSBF Program is measured partly by its effectiveness in extending financing that would otherwise have been unavailable to SMEs, or available only under less attractive conditions. One important indicator of incrementality is the number of start-ups and new businesses that use the program, since new businesses have the greatest difficulty in accessing capital. In 2002–03, start-ups and new businesses accounted for \$540.5 million (57 percent) of the total loans made. This level is in line with the 1999–2003 average. The average size of a loan to a start-up or new business in 2002–03 was about \$96 200, higher than the average of about \$85 000 for all borrower-firm age groups combined. For more information on loans by age of firm, see Appendix A, Table VI.

Along with Statistics Canada and the Department of Finance Canada, Industry Canada is a partner in the SME Financing

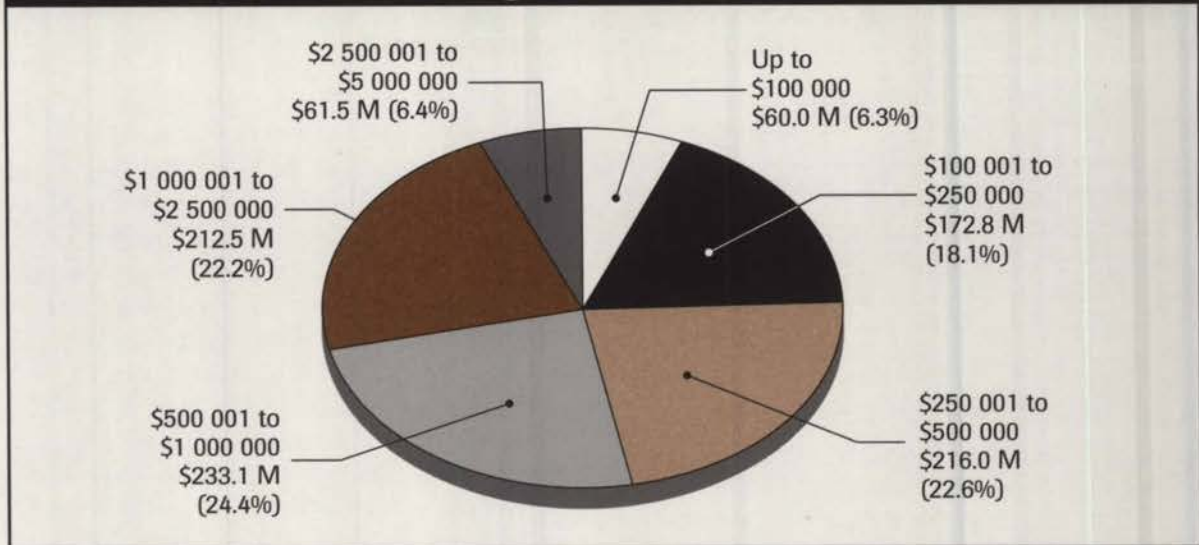
**Table 1: CSBF Loans Made, by Province and Territory**

Province/Territory	April 1, 2002 to March 31, 2003				April 1, 1999 to March 31, 2003			
	Number	Value (\$000)	Percent of total value	Average (\$000)	Number	Value (\$000)	Percent of total value	Average (\$000)
Newfoundland and Labrador	280	19 212.7	2	68.6	1 244	90 140.6	2	72.5
Prince Edward Island	69	5 433.6	1	78.7	344	26 239.8	1	76.3
Nova Scotia	421	32 183.4	3	76.4	2 078	157 401.4	4	75.7
New Brunswick	391	34 138.9	4	87.3	1 767	142 478.2	3	80.6
Quebec	4 381	327 892.5	34	74.8	20 334	1 410 876.7	32	69.4
Ontario	2 748	294 355.8	31	107.1	14 063	1 367 736.6	31	97.3
Manitoba	473	36 011.1	4	76.1	1 902	142 140.6	3	74.7
Saskatchewan	463	31 923.8	3	68.9	2 417	161 748.5	4	66.9
Alberta	1 141	103 612.6	11	90.8	5 760	498 408.7	11	86.5
British Columbia	871	69 698.5	7	80.0	4 425	358 738.6	8	81.1
Yukon	6	361.7	-	60.3	46	3 831.8	-	83.3
Northwest Territories	6	617.7	-	103.0	69	6 122.2	-	88.7
Nunavut	2	454.7	-	227.4	6	885.7	-	147.6
<b>Total*</b>	<b>11 252</b>	<b>955 897.0</b>	<b>100</b>	<b>85.0</b>	<b>54 455</b>	<b>4 366 749.4</b>	<b>100</b>	<b>80.2</b>

\*Details may not add up to totals because of rounding.



**Figure 3: Value of CSBF Loans by Borrower Firm Size, 2002-2003  
(According to Annual Revenues)**



For more detailed information, see Appendix A, Table III.

Data Initiative (SME FDI). The initiative seeks to develop a better understanding of the evolving financing needs of SMEs. It should provide useful secondary data for measuring the loan incrementality of the CSBF Program. More information on the SME FDI can be found at [strategis.gc.ca/fdi](http://strategis.gc.ca/fdi)

A study of the level of incrementality of CSBF loans will also be undertaken as part of the comprehensive review (see Section 5).

## 2.2 Program Administration

The Small Business Loans Administration is responsible for administering the CSBF Program (including the CLPP) and its predecessor, the Small Business Loans (SBL) Program. In 2002-03, the administration consisted of 29 full-time equivalents, with a budget of \$3.1 million (\$1.8 million for salaries and \$1.3 million for operations).

The administration:

- registers loans/leases made by lenders/lessors;

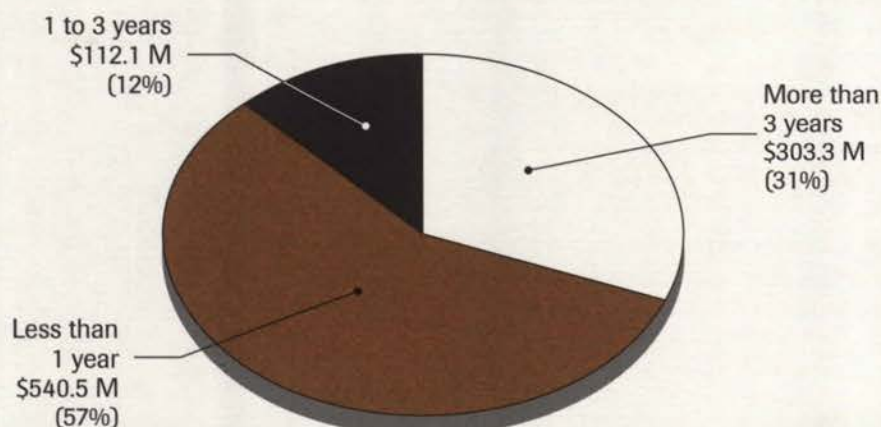
- collects loan/lease registration fees and annual administration fees from lenders/lessors;
- provides lenders/lessors with guidelines for interpreting the legislation and regulations;
- verifies claims made by lenders/lessors for payment on losses;
- audits lenders'/lessors' active loan/lease files;
- collects and publishes detailed statistics on program lending/leasing, performance and related matters in its annual reports; and
- monitors the program on an ongoing basis and performs regular evaluations.

## Transaction volumes

In 2002-03, the administration registered 11 252 CSBF loans and 57 capital leases. During the same period, the administration processed 3403 claims for loan losses (1486 CSBF claims and 1917 SBL claims). There were no claims for losses under the CLPP.



**Figure 4: Value of CSBF Loans by Age of Borrower Firm, 2002-2003**



For more detailed information, see Appendix A, Table VI.

Of the 1486 claims for losses received under the loans component of the CSBF Program, 1425 (96 percent) were paid and 61 (4 percent) were rejected. The 2002-03 rejection rate was slightly lower than the four-year average of 5 percent under the CSBF Program. Of the 1917 claims for losses under the SBL Program, 1712 (89 percent) were paid and 205 (11 percent) were rejected. This rejection rate was slightly higher than the 10-percent average under the SBL Program for the past four years. The reason for the difference in rejection rates is that since 1999 the CSBF Regulations have allowed for adjustment of claims where warranted, rather than outright rejection.

Once the lender had provided all necessary information, it took an average of 34 days to process a claim in 2002-03; this was slightly lower than the 37-day average for the previous four years.

There were 22 appeals of claim decisions received in 2002-03. Of these, nine were denied, eight were accepted and five are pending.

In addition, the administration responded to 2174 telephone inquiries and received 84 419 Web site visits.

### **On-site examinations**

CSBF Regulations require lenders to apply the same due diligence procedures in making and administering CSBF loans as they do for conventional loans. This includes, before making the loan:

- obtaining credit references or conducting a credit check on the borrower; and
- completing an assessment of the repayment ability of the borrower, taking into account all other financial obligations of the borrower.

The CSBFA gives the Minister of Industry the power to conduct on-site audits and examinations of lenders' CSBF loan files to ensure compliance with the Act and its Regulations. In the winter of 2002-03, Industry Canada performed on-site examinations of 144 files from 12 lenders,



including all major chartered banks. The examinations focussed on due diligence.

About 94 percent of the loans examined complied with the program's due diligence requirements. These results indicate that the selected lenders understand and generally meet the requirements in this area.

In conducting the on-site examinations, Industry Canada obtained the full cooperation of the lenders and gained valuable insight into lenders' due diligence procedures. The lessons learned during this first exercise will help in planning future examinations.

## **2.3 Employment Impact**

CSBF borrowers in 2002-03 estimated on their loan registration forms that the loans they were obtaining would allow them to create 31 173 new jobs, equivalent to 2.8 new jobs per loan made. This is slightly lower than the three new jobs per loan estimated by borrowers in 2001-02.

In assessing the program's job creation impact, however, no firm conclusions can be reached on the basis of the borrowers' estimates alone. In 2002, Industry Canada commissioned a study to compare these estimates with actual results. The initial estimates were found to be accurate but borrowers were unable to assess impacts beyond their own firms (for instance, on competitors, clients or suppliers). The study will be used as a benchmark for a future study in the comprehensive review of the program, with improvements brought to its methodology where possible.

## **2.4 The Crown's Maximum Potential Liability**

For each five-year period the CSBFA sets a liability ceiling, which functions as a control mechanism for this demand-driven program. The Crown cannot register any loans once

the liability ceiling is reached, unless Parliament decides to increase the ceiling.

For the current five-year period running from April 1, 1999 to March 31, 2004, the Crown's calculated maximum potential liability reached \$628.8 million for program loans as at March 31, 2003. This is well below the liability ceiling of \$1.5 billion established by the Act. In view of activity to date and projections for future activity, it is not expected that the liability ceiling will be reached during the current period.

The Crown's maximum potential liability is not a true measure of the Crown's potential exposure to loss. The maximum potential liability is calculated by assuming that every loan made under the program defaults at the time the loan is made, and that there are no payments or realizations. The calculation assumes that the Crown would pay the maximum claim to each lender based on the size of the loan registered. In addition, the maximum potential liability is not adjusted for loans that are paid off by borrowers: the figure increases each time a loan is registered, but is never adjusted downward as loans are repaid or claims are settled. Finally, the maximum potential liability calculation does not take into account the registration and administration fees collected by the program.

## **2.5 Auditor General's Report**

In 2002, the Office of the Auditor General (OAG) conducted a follow-up audit of the Program in 1997. Its 2002 report credits Industry Canada with making progress on several issues identified in the 1997 audit:

- incorporating improved program delivery measures in the CSBF Program, specifically, stronger due diligence requirements, a clearer definition of related entities, and measures to reduce the interest paid on claims submitted by lenders;

- taking measures to improve the efficiency and performance management of the program by developing an evaluation framework and collecting data on program performance; and
- becoming more accountable to Parliament by providing more complete information on program revenues and expenditures.

In addition, the OAG recommended that Industry Canada continue its efforts to:

- clearly define criteria for assessing the program's success;
- enhance the systems and practices used to forecast future cost-recovery performance, and carefully monitor the program's success at achieving this goal, particularly given the OAG's concern that the CSBF Program might not meet its cost-recovery goal for loans registered after 1999; and
- provide clearer information on financial performance and the efficiency of operations.

Finally, the OAG raised the new issue of the decline in the number of CSBF loans. It recommended that Industry Canada continue its efforts to understand the reasons for this change, and assess the impact on program rationale and design.

### **Industry Canada's response**

In addition to sustaining progress already made on issues raised in the Auditor General's 1997 report, Industry Canada has taken further steps toward improving program performance, delivery and accountability. Industry Canada conducted on-site examinations in 2003 (see Section 2.2) to monitor lenders' application of the due diligence requirements in making loans. In 2002, the Department developed a results-based management and accountability framework for the program (see Section 5). The following initiatives are being pursued

and evaluated within the context of the five-year comprehensive review of the CSBF Program.

#### *Measuring program success*

- Industry Canada is actively working with outside experts to determine the incrementality of the program and develop its cost-recovery forecasting model.
- Industry Canada commissioned the development of expense forecasting models related to loans made under both the SBL and CSBF Programs. The Department is using these models and ongoing data collection to determine the extent to which the program is able to achieve the goal of cost recovery.

#### *Accountability for performance*

- Industry Canada has provided further information on the program's financial performance and operational efficiency. For more information see Section 2.2.

#### *Monitoring program use*

- As recommended, Industry Canada is continuing to carefully monitor changes in the level of use of the program. The Department will consult with lenders on ways to ensure that administrative requirements are not an obstacle to CSBF Program use. Industry Canada recognizes the need to strike a balance between information and regulatory requirements of the Act, on one hand, and the administrative burden for lenders, on the other.



### 3. Financial Review

Revenues on program loans are collected when a loan is registered; administration fees are collected every quarter during the loan's term, which can be up to 10 years. Loans may default at any time during the term of the loan, resulting in the submission of claims for payment. As a result, the most accurate picture of the state of the portfolio is obtained by following the performance of each annual loan cohort (consisting of all loans made in a given year). This section includes revenue and claim information for CSBF loans made since April 1, 1999.

#### 3.1 Loans and Claims Distribution

In 2002–03, 11 252 loans totalling \$955.9 million were made under the loans component of the CSBF Program. In the same period, 1425 claims totalling \$69.4 million were paid, averaging \$48 710 per claim.

Since April 1, 1999, under the CSBF Program's loans component, 54 455 loans totalling about \$4.4 billion were made and 2657 claims totalling about \$127.4 million were paid. (For more detailed information, see Appendix A, Table I.)

A comparison of loans and claims for the four-year period of April 1, 1999 to March 31, 2003, reveals the following:

- Four industry sectors accounted for 56 percent of the total loans by value and 68 percent of the claims by value: food and beverage services (21 percent of loans, 32 percent of claims); retail trade (15 percent of loans, 16 percent of claims); manufacturing (10 percent of loans, 14 percent of claims); and transportation and warehousing (10 percent of loans, 5 percent of claims).

- Start-ups and new businesses less than one year old accounted for 57 percent of loans by value; however, they accounted for 80 percent of the claims. Although start-ups and new businesses accounted for a disproportionate share of the claims, they are among the program's target clients and are recognized as having particular difficulties in accessing the financing they need to grow.
- Borrower firms with annual revenues of \$250 001 to \$2 500 000 accounted for 68 percent of the total loans by value and 73 percent of the total claims by value. For the most part, however, the percentages of loans and claims by value correspond fairly closely for each size category of firms.

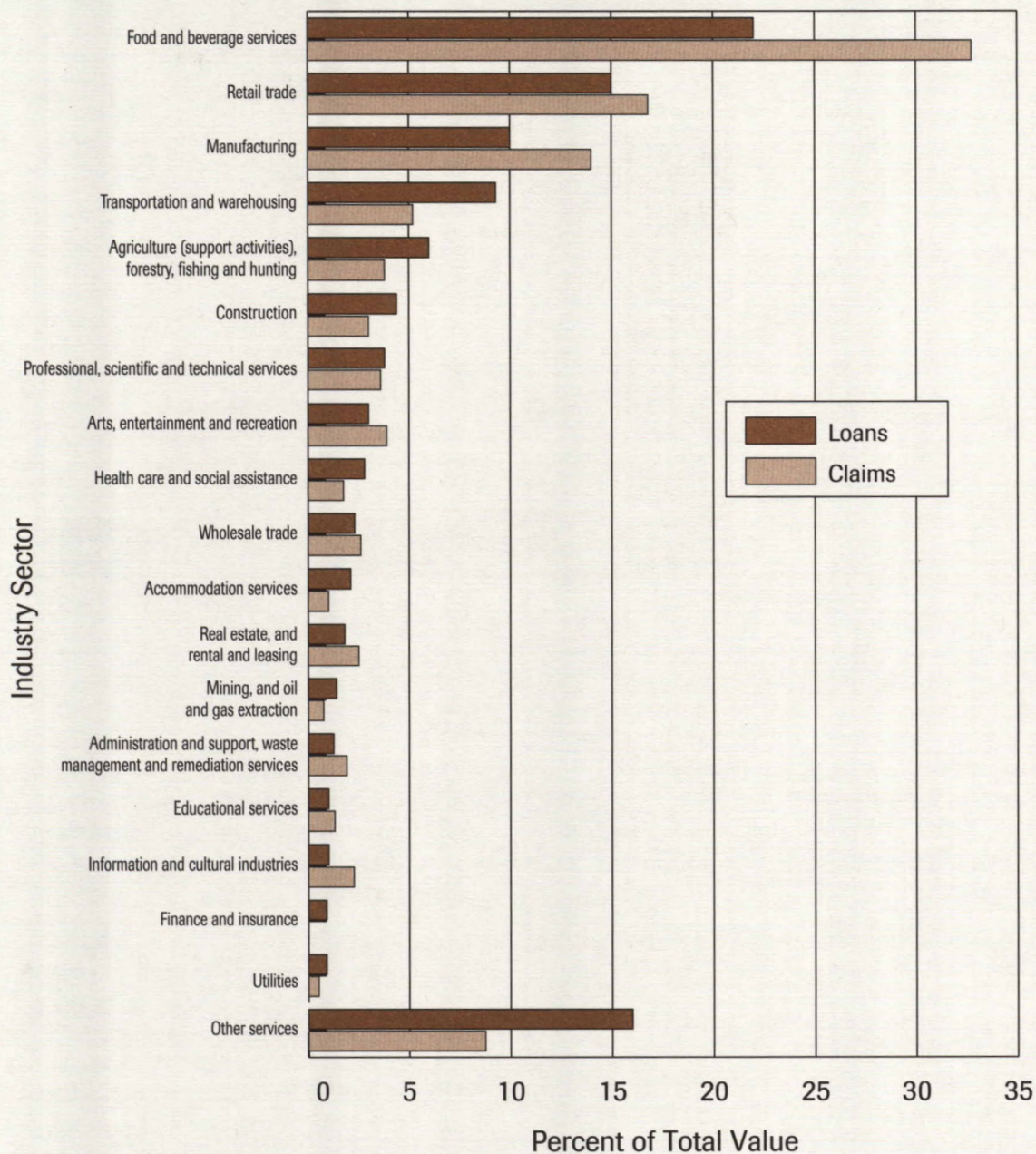
#### 3.2 Forecasting and Cost Recovery

One of the goals of the CSBF Program is to operate on a cost-recovery basis. This means that for a portfolio of loans registered during each 5-year period, the revenues (registration and administration fees) collected over the term of the loans (a maximum of 10 years) should offset the associated costs of eligible claims paid by the Government of Canada on these loans.

Since the SBL Program was not expected to achieve cost recovery for loans made between 1995 and 1999, the CSBF Program incorporated several new provisions aimed at improving the ability to meet the goal of cost recovery. These measures include tightened due diligence requirements for lenders, an interim claims procedure, a reduced period over which interest is paid to lenders on claims, quarterly payment of administration fees and provisions for auditing lenders' loan files.



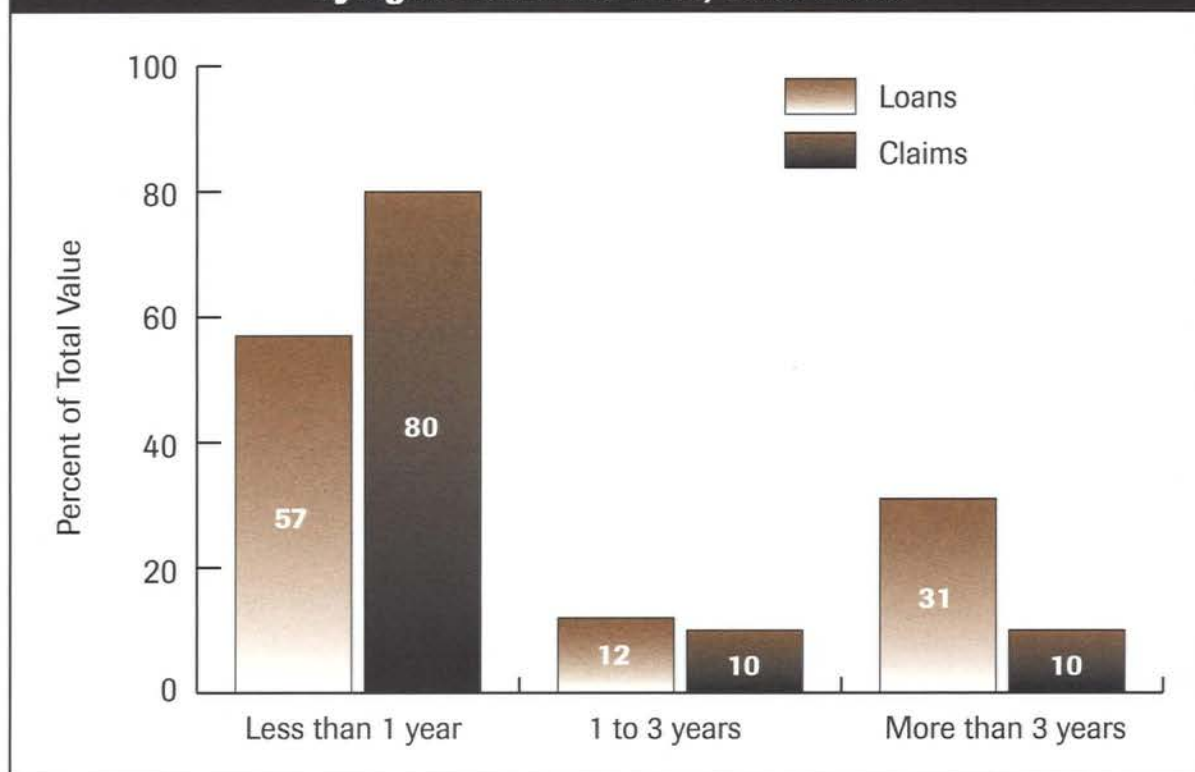
**Figure 5: Percent of Total Value of CSBF Loans and Claims  
by Industry Sector, 1999-2003**



For more detailed information, see Appendix A, Table IV.



**Figure 6: Percent of Total Value of CSBF Loans and Claims by Age of Borrower Firm, 1999-2003**



For more detailed information, see Appendix A, Table VI.

Industry Canada has developed a risk-management framework to assess and better manage how the CSBF Program is meeting its goal of cost recovery. The framework will contribute to:

- a) *A better understanding and assessment of the current environment and underlying composition of the program.*

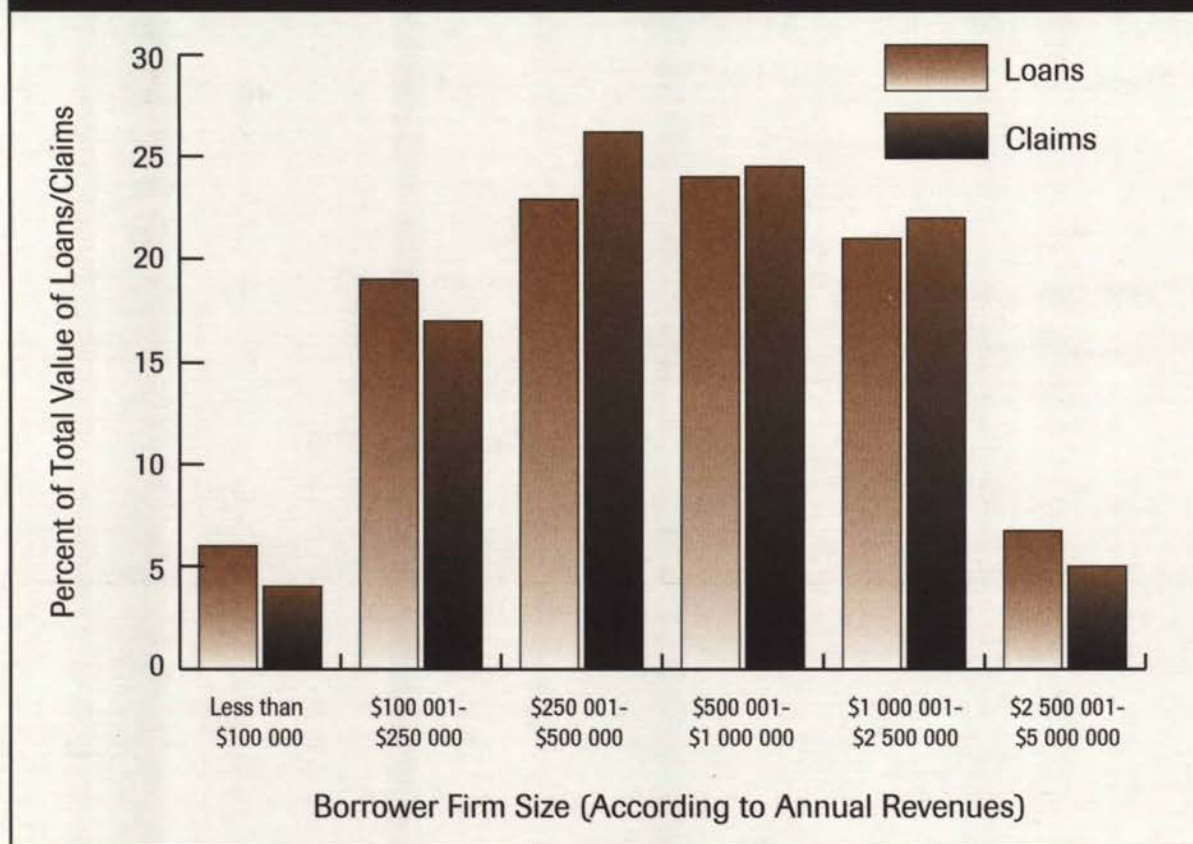
The past year saw completion of extensive analyses of the CSBF Program, including loans made, revenues received and expenses paid. The findings show that, for the most part, the CSBF portfolio has maintained substantially the same composition as the 1995-99 SBL portfolio. Slight changes in the CSBF portfolio are consistent with increased risk.

- b) *A better understanding and assessment of the current/future revenues and financial exposure of the program, and corresponding impact on the goal of cost recovery.*

To evaluate the extent to which the CSBF Program is meeting the goal of cost recovery, elaborate models have been developed for forecasting revenues, expenses and cost recovery. Analyses of the models' preliminary results suggest that the CSBF Program will not achieve cost recovery for loans made during the 1999-2004 period.

- c) *An enhanced ability to anticipate problems, develop proactive plans and make decisions to mitigate/contain risk exposure, while taking into consideration the overall benefits of the program and the competing goal of incrementality.*

**Figure 7: Percent of Total Value of CSBF Loans and Claims by Borrower Firm Size, 1999-2003 (According to Annual Revenues)**



For more detailed information, see Appendix A, Table III.

Together with stakeholders, Industry Canada will address cost-recovery issues through the comprehensive review that is currently under way and is scheduled for completion in 2004-05 (see Section 5). To assist the Department in increasing its ability to approach cost recovery, possible program changes will be analysed in depth. These could range from operational, regulatory and legislative changes to changes affecting the overall goals and objectives of the program. Any changes will be made in consultation with stakeholders, taking into account the overall benefits of the program as well as the competing goal of incrementality.

For the period from April 1, 1999 to March 31, 2003, CSBF Program revenues amounted to about \$170.9 million and total claim expenses were close to \$127.4 million, leaving a net balance of about \$43.5 million. Early in the program, revenues exceed costs primarily because registration fees are collected up front. Costs, however, exceed revenues later in the program.



**Table 2: Revenues and Expenses Related to CSBF Loans  
from April 1, 1999 to March 31, 2003**

	<b>(\$000)</b>
<b>Revenues</b>	
Registration fees	85 916.7
Administration fees	85 380.1
Refunds of previous year revenues	(400.5)
<b>Total revenues</b>	<b>170 896.3</b>
<b>Expenditures</b>	
Claims paid	(127 375.7)
Refunds of previous year's claims	12.0
<b>Total expenditures*</b>	<b>(127 363.7)</b>
<b>Total revenues less total expenditures</b>	<b>43 532.6</b>

\*Details may not add up to totals because of rounding.

For more detailed information, see Appendix A, Table VII.

## 4. Capital Leasing Pilot Project

The CLPP was launched on April 1, 2002, after extensive preparations, including consultations with the leasing community, development of regulations and administrative procedures, and development and holding of awareness-building seminars for lessors across the country. The purpose of the pilot project is to identify and test the viability and utility of the CSBF Program for capital leasing. Extension of the CSBF Program to this area will offer additional financing tools to small businesses, helping them to grow, succeed and contribute to Canada's dynamic economy. CLPP parameters closely parallel those for the loans component of the CSBF Program (see Section 1.2). Authority for the CLPP is contained in the CSBFA.

### 4.1 Leasing Activity

During 2002–03, 57 capital leases with a total value of \$8.8 million were made. The

average lease value was about \$154 000, or close to twice the average value for CSBF loans in the same period. The employment impact was estimated at 140 new jobs in total, or 2.5 jobs per lease made.

Lessees in all provinces except Prince Edward Island participated in the pilot, with Ontario accounting for 40 percent by number and 45 percent by value of the leases made. Given the small number of leases in the pilot project's start-up year, it is not surprising that no leases were made in the territories in 2002–03. Like the CSBF Program's loans component, the CLPP is demand-driven and does not target any region, province or territory. Variations in its use reflect choices made by lessors and lessees across the country.

Firms with revenues under \$2.5 million accounted for 96 percent of the value of leases made in 2002–03; start-ups and new businesses accounted for only 27 percent,

**Table 3: Leases Made by Province and Territory, Capital Leasing Pilot Project**

Province/Territory	April 1, 2002 to March 31, 2003			
	Number	Percent of total number	Value (\$'000)	Percent of total value
Newfoundland and Labrador	2	4	270.2	3
Prince Edward Island	-	-	-	-
Nova Scotia	2	4	328.8	4
New Brunswick	6	11	795.5	9
Quebec	8	14	1342.7	15
Ontario	23	40	3925.0	45
Manitoba	1	2	166.4	2
Saskatchewan	1	2	137.7	2
Alberta	7	12	853.1	10
British Columbia	7	12	953.2	11
Yukon	-	-	-	-
Northwest Territories	-	-	-	-
Nunavut	-	-	-	-
<b>Total*</b>	<b>57</b>	<b>100</b>	<b>8772.6</b>	<b>100</b>

\*Details may not add up to totals because of rounding.



compared with 57 percent of loans. Firms more than three years old accounted for 47 percent of the value of leases made.

Lessor participation was low during 2002–03, despite Industry Canada initiatives in 2002, including workshop and information sessions in eight major cities across the country, and a presentation on the pilot project at the Canadian Financing and Leasing Association's annual conference. Industry Canada is investigating the reasons for the low participation level and continuing its efforts to raise lessor awareness.

#### **4.2 Forecasting and Cost Recovery**

There were no claims for losses on CLPP leases in 2002–03. There has not yet been sufficient CLPP lease activity to permit meaningful revenue and expense forecasting for the purpose of estimating the ability to achieve cost recovery.

#### **4.3 The Crown's Maximum Potential Liability**

For the current five-year period, which runs from April 1, 2002 to March 31, 2007, the Crown's calculated maximum potential liability has reached \$1.1 million for leases as of March 31, 2003. This is well below the liability ceiling of \$400 million established for the program. Activity to date and projections for future activity suggest that the liability ceiling will not be reached during the current period.

See Section 1.2, "Cap on Claims," for a description of how the Crown's maximum potential liability is calculated.

## 5. Comprehensive Program Review

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During 2003–04 and the subsequent year, Industry Canada will conduct a comprehensive review of the CSBF Program. Required by legislation to be held every five years, the review helps the Department improve its ability to monitor and assess the operational and financial performance of the program. The aim is to determine:

- the extent to which the program is meeting its goals of incrementality and cost recovery;
- the program's relevance in meeting the financing needs of SMEs in an evolving financing market; and
- whether changes to the program are necessary.

The first review report must be tabled in Parliament within 12 months of March 31, 2004. Industry Canada has commissioned a number of program studies, the results of which will provide information and data for the review process.

In 2002, Industry Canada implemented a results-based management and accountability framework for the program. The framework has helped identify the issues that need to be addressed in the comprehensive review. For 2003–04, the framework's evaluation strategy activities may include:

- a lender awareness and satisfaction survey;
- a study of the level of incrementality of CSBF loans;
- a study to measure the level of awareness of the CSBF Program among SMEs (both borrowers and non-borrowers); and
- an employment impact study.

The study results will be available on the Small Business Research and Policy Web site ([strategis.gc.ca/sbresearch/csbfa](http://strategis.gc.ca/sbresearch/csbfa)).





# Appendix A

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## *Canada Small Business Financing Act Tables*





**Table I: Summary of Financial Activities per Fiscal Year, CSBF Program**

	Loans			Revenues				Expenditures				Net
Fiscal year	Number	Amount (\$000)	Average size (\$000)	Registration fees (\$000)	Administration fees (\$000)	Refunds of previous year's revenues (\$000)	Total revenues (\$000)	Number of claims	Claims paid (\$000)	Refunds of previous year's expenditures (\$000)	Total expenditures (\$000)	Revenues less expenditures (\$000)
1999-2000	17 742	1 352 422.9	76.2	25 236.3	6 449.6	-	31 685.9	19	494.6	-	494.6	31 191.3
2000-2001	14 442	1 159 048.2	80.3	23 574.8	20 208.0	(200.4)	43 582.4	307	14 769.0	-	14 769.0	28 813.4
2001-2002	11 019	899 381.3	81.6	18 144.2	23 606.0	(200.1)	41 550.1	906	42 700.4	(12.0)	42 688.4	(1 138.3)
2002-2003	11 252	955 897.0	85.0	18 961.4	35 116.5	-	54 077.8	1 425	69 411.7	-	69 411.7	(15 333.8)
Total*	54 455	4 366 749.4	80.2	85 916.7	85 380.1	(400.5)	170 896.3	2 657	127 375.7	(12.0)	127 363.7	43 532.6

\*Details may not add up to totals because of rounding.

**Table II: Number and Value of Loans Made, by Asset Type, CSBF Program, 1999-2003**

Asset type	Fiscal year	Loans made			
		Number*	Value (\$000)	Percent of total value	Average (\$000)
Equipment	1999-2000	13 877	824 870.8	61	59.4
	2000-2001	11 087	677 550.4	58	61.1
	2001-2002	8 256	497 956.4	55	60.3
	2002-2003	8 264	523 796.7	55	63.4
Leasehold improvements	1999-2000	4 276	213 728.3	16	50.0
	2000-2001	3 878	211 339.9	18	54.5
	2001-2002	3 077	174 616.1	19	56.7
	2002-2003	3 176	198 838.3	21	62.6
Real property	1999-2000	3 311	287 351.2	21	86.8
	2000-2001	2 756	246 738.1	21	89.5
	2001-2002	2 318	207 708.4	23	89.6
	2002-2003	2 308	214 517.6	22	92.9
Software	1999-2000	788	13 025.1	1	16.5
	2000-2001	554	11 862.6	1	21.4
	2001-2002	433	10 032.0	1	23.2
	2002-2003	459	8 729.5	1	19.0
Registration fees**	1999-2000	9 505	13 447.4	1	1.4
	2000-2001	7 915	11 557.3	1	1.5
	2001-2002	6 162	9 068.4	1	1.5
	2002-2003	6 520	10 014.8	1	1.5
Total***	1999-2000	17 742	1 352 422.9	100	76.2
	2000-2001	14 442	1 159 048.2	100	80.3
	2001-2002	11 019	899 381.3	100	81.6
	2002-2003	11 252	955 897.0	100	85.0
	Total	54 455	4 366 749.4	-	80.2

\*Total numbers may not add up given that each loan made may be used to finance more than one asset type.

\*\*Registration fees may also be financed with the loan.

\*\*\*Details may not add up to totals because of rounding.



**Table III: Loans and Claims, by Borrower Firm Size (Annual Revenues), CSBF Program, 1999-2003**

Borrower firm size (Annual revenues)	Fiscal year	Loans made				Claims paid			
		Number	Value (\$000)	Percent of total value	Average (\$000)	Number	Value (\$000)	Percent of total value	Average (\$000)
\$0-\$100 000	1999-2000	2 037	81 336.1	6	39.9	2	10.7	2	5.4
	2000-2001	1 524	68 198.4	6	44.7	38	551.3	4	14.5
	2001-2002	1 147	50 375.1	6	43.9	90	2 265.1	5	25.2
	2002-2003	1 240	59 953.9	6	48.3	113	2 558.7	4	22.6
\$100 001-\$250 000	1999-2000	4 694	283 200.5	21	60.3	6	188.0	38	31.3
	2000-2001	3 530	213 137.2	18	60.4	84	2 345.8	16	27.9
	2001-2002	2 675	162 876.3	18	60.9	253	7 332.4	17	29.0
	2002-2003	2 720	172 775.7	18	63.5	371	11 878.9	17	32.0
\$250 001-\$500 000	1999-2000	4 128	312 292.2	23	75.7	8	243.2	49	30.4
	2000-2001	3 442	273 347.9	24	79.4	84	4 523.9	31	53.9
	2001-2002	2 568	202 672.7	23	78.9	242	11 223.6	26	46.4
	2002-2003	2 620	216 047.6	23	82.5	360	17 661.4	25	49.1
\$500 001-\$1 000 000	1999-2000	3 436	314 636.2	23	91.6	1	20.5	4	20.5
	2000-2001	2 971	272 506.3	24	91.7	57	3 219.0	22	56.5
	2001-2002	2 320	229 945.2	26	99.1	168	9 963.3	23	59.3
	2002-2003	2 337	233 140.8	24	99.8	313	17 991.4	26	57.5
\$1 000 001-\$2 500 000	1999-2000	2 673	270 542.3	20	101.2	2	32.2	7	16.1
	2000-2001	2 246	242 728.0	21	108.1	38	3 543.0	24	93.2
	2001-2002	1 745	185 944.2	21	106.6	123	9 832.7	23	79.9
	2002-2003	1 834	212 503.6	22	115.9	212	14 721.9	21	69.4
\$2 500 001-\$5 000 000	1999-2000	774	90 415.5	7	116.8	-	-	-	-
	2000-2001	729	89 130.5	8	122.3	6	586.1	4	97.7
	2001-2002	564	67 567.9	8	119.8	30	2 083.2	5	69.4
	2002-2003	501	61 475.4	6	122.7	56	4 599.3	7	82.1
Total*	1999-2000	17 742	1 352 422.9	100	76.2	19	494.6	100	26.0
	2000-2001	14 442	1 159 048.2	100	80.3	307	14 769.0	100	48.1
	2001-2002	11 019	899 381.3	100	81.6	906	42 700.4	100	47.1
	2002-2003	11 252	955 897.0	100	85.0	1 425	69 411.7	100	48.7
	Total	54 455	4 366 749.4	-	80.2	2 657	127 375.7	-	47.9

\*Details may not add up to totals because of rounding.



**Table IV: Loans and Claims, by Industry Sector, CSBF Program, 1999-2003**

Industry sector	Fiscal year	Loans made				Claims paid			
		Number	Value (\$000)	Percent of total value	Average (\$000)	Number	Value (\$000)	Percent of total value	Average (\$000)
Accommodation services	1999-2000	237	25 726.4	2	108.6	-	-	-	-
	2000-2001	193	20 013.0	2	103.7	1	60.5	-	60.5
	2001-2002	163	19 965.1	2	122.5	5	179.1	-	35.8
	2002-2003	134	15 650.6	2	116.8	12	654.0	1	54.5
Administration and support, waste management and remediation services	1999-2000	384	20 025.1	1	52.1	-	-	-	-
	2000-2001	181	11 864.3	1	65.5	2	140.3	1	70.2
	2001-2002	66	4 812.0	1	72.9	14	545.9	1	39.0
	2002-2003	50	4 984.4	1	99.7	29	1 055.9	2	36.4
Agriculture (support activities), forestry, fishing and hunting	1999-2000	975	73 516.8	5	75.4	-	-	-	-
	2000-2001	914	70 662.3	6	77.3	5	143.5	1	28.7
	2001-2002	634	48 853.6	5	77.1	14	380.0	1	27.1
	2002-2003	654	53 051.1	6	81.1	50	2 690.8	4	53.8
Arts, entertainment and recreation	1999-2000	510	50 344.4	4	98.7	2	80.5	16	40.2
	2000-2001	368	34 950.3	3	95.0	9	569.6	4	63.3
	2001-2002	238	21 426.4	2	90.0	41	2 367.7	6	57.7
	2002-2003	205	18 585.7	2	90.7	46	2 103.1	3	45.7
Construction	1999-2000	1 111	66 302.9	5	59.7	1	8.1	2	8.1
	2000-2001	867	47 334.8	4	54.6	10	387.4	3	38.7
	2001-2002	548	32 898.5	4	60.0	27	1 200.0	3	44.4
	2002-2003	566	34 352.4	4	60.7	38	1 850.7	3	48.7
Educational services	1999-2000	159	11 632.4	1	73.2	1	48.3	10	48.3
	2000-2001	117	8 785.1	1	75.1	5	211.3	1	42.3
	2001-2002	76	6 023.6	1	79.3	6	508.8	1	84.8
	2002-2003	73	5 154.9	1	70.6	8	170.1	-	21.3
Finance and insurance	1999-2000	105	6 175.7	-	58.8	1	67.9	14	67.9
	2000-2001	52	3 845.8	-	74.0	-	-	-	-
	2001-2002	55	4 144.3	-	75.4	3	42.6	-	14.2
	2002-2003	60	3 980.8	-	66.3	4	42.6	-	10.6
Food and beverage services	1999-2000	2 617	265 444.9	20	101.4	2	62.8	13	31.4
	2000-2001	2 328	249 572.7	22	107.2	84	4 373.1	30	52.1
	2001-2002	1 741	196 596.4	22	112.9	274	13 885.0	33	50.7
	2002-2003	1 885	225 716.6	24	119.7	380	23 053.7	33	60.7
Health care and social assistance	1999-2000	437	36 733.1	3	84.1	-	-	-	-
	2000-2001	324	26 681.9	2	82.4	4	76.0	1	19.0
	2001-2002	204	19 657.4	2	96.4	14	325.1	1	23.2
	2002-2003	255	25 233.2	3	99.0	22	1 085.7	2	49.4
Information and cultural industries	1999-2000	192	12 637.9	1	65.8	1	22.8	5	22.8
	2000-2001	98	8 287.6	1	84.6	9	262.9	2	29.2
	2001-2002	48	3 799.8	-	79.2	13	684.3	2	52.6
	2002-2003	37	2 678.1	-	72.4	15	492.2	1	32.8



**Table IV (cont.): Loans and Claims, by Industry Sector, CSBF Program, 1999-2003**

Industry sector	Fiscal year	Loans made				Claims paid			
		Number	Value (\$000)	Percent of total value	Average (\$000)	Number	Value (\$000)	Percent of total value	Average (\$000)
Manufacturing	1999-2000	1 946	159 685.1	12	82.1	1	4.5	1	4.5
	2000-2001	1 427	124 034.2	11	86.9	32	2 551.3	17	79.7
	2001-2002	924	78 871.2	9	85.4	111	6 651.1	16	59.9
	2002-2003	837	77 493.9	8	92.6	163	8 800.1	13	54.0
Mining, and oil and gas extraction	1999-2000	149	12 975.2	1	87.1	-	-	-	-
	2000-2001	155	13 193.8	1	85.1	1	8.9	-	8.9
	2001-2002	139	9 405.9	1	67.7	1	57.6	-	57.6
	2002-2003	111	8 877.7	1	80.0	4	186.9	-	46.7
Other services	1999-2000	1 741	116 305.7	9	66.8	1	21.0	4	21.0
	2000-2001	2 209	169 351.7	15	76.7	24	869.7	6	36.2
	2001-2002	2 647	196 118.0	22	74.1	71	2 784.3	7	39.2
	2002-2003	2 628	200 227.5	21	76.2	165	7 342.4	11	44.5
Professional, scientific and technical services	1999-2000	995	65 211.2	5	65.5	2	21.9	4	10.9
	2000-2001	766	53 965.8	5	70.5	15	366.5	2	24.4
	2001-2002	398	28 664.6	3	72.0	32	884.3	2	27.6
	2002-2003	352	26 935.4	3	76.5	77	3 294.9	5	42.8
Real estate, and rental and leasing	1999-2000	357	28 515.3	2	79.9	-	-	-	-
	2000-2001	157	13 942.4	1	88.8	13	513.5	3	39.5
	2001-2002	88	8 647.9	1	98.3	28	1 694.2	4	60.5
	2002-2003	78	8 140.7	1	104.4	23	661.1	1	28.7
Retail trade	1999-2000	2 800	206 289.1	15	73.7	3	114.0	23	38.0
	2000-2001	2 199	167 389.7	14	76.1	62	3 140.1	21	50.6
	2001-2002	1 589	127 548.7	14	80.3	165	7 564.4	18	45.8
	2002-2003	1 743	144 113.6	15	82.7	236	10 177.9	15	43.1
Transportation and warehousing	1999-2000	2 587	165 279.5	12	63.9	3	25.5	5	8.5
	2000-2001	1 667	104 783.4	9	62.9	15	352.0	2	23.5
	2001-2002	1 148	69 016.6	8	60.1	70	2 228.8	5	31.8
	2002-2003	1 292	79 935.8	8	61.9	120	3 919.8	6	32.7
Utilities	1999-2000	52	3 137.2	-	60.3	-	-	-	-
	2000-2001	89	6 255.8	1	70.3	2	197.0	1	98.5
	2001-2002	68	4 285.5	-	63.0	3	64.2	-	21.4
	2002-2003	56	3 657.5	-	65.3	3	66.0	-	22.0
Wholesale trade	1999-2000	388	26 484.9	2	68.3	1	17.3	4	17.3
	2000-2001	331	24 133.4	2	72.9	14	545.4	4	39.0
	2001-2002	245	18 645.8	2	76.1	15	653.1	2	43.5
	2002-2003	236	17 127.1	2	72.6	31	1 763.7	3	56.9
Total*	1999-2000	17 742	1 352 422.9	100	76.2	19	494.6	100	26.0
	2000-2001	14 442	1 159 048.2	100	80.3	307	14 769.0	100	48.1
	2001-2002	11 019	899 381.3	100	81.6	906	42 700.4	100	47.1
	2002-2003	11 252	955 897.0	100	85.0	1 425	69 411.7	100	48.7
Total		54 455	4 366 749.4	-	80.2	2 657	127 375.7	-	47.9

\*Details may not add up to totals because of rounding.

**Table V: Loans and Claims, by Type of Operation, CSBF Program, 1999–2003**

Type of operation	Fiscal year	Loans made				Claims paid			
		Number	Value (\$000)	Percent of total value	Average (\$000)	Number	Value (\$000)	Percent of total value	Average (\$000)
Franchises	1999–2000	1 875	193 930.0	14	103.4	1	21.0	4	21.0
	2000–2001	1 611	173 392.1	15	107.6	47	2 886.0	20	61.4
	2001–2002	1 263	140 958.0	16	111.6	153	8 736.4	20	57.2
	2002–2003	1 394	163 983.1	17	117.6	230	13 839.2	20	60.1
Non-franchises	1999–2000	15 867	1 158 492.9	86	73.0	18	473.6	96	26.3
	2000–2001	12 831	985 656.2	85	76.8	260	11 883.0	80	45.7
	2001–2002	9 756	758 423.4	84	77.7	753	33 964.0	80	45.1
	2002–2003	9 858	791 913.8	83	80.3	1 195	55 572.5	80	46.5
Total*	1999–2000	17 742	1 352 422.9	100	76.2	19	494.6	100	26.0
	2000–2001	14 442	1 159 048.2	100	80.3	307	14 769.0	100	48.1
	2001–2002	11 019	899 381.3	100	81.6	906	42 700.4	100	47.1
	2002–2003	11 252	955 897.0	100	85.0	1 425	69 411.7	100	48.7
	Total	54 455	4 366 749.4	-	80.2	2 657	127 375.7	-	47.9

\*Details may not add up to totals because of rounding.



**Table VI: Loans and Claims, by Age of Borrower Firm, CSBF Program, 1999-2003**

Type of borrower firm	Fiscal year	Loans made				Claims paid			
		Number	Value (\$000)	Percent of total value	Average (\$000)	Number	Value (\$000)	Percent of total value	Average (\$000)
Less than 1 year	1999-2000	8 932	764 751.2	57	85.6	15	482.3	98	32.2
	2000-2001	7 462	667 772.3	58	89.5	248	12 750.8	86	51.4
	2001-2002	5 216	497 898.5	55	95.5	711	35 366.9	83	49.7
	2002-2003	5 618	540 502.6	57	96.2	1 031	53 743.4	77	52.1
1 to 3 years	1999-2000	2 700	175 287.8	13	64.9	3	10.9	2	3.6
	2000-2001	2 105	143 189.2	12	68.0	35	1 229.4	8	35.1
	2001-2002	1 709	106 709.1	12	62.4	106	3 263.7	8	30.8
	2002-2003	1 532	112 089.8	12	73.1	204	7 631.1	11	37.4
More than 3 years	1999-2000	6 110	412 383.9	30	67.5	1	1.4	-	1.4
	2000-2001	4 875	348 086.7	30	71.4	24	788.8	5	32.9
	2001-2002	4 094	294 773.7	33	72.0	89	4 069.8	10	45.7
	2002-2003	4 102	303 304.5	32	73.9	190	8 037.1	12	42.3
Total*	1999-2000	17 742	1 352 422.9	100	76.2	19	494.6	100	26.0
	2000-2001	14 442	1 159 048.2	100	80.3	307	14 769.0	100	48.1
	2001-2002	11 019	899 381.3	100	81.6	906	42 700.4	100	47.1
	2002-2003	11 252	955 897.0	100	85.0	1 425	69 411.7	100	48.7
	Total	54 455	4 366 749.4	-	80.2	2 657	127 375.7	-	47.9

\*Details may not add up to totals because of rounding.

**Table VII: Revenues and Expenses Related to Loans Made  
from April 1, 1999 to March 31, 2003, CSBF Program**

Year loans were made	Amount of loans (\$000)	Type of revenues and expenses	Year associated fees were collected and associated claims were paid (\$000)				Cumulative revenues and expenses (\$000)
			1999-2000	2000-20001	2001-2002	2002-2003	
<b>1999-2000</b>	1 352 422.9	2% registration fees	25 236.3	1 742.0	-	-	26 978.3
		1.25% administration fees*	6 449.6	12 834.1	8 944.3	8 603.5	36 831.6
		Prior year fee refunds	-	(200.4)	(13.7)	-	(214.1)
		Claims paid	(494.6)	(14 258.4)	(33 818.9)	(32 357.3)	(80 929.1)
		Prior year's claim refunds	-	-	12.0	-	12.0
		Annual cash flow	31 191.3	117.4	(24 876.3)	(23 753.7)	(17 321.4)
<b>2000-2001</b>	1 159 048.2	2% registration fees		21 832.8	1 297.4	-	23 130.2
		1.25% administration fees*		7 373.9	9 650.1	10 092.5	27 116.5
		Prior year fee refunds		-	(186.4)	-	(186.4)
		Claims paid		(510.6)	(8 608.8)	(29 407.0)	(38 526.5)
		Prior year's claim refunds		-	-	-	-
		Annual cash flow		28 696.0	2 152.3	(19 314.6)	11 533.8
<b>2001-2002</b>	899 381.3	2% registration fees			16 846.8	1 072.8	17 919.7
		1.25% administration fees*			5 011.6	9 818.6	14 830.1
		Prior year fee refunds			-	-	-
		Claims paid			(272.7)	(7 251.8)	(7 524.5)
		Prior year's claim refunds			-	-	-
		Annual cash flow			21 585.7	3 639.6	25 225.3
<b>2002-2003</b>	955 897.0	2% registration fees				17 888.5	17 888.5
		1.25% administration fees*				6 601.9	6 601.9
		Prior year fee refunds				-	-
		Claims paid				(395.6)	(395.6)
		Prior year's claim refunds				-	-
		Annual cash flow				24 094.9	24 094.9
<b>Total**</b>	4 366 749.4	2% registration fees	25 236.3	23 574.8	18 144.2	18 961.4	85 916.7
		1.25% administration fees*	6 449.6	20 208.0	23 606.0	35 116.5	85 380.1
		Prior year fee refunds	-	(200.4)	(472.8)	(7 251.8)	(400.5)
		Claims paid	(494.6)	(14 769.0)	(42 700.4)	(69 411.7)	(127 375.7)
		Prior year's claim refunds	-	-	12.0	-	12.0
		Annual cash flow	31 191.3	28 813.4	(1 138.3)	(15 333.8)	43 532.6

\*The distribution of the 1.25 percent administration fees among the fiscal years has been determined on the estimated average outstanding amount of loans in each fiscal year.

\*\*Details may not add up to totals because of rounding.





# Appendix B

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## *Small Business Loans Act Tables*





**Table I: Revenues and Expenses Related to  
Loans Made from April 1, 1995 to March 31, 1999, SBL Program**

Year loans were made	Amount of loans (\$000)	Type of revenues and expenses	Year associated fees were collected and associated claims were paid (\$000)								Cumulative revenues and expenses (\$000)
			1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	
1995-96	2 243 156.5	2% registration fees 1.25% admin. fees* Prior year fee refunds Claims paid Prior year's claim refunds Annual cash flow	40 564.3 13 763.7 - (718.4) - 53 609.5	4 060.7 22 183.5 (144.4) (22 588.2) - 3 511.6	- 18 297.6 (29.1) (63 061.0) 30.7 (44 761.8)	- 13 337.0 (5.6) (64 808.6) 107.9 (51 369.3)	- 9 128.3 (0.9) (42 880.4) 98.6 (33 654.4)	- 4 688.3 (0.9) (18 251.1) 229.8 (13 333.9)	- 3 560.6 (0.6) (9 066.4) 100.5 (5 405.9)	- 1 562.8 - (5 113.5) - (3 550.7)	44 625.0 86 521.8 (181.5) (226 487.7) 567.4 (94 955.0)
1996-97	2 018 862.3	2% registration fees 1.25% admin. fees* Prior year fee refunds Claims paid Prior year's claim refunds Annual cash flow	-	36 155.1 12 747.2 - (517.6) - 48 384.7	3 956.3 19 742.5 (117.0) (21 514.2) 0.5 2 068.2	0.7 15 643.3 (4.5) (51 374.1) 7.2 (35 727.4)	- 11 690.8 (1.1) (49 091.9) 18.9 (37 383.3)	- 6 516.2 (1.0) (31 889.7) 117.9 (25 256.6)	- 4 447.7 (0.8) (15 472.2) 155.8 (10 869.5)	- 1 944.9 - (8 148.4) - (6 203.5)	40 112.2 72 732.5 (124.4) (178 008.1) 300.3 (64 987.5)
1997-98	1 977 315.4	2% registration fees 1.25% admin. fees* Prior year fee refunds Claims paid Prior year's claim refunds Annual cash flow	-	-	35 469.8 10 251.3 - (598.6) - 45 122.5	3 845.9 15 222.0 (140.9) (16 291.1) 7.7 2 643.6	6.1 12 382.5 (1.1) (45 976.4) 36.9 (33 551.9)	- 7 523.8 (1.0) (40 420.6) 30.4 (32 867.3)	- 5 530.3 (0.9) (31 245.2) 134.7 (25 581.2)	- 2 173.4 - (17 175.4) - (15 002.0)	39 321.8 53 083.4 (143.9) (151 707.2) 209.7 (59 236.3)
1998-99	1 613 736.9	2% registration fees 1.25% admin. fees* Prior year fee refunds Claims paid Prior year's claim refunds Annual cash flow	-	-	-	28 625.9 10 231.7 - (170.5) - 38 687.1	3 471.9 16 650.9 (133.5) (17 963.8) - 2 025.5	6.5 11 179.8 (2.1) (39 837.9) 47.5 (28 606.2)	- 9 157.5 (1.4) (41 348.9) 170.3 (32 022.5)	- 3 917.6 - (24 004.2) - (20 086.6)	32 104.4 51 137.5 (137.0) (123 325.3) 217.8 (40 002.6)
Total **	7 853 071.1	2% registration fees 1.25% admin. fees* Prior year fee refunds Claims paid Prior year's claim refunds Annual cash flow	40 564.3 13 763.7 - (718.4) - 53 609.5	40 215.9 34 930.7 (144.4) (23 105.9) - 51 896.3	39 426.2 48 291.3 (146.1) (85 173.7) 31.2 2 428.8	32 472.5 54 434.0 (151.0) (132 644.3) 122.8 (45 766.0)	3 478.0 49 852.5 (136.6) (155 912.4) 154.4 (102 564.2)	6.5 29 908.1 (4.9) (130 399.3) 425.6 (100 064.0)	- 22 696.2 (3.7) (97 132.7) 561.3 (73 879.0)	- 9 598.8 - (54 441.5) - (44 842.8)	156 163.3 263 475.2 (586.8) (679 528.3) 1 295.3 (259 181.3)

\*The distribution of the 1.25 percent administration fees among the fiscal years has been determined on the estimated average outstanding amount of loans in each fiscal year.

\*\*Details may not add up to totals because of rounding.

**Table II: Summary of Financial Activities per Fiscal Year, SBL Program**

Fiscal year	Loans			Revenues				Expenditures				Net
	Number	Amount (\$000)	Average size (\$000)	Registration fees (\$000)	Admin. fees (\$000)	Refunds of previous year revenues (\$000)	Total revenues (\$000)	Number of claims	Claims paid (\$000)	Refunds of previous year's expenditures (\$000)	Total expenditures (\$000)	Revenues less expenditures (\$000)
1961-90	281 856	7 724 881.3	27.4	33 344.3	-	-	33 344.3	12 611	280 046.7	(5 832.0)	274 214.7	(240 870.4)
1990-91	10 625	413 223.4	38.9	4 193.6	-	(14.5)	4 179.1	1 704	37 797.9	(1 728.7)	36 069.2	(31 890.1)
1991-92	10 557	397 274.5	37.6	3 937.1	-	(5.2)	3 931.9	1 882	45 569.0	(1 662.9)	43 906.1	(39 974.2)
1992-93	13 154	502 141.3	38.2	4 764.7	-	(8.9)	4 755.8	1 653	40 026.5	(1 733.2)	38 293.3	(33 537.5)
1993-94	43 351	2 548 797.2	58.8	47 091.8	-	(10.1)	47 081.7	1 277	28 586.1	(1 939.2)	26 646.9	20 434.7
1994-95	68 377	4 397 133.6	64.3	78 435.8	-	(128.5)	78 307.3	1 171	30 573.9	(1 498.8)	29 075.0	49 232.2
1995-96	34 613	2 243 156.5	64.8	54 052.7	13 763.7	(456.1)	67 360.3	2 256	80 400.1	(1 265.0)	79 135.1	(11 774.7)
1996-97	31 002	2 018 862.3	65.1	40 224.0	34 930.7	(154.1)	75 000.6	4 210	169 314.2	(837.3)	168 476.9	(93 476.3)
1997-98	29 064	1 977 315.4	68.0	39 427.5	48 291.3	(148.1)	87 570.7	5 428	223 455.9	(864.5)	222 591.4	(135 020.7)
1998-99	22 523	1 613 624.4	71.6	32 472.5	54 434.0	(151.0)	86 755.5	5 262	229 624.9	(992.1)	228 632.8	(141 877.3)
1999-2000	-	-	-	3 478.0	49 852.5	(136.6)	53 193.8	4 673	200 214.1	(964.5)	199 249.7	(146 055.8)
2000-2001	-	-	-	6.5	29 908.1	(4.9)	29 909.7	3 680	152 085.1	(905.4)	151 179.8	(121 270.0)
2001-2002	-	-	-	-	22 696.2	(3.7)	22 692.5	2 674	105 212.1	(810.0)	104 402.1	(81 709.6)
2002-2003	-	-	-	-	9 598.8	-	9 598.8	1 712	60 866.5	-	60 866.5	(51 267.7)
Total*	545 122	23 836 409.9	43.7	341 428.5	263 475.2	(1221.9)	603 681.8	50 193	1 683 772.9	(21 033.6)	1 662 739.3	(1 059 057.6)

\*Details may not add up to totals because of rounding.



**Table III: Summary of Financial Activities Relative to Periods, SBL Program**

Period	Loans			Revenues				Expenditures				Net
	Number	Amount (\$000)	Loan balance as at March 31, 2003 (\$000)	Registra. fees (\$000)	Admin. fees (\$000)	Refunds of previous year revenues (\$000)	Total revenues (\$000)	Number of claims	Claims paid (\$000)	Refunds of previous year's expenditures (\$000)	Total expenditures (\$000)	Revenues less expenditures (\$000)
<b>Periods 1 to 9</b> January 19, 1961 to March 31, 1985	186 860	4 372 714.3	-	-	-	-	-	10 409	225 205.1	(7 993.9)	217 211.3	(217 211.3)
<b>Period 10</b> April 1, 1985 to March 31, 1990	94 995	3 352 052.0	87.4	33 628.9	-	(14.7)	33 614.2	7 833	172 347.1	(8 087.0)	164 260.1	(130 645.9)
<b>Period 11</b> April 1, 1990 to March 31, 1993	34 336	1 312 639.2	931.6	13 162.1	-	(24.9)	13 137.3	2 835	72 982.4	(1 677.9)	71 304.5	(58 167.2)
<b>Period 12</b> April 1, 1993 to March 31, 1995	111 728	6 945 933.3	incl. below	138 474.1	-	(595.5)	137 878.6	12 886	533 709.9	(1 979.5)	531 730.4	(393 851.8)
<b>April 1, 1995</b> to March 31, 1999	117 203	7 853 071.1	incl. below	156 163.3	263 475.2	(586.8)	419 051.8	16 230	679 528.3	(1 295.3)	678 233.0	(259 181.3)
<b>Sub-total period 12</b>	228 931	14 799 004.4	795 552.0	294 637.4	263 475.2	(1 182.3)	556 930.3	29 116	1 213 238.2	(3 274.8)	1 209 963.5	(653 033.1)
<b>Total Periods*</b>	545 122	23 836 409.9	796 571.1	341 428.5	263 475.2	(1 221.9)	603 681.8	50 193	1 683 772.9	(21 033.6)	1 662 739.3	(1 059 057.6)

\*Details may not add up to totals because of rounding.