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# ***Small Businesses Loans Act***

**Annual Report on Operations  
for the 12-month period ended March 31, 1993**

***Small Businesses Loans Act***

**Annual Report on Operations  
for the 12-month period ended March 31, 1993**

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

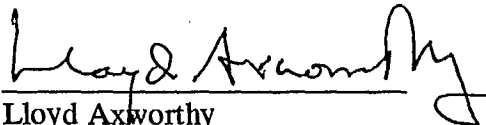
Your Excellency:

In accordance with section 11 of the *Small Businesses Loans Act*, the undersigned have the honour to put before Your Excellency a report on the administration of the Act for the 12-month period ended March 31, 1993.

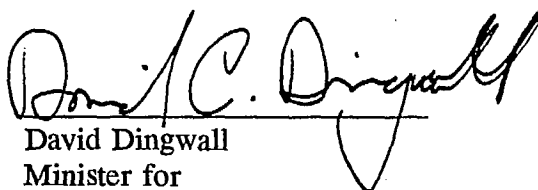
Respectfully submitted,



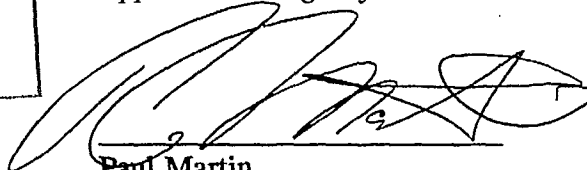
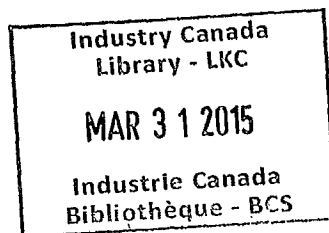
John Manley  
Minister of Industry, Science and Technology



Lloyd Axworthy  
Minister of Western  
Economic Diversification



David Dingwall  
Minister for  
the purposes of the *Atlantic Canada  
Opportunities Agency Act*



Paul Martin  
Minister responsible for  
the Federal Office of Regional Development - Quebec

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## **Introduction**

This Annual Report on the operations of the *Small Businesses Loans Act* (SBLA) is being presented by four ministers as a result of the following: The SBLA program is an outstanding example of co-operation between development agencies of government and between the private and public sectors. While co-operation with the 1200 lending institutions in Canada over the past 30 years is shown in Table 5a, co-operation between the federal government development agencies is outlined below.

1. As at June 5, 1987, the Minister for the purposes of the *Atlantic Canada Opportunities Agency Act* became the designated minister for purposes of the SBLA in relation to small business enterprises located in the provinces of New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland.
2. As at August 4, 1987, the Minister of Western Economic Diversification became the designated minister for purposes of the SBLA in relation to small business enterprises located in the provinces of Manitoba, Saskatchewan, Alberta, and British Columbia.
3. As at June 13, 1991, the Minister responsible for the Federal Office of Regional Development - Quebec became the designated minister for purposes of the SBLA in relation to small business enterprises located in the province of Quebec.
4. The Minister of Industry, Science and Technology continues to be the designated Minister for purposes of the SBLA 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 SBLA.

## **Background**

The objective of the SBLA, which has been in force since January 1961, is to encourage lenders in the private sector to increase the availability of loans to small businesses for the purchase, renovation, modernization or improvement of fixed assets, including land, buildings, and equipment, but does not provide loans for non-fixed asset requirements such as loans for inventory financing, working capital requirements, share purchases or the refinancing of existing debts. Loans made pursuant to the SBLA are called "Business Improvement Loans" (BILs).

Under the SBLA, 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 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.

## 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 the SBLA. As a result of changes made in March 1970, the provisions of the SBLA were widened to permit all credit unions, caisses populaires, other cooperative credit societies as well as trust, insurance and loan corporations to request to be designated by the minister as approved lenders for the purposes of the SBLA. In 1974, the Alberta Treasury Branches were included as approved lenders.

## Eligible Borrowers

Any enterprise in Canada operating for gain or profit is eligible to borrow under the SBLA provided its estimated gross revenue does not exceed \$2 million in the year of application. The majority of small businesses in Canada can benefit under the SBLA if they are profit oriented and in the business of communications, construction, fishing, manufacturing, retail trade, transportation, wholesale trade or providing services. Businesses that are not eligible to receive SBLA assistance are identified in Table 1.

## Operating Results

During the fiscal year ended March 31, 1993, (see Table 2) 13 092 BILs totalling \$498 786 908 were made bringing the 31-year total to over \$9 billion. The average size of a BIL made during the fiscal year ended March 31, 1993, was \$38 098 compared with \$37 669 during the previous 12-month period. BILs outstanding on lenders' books as at March 31, 1993, (see Table 4) totalled \$1 092 661 719. The Minister's contingent liability in relation to this total is \$491 million.

Of the dollar value loaned during the period under review, \$368.7 million, or 74.2 percent, was used to finance the purchase, installation, renovation, improvement and/or modernization of **equipment**; \$130.1 million, or 25.8 percent, was used to finance the renovation, improvement, modernization, extension, construction and/or purchase of **premises** and to finance the purchase of **land**.

As in the past, **service businesses** (see Table 6) led all other types of small business enterprises in borrowing under the SBLA and, for the 12 months under review, accounted for \$219.8 million or 44.1 percent of total loans made. **Retail trade** followed with \$116.1 million or 23.3 percent; **transportation** with \$68.6 million or 13.7 percent; **manufacturing** with \$40 million or 8 percent; **construction** with \$31.4 million or 6.3 percent; **wholesale trade** with \$12.9 million, or 2.6 percent; **fishing** with \$5.9 million or 1.2 percent; and **communications** with \$4.1 million or 0.8 percent.

### Age of Small Business Enterprise Borrowers

As at November 2, 1987, a lender was required to report the age of a business enterprise in respect of which a BIL had been made under the SBLA.

Fiscal Year	Age of Business Enterprise				Sub-Total	Older Than Three years	Totals
	Start-ups	1st year	2nd Year	3rd Year			
1988/89	6 987 39.4%	1 227 6.9%	1 424 8%	1 107 6.2%	10 745 60.5%	7 013 39.5%	17 758 100%
1989/90	5 293 38.3%	940 6.8%	1 064 7.7%	921 6.7%	8 218 59.5%	5 585 40.5%	13 803 100%
1990/91	4 254 40%	700 6.6%	710 6.7%	644 6.1%	6 308 59.4%	4 316 40.6%	10 624 100%
1991/92	3 921 37.3%	658 6.3%	682 6.5%	660 6.3%	5 921 56.4%	4 567 43.6%	10 488 100%
1992/93	4 806 36.7%	828 6.3%	809 6.2%	836 6.4%	7 279 55.6%	5 813 44.4%	13 092 100%

Business start-ups, and young businesses, are the recipients of the majority of loans made under the SBLA.

### Employment by Small Business Enterprise Borrowers

Employment by small business borrowers is also being reported by lenders in respect of loans made under the SBLA since November 1987. The following employment data are reported by the lenders based on information supplied by the borrowers:

Fiscal Year	No. of Borrowers	Total Employment by Borrowers	Average Employment per Borrower	Additional Employment	
				Total	Per Borrower
1988/89	17 758	83 678	4.7	37 290	2.1
1989/90	13 803	63 125	4.6	36 963	2.7
1990/91	10 624	50 433	4.7	25 549	2.4
1991/92	10 488	47 910	4.6	25 250	2.4
1992/93	13 092	58 064	4.4	23 928	1.8

When compared with the net cost of claims of \$40 million, the per job cost of this estimated additional employment of 24 000 compares favourably with other more direct job creation programs.

## **Subsequent Events**

Effective April 1, 1993, a revised SBLA came into effect incorporating significant changes. Those changes relating to borrowers are shown in Table 1: Fact Sheet Changes in 1993

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

*Director  
Small Business Loans Administration  
Industry Canada  
235 Queen Street  
Ottawa, Ontario  
K1A 0H5*



Table 1

Changes in 1993

Fact Sheet		
Item	Prior to April 1, 1993	After April 1, 1993
Maximum Eligible Business Size	\$2 million in annual revenue	\$5 million in annual revenue
Maximum Loan Size	\$100,000	\$250,000
Interest Rate - Floating - Fixed	Prime + 1% Not Permitted	Prime + 1 3/4% 1 3/4% over residential mortgage rate for the applicable term
Up-Front Government Fee	1%	2% which may be added to amount of the loan
Refinancing	Not permitted	Up to 180 days prior
Percentage of Financing Permitted	80% of Equipment 90% of Land and Buildings	100% of all eligible assets until Dec. 31, 1995, and 90% thereafter
Amount of Government Guarantee	85% of any loss	90% of any loss sustained on loans made after March 31, 1993, and before January 1, 1996, and 85% thereafter
Maximum Loan Term	10 years	10 years
Businesses Excluded from the Program	Finance, insurance, real estate, professions, mining of metals, minerals, non-metallic materials, production of petroleum, natural gas, farming, charitable and religious organizations	The business of farming as well as charitable and religious organizations
Classes of Loans	Land Premises Movable Equipment Fixed Equipment	Land Premises Equipment Fee

Table 2

## 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	45 924 377
1993	13 092	498 786 908	38 098	1 826	45 182 427
<b>Total</b>	<b>316 144</b>	<b>9 033 897 459</b>	<b>28 164</b>	<b>17 613</b>	<b>396 406 971</b>

- Note: 1) Subsequent to the December 31, 1983 calendar year, the reporting period was changed to coincide with the federal government's fiscal year-end of March 31.
- 2) Statistics shown above under "BILs Made" and "Average Size of BIL" for the year ended March 31, 1992, and prior periods may differ from those presented in previous Annual Reports because of late registration of BILs and sundry adjustments.

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 \$	Net * \$				
<b>12 months ended Dec. 31</b>								
1961-1969	142	873 289	-	873 289	(2 386)	870 903	-	870 903
1970	27	148 649	-	148 649	(16 789)	131 860	-	131 860
1971	20	71 329	-	71 329	(4 829)	66 500	-	66 500
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	(51 663)	1 736 956	-	1 736 956
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	1 556	33 600 015	(366 713)	33 233 302	(1 729 656)	31 503 646	(4 179 079)	27 324 567
1992	1 927	46 424 478	(500 101)	45 924 377	(1 655 259)	44 269 118	(3 931 474)	40 337 644
1993	1 826	45 939 762	(757 335)	45 182 427	(1 733 998)	43 448 429	(4 755 772)	38 692 657
<b>Total</b>	<b>17 613</b>	<b>399 586 203</b>	<b>(3 179 232)</b>	<b>*396 406 971</b>	<b>(10 951 356)</b>	<b>385 455 615</b>	<b>(46 211 876)</b>	<b>339 243 739</b>

\* Corresponds to table 2

Table 4

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

Periods	Loans made \$	Repayments \$	* Balance of Loans Outstanding as at March 31, 1993 \$
<b>Period 1:</b> January 19, 1961 - December 31, 1963	74 549 220	74 549 220	-
<b>Period 2:</b> January 1, 1964 - December 31, 1966	72 662 656	72 662 656	-
<b>Period 3:</b> January 1, 1967 - December 31, 1969	48 212 560	48 212 560	-
<b>Period 4:</b> January 1, 1970 - June 30, 1971	23 140 841	23 140 841	-
<b>Period 5:</b> July 1, 1971 - June 30, 1974	86 924 604	86 924 604	-
<b>Period 6:</b> July 1, 1974 - June 30, 1977	241 496 183	241 496 183	-
<b>Sub-Total</b> January 19, 1961 - June 30, 1977	546 986 064	546 986 064	-
<b>Period 7:</b> July 1, 1977 - June 30, 1980	672 547 942	672 463 183	84 759
<b>Period 8:</b> July 1, 1980 - March 31, 1983	1 354 152 068	1 353 660 500	491 568
<b>Period 9:</b> July 1, 1983 - March 31, 1985	1 799 689 460	1 789 668 615	10 020 845
<b>Period 10:</b> April 1, 1985 - March 31, 1990	3 353 238 142	3 055 782 419	297 455 723
<b>Period 11:</b> April 1, 1990 - March 31, 1993	1 307 330 374	522 721 550	784 608 824
<b>Sub-Total</b> July 1, 1977 - March 31, 1993	8 486 957 986	7 394 296 267	1 092 661 719
<b>Total</b>	9 033 944 050	7 941 282 331	1 092 661 719

\* As reported by lenders at time of printing.

Table 5a

Summary of BIL Lending Classified by Type of Lender and by Province  
April 1, 1992 - March 31, 1993

Lender	Chartered Banks under the <i>Bank Act</i>		Credit unions, caisses populaires and cooperative credit societies		Trust, Loan and Insurance Corporations		Alberta Treasury Branches		Total Lending	
Province	Number	Amount \$	Number	Amount \$	Number	Amount \$	Number	Amount \$	Number	Amount \$
B.C.	1 218	48 595 469	123	4 183 221	1	100 000	0	0	1 342	52 878 690
Alberta	1 380	41 836 860	42	1 177 137	0	0	337	13 957 154	1 759	56 971 151
Sask.	677	17 932 418	309	9 678 792	0	0	0	0	986	27 611 210
Manitoba	266	8 407 777	34	1 395 076	0	0	0	0	300	9 802 853
West	3 541	116 772 524	508	16 434 226	1	100 000	337	13 957 154	4 387	147 263 904
Ontario	2 255	96 076 846	14	728 222	24	913 168	0	0	2 293	97 718 236
Quebec	2 283	102 707 606	3 145	117 452 410	0	0	0	0	5 428	220 160 016
N.W.T.	18	1 005 600	0	0	0	0	0	0	18	1 005 600
Y.T.	22	747 851	0	0	0	0	0	0	22	747 851
Central and Northern Canada	4 578	200 537 903	3 159	118 180 632	24	913 168	0	0	7 761	319 631 703
N.B.	311	12 704 794	0	0	0	0	0	0	311	12 704 794
N.S.	305	10 152 494	0	0	0	0	0	0	305	10 152 494
P.E.I.	118	3 074 109	0	0	0	0	0	0	118	3 074 109
Nfld.	210	5 959 904	0	0	0	0	0	0	210	5 959 904
Atlantic	944	31 891 301	0	0	0	0	0	0	944	31 891 301
Total	9 063	349 201 728	3 667	134 614 858	25	1 013 168	337	13 957 154	13 092	498 786 908



Table 5b

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

Lender	Chartered Banks under the Bank Act		Credit unions, caisses populaires and cooperative credit societies		Trust, Loan and Insurance Corporations		Alberta Treasury Branches		Total Lending	
Province	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
Alberta	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
Manitoba	212	7 191 368	28	1 040 995	1	100 000	0	0	241	8 332 363
West	3 180	101 566 156	318	9 946 265	7	404 900	137	6 753 854	3 642	118 671 177
Ontario	1 815	78 059 324	7	273 476	52	2 599 540	0	0	1 874	80 932 340
Queec	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
Central and Northern Canada	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
Atlantic	842	25 988 178	1	14 269	1	45 183	0	0	844	26 047 630
Total	7 737	291 407 663	2 551	93 757 209	63	3 161 723	137	6 753 854	10 488	395 080 450



Table 6

BILs by type of business and by province  
April 1, 1992 - March 31, 1993

Business	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.	10	252 891	128	4 534 189	33	1 691 670	89	2 738 016	207	8 115 526	598	23 122 029	251	11 569 101	26	855 268	1 342	52 878 690
Alberta	12	345 918	208	5 931 120	1	23 840	68	2 203 942	286	10 983 398	801	25 488 069	348	10 801 775	35	1 193 082	1 759	56 971 151
Sask.	9	190 182	98	2 104 980	0	0	29	622 047	228	6 219 461	462	13 192 191	128	4 425 914	32	856 435	986	27 611 210
Manitoba	2	33 510	28	633 203	0	0	28	824 957	81	3 064 988	109	3 638 905	40	1 283 312	12	323 978	300	9 802 853
West	33	822 501	462	13 203 492	34	1 715 510	214	6 388 962	802	28 383 373	1 970	65 441 201	767	28 080 102	105	3 228 763	4 387	147 263 904
Ontario	32	1 165 770	149	5 141 421	1	80 000	208	8 729 659	567	26 789 793	1 070	44 594 258	190	7 931 444	76	3 285 891	2 293	97 718 236
Quebec	54	1 821 794	300	10 120 924	15	689 655	579	22 648 346	1 261	54 763 509	2 457	100 272 362	615	24 484 407	147	5 359 019	5 428	220 160 016
N.W.T.	1	100 000	3	156 500	0	0	1	75 000	4	152 000	5	178 600	3	267 500	1	76 000	18	1 005 600
Y.T.	0	0	2	180 000	0	0	0	0	4	171 776	14	348 575	2	47 500	0	0	22	747 851
Central and Northern Canada	87	3 087 564	454	15 598 845	16	769 655	788	31 453 005	1 836	81 877 078	3 546	145 393 795	810	32 730 851	224	8 720 910	7 761	319 631 703
New Brunswick	0	0	32	1 030 403	19	594 011	21	1 246 018	35	1 363 354	101	3 848 949	94	4 321 729	9	300 330	311	12 704 794
Nova Scotia	3	167 285	23	679 395	47	1 457 878	15	496 547	66	2 311 815	94	2 829 116	49	1 961 699	8	248 759	305	10 152 494
P.E.I.	0	0	6	189 968	49	1 020 215	3	56 716	11	317 828	23	694 182	20	662 302	6	132 898	118	3 074 109
Nfld.	0	0	31	760 890	40	324 115	10	341 340	53	1 817 587	37	1 642 669	30	840 625	9	232 678	210	5 959 904
Atlantic	3	167 285	92	2 660 656	155	3 396 219	49	2 140 621	165	5 810 584	255	9 014 916	193	7 786 355	32	914 665	944	31 891 301
Total	123	4 077 350	1 008	31 462 993	205	5 881 384	1 051	39 982 588	2 803	116 071 035	5 771	219 849 912	1 770	68 597 308	361	12 864 338	13 092	498 786 908

