

**LEGISLATIVE ASSEMBLY OF THE  
NORTHWEST TERRITORIES  
9<sup>TH</sup> ASSEMBLY, 2<sup>ND</sup> SESSION**

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**TABLED ON FEBRUARY 6, 1980**

\* ANNUAL REPORT \*

of

SMALL BUSINESS LOANS

and

GUARANTEES FUND

1978-79

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# Annual Report of the Small Business Loans and Guarantees Fund

1978-79

## Operations

In spite of chronic economic constraints attributable for the most part to increasing high interest rates, the Small Business Loans and Guarantees Fund played a most productive part in its role as lender of last resort to small businesses in the Northwest Territories in the fiscal year 1978-79. During this inflationary period, had it not been for the existence of this source of funding, several small businesses would not have had the opportunity of commencing operations or expansion, and adding significant employment and income to the economy of the Territories. Loans approved during the year resulted in acquisitions of aircraft and heavy equipment, for construction and transport purposes. Other assistance was provided for tourism and food services, retail stores and service industries. In all, 25 N.W.T. based businesses were granted loans totaling \$783,709. Over half the loans issued during the year were in the \$50,000 to \$100,000 range, with the majority of loans going to private small businesses in the Fort Smith Region, which has the greatest concentration of business activity in the N.W.T.

During the year, the amount repaid on principal was \$341,229 and on revenue interest received \$237,671. The total portfolio as at March 31, 1979, was as follows:

Total number of loans in force	106
Principal outstanding	\$2,685,245
Interest outstanding	\$ 126,509

## History

Through negotiation with the Department of Indian and Northern Affairs, Ottawa, the Fund, was created in 1970 to provide financial assistance to businesses in the Territories which was not available from other sources on reasonable terms and conditions. At that time, a limit of five million dollars was established by the Federal Government to be drawn in annual allotments as required. The limit for individual loans was set at \$50,000 for a maximum term of ten years.

On April 1, 1977, the Fund was transferred to the Government of the Northwest Territories and is now administered by the Department of Economic Development and Tourism under authority of the Small Business Loans and Guarantees Ordinance. At this time, the individual loan limit was increased to \$100,000 and the maximum term extended to 15 years, and provision made for bank loan guarantees.

Operationally every loan proposal must be accompanied by a refusal from a chartered bank and the Federal Business Development Bank thereby upholding its commitment not to compete with established funding institutions and making it truly a lender of last resort. Interest rates are the same as charged by the Federal Business Development Bank. Loans are not granted for working capital or to pay off existing debts nor are loans granted for housing purposes.

### Management

The Small Business Loans and Guarantees Fund is managed by an Advisory Board comprised of six members appointed by the Commissioner, four of whom are from the business community. The function of the Advisory Board is to consider each loan proposal and make recommendations to the Commissioner, who is the sole authority for granting of loans.

The current Advisory Board consists of the following members:

Chairman	- B.J. Shead	- G.N.W.T.
Members	- D. Bossert	- Yellowknife
	- D. Webb	- Fort Smith
	- A. Semmler	- Inuvik
	- W. Moore	- G.N.W.T.
	- R. Desjarlais	- Yellowknife

### Administration

Recent decentralization of the Department of Economic Development and Tourism has permitted greater involvement in servicing businesses at the community level, and increased emphasis has now been placed on financial management counselling for business entrepreneurs. It is already evident that these activities have had a noticeable effect in the improvement of business operations particularly borrowers of N.W.T. loan funds, as well as administratively in monitoring loans and undertaking collection of payments on delinquent accounts.

Because of its position as lender of last resort, the Small Business Loans and Guarantees Fund works closely with other funding agencies, notably the chartered banks, Federal Business Development Bank, Department of Regional Economic Expansion and often enters into joint ventures with these institutions. The Fund also works cooperatively and has excellent relationships with the legal and accounting professions on a continuing basis.

The Fund is administered in a very private and confidential manner. All transactions are held inviolate and for this reason, the Fund has gained the respect and confidence of the business community it serves.

Administration of the Fund is the responsibility of the Financial Services Section, Division of Commerce, Department of Economic Development and Tourism. In 1979-80 the O & M budget allocation for administration of the Fund together with four other funds amounted to \$130,000. By way of comparison it should be noted that revenues derived from the Small Business Loans and Guarantees Fund alone was \$237,671 during the 1978-79 fiscal year.

### Statistics

Since inception of the Fund in 1970-71, 395 loan applications have been presented for consideration by the Advisory Board of which 156 were issued for a total amount of \$4,507,000.

Unfortunately not all these ventures have been successful and the unhappy outcome has been foreclosure in some cases. Total loss in these instances,

since 1970-01, amount to \$150,432 representing only 3.3 percent of invested capital. This loss ratio compares very favourably with similar financial institutions like the Alberta Opportunity Company.

The Small Business Loans and Guarantees Fund does not exist as largesse, but as an incentive in times of changing economic conditions, and, as such, is gaining ground that does not show in percentages or statistics. While accurate statistics are not available, it is estimated that the effect of financial assistance through the Small Business Loans and Guarantees Fund has resulted in employment generated earned income exceeding eight million dollars, over the last eight years.

As we move into 1980-81 Fiscal Year, the Department of Economic Development and Tourism, as administrators of the Small Business Loans and Guarantees Fund, will be developing and recommending changes to the Ordinance, which governs the fund, to address the ever changing financial requirements of small businesses operating in today's economic circumstances.

A statistical review of the Fund accompanies this report.



Barry Shead  
Chairman



SMALL BUSINESS LOANS AND GUARANTEES FUNDSTATEMENT OF ASSETS AND LIABILITIES

as at March 31, 1979

ASSETS

Cash	\$ 773,795.59
Loans Receivable	<u>2,685,245.41</u>
	\$ 3,459,041.00

LIABILITIES

Small Business Loans and Guarantees Revolving Fund	\$ 3,459,041.00
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SMALL BUSINESS LOANS AND GUARANTEES FUNDSTATEMENT OF REVENUES AND DISBURSEMENTS

for the fiscal period

April 1, 1978 to March 31, 1979

REVENUES

Payments received	\$ 578,900.14
Less Loans issued and cancelled	<u>90,000.00</u>
	\$ 488,900.14

DISBURSEMENTS

Principal portion to revolving fund	\$ 341,229.04
Interest to General Revenues	237,671.10
Less Loans issued and cancelled	<u>90,000.00</u>
	\$ 488,900.14

SMALL BUSINESS LOANS AND GUARANTEES FUNDDISTRIBUTION OF LOANS1978 - 79

<u>REGION</u>	<u>NO. LOANS</u>	<u>AMOUNT</u>	<u>% LOANS</u>
Baffin	1	\$ 15,000	6
Fort Smith	15	688,209	83
Inuvik	2	80,500	11
Keewatin	-	-	-
	<u>18</u>	<u>\$ 783,709</u>	<u>100</u>
 <u>SIZE</u>			
Up to \$10,000	3	\$ 19,500	2
\$10,000 to \$25,000	5	85,000	11
\$25,000 to \$50,000	4	188,209	24
\$50,000 to \$100,000	<u>6</u>	<u>491,000</u>	<u>63</u>
	<u>18</u>	<u>\$ 783,709</u>	<u>100</u>
 <u>INDUSTRY GROUPING</u>			
Agricultural	-	-	-
General Construction	-	-	-
Municipal Services	1	\$ 54,000	7
Other	3	110,000	14
Resource Harvesting	1	8,500	1
Retail	1	20,000	3
Service	2	46,850	6
Tourism and Food Service	3	37,500	5
Transport	6	461,259	58
Trucking	<u>1</u>	<u>45,600</u>	<u>6</u>
	<u>18</u>	<u>\$ 783,709</u>	<u>100</u>



SMALL BUSINESS LOANS AND GUARANTEES FUND  
INDUSTRY GROUPING AS AT MARCH 31, 1979

<u>INDUSTRY GROUPING</u>	<u>NO. LOANS</u>	<u>VALUE</u>	<u>% OF PORTFOLIO</u>
Agricultural	1	\$ 12,500	0.4
General Construction	4	107,841	4.0
Municipal Services	5	171,902	6.4
Other	9	295,417	11.1
Resource Harvesting	7	143,525	5.4
Retail	12	249,986	9.3
Service	25	450,053	16.8
Tourism & Food Service	17	335,276	12.5
Transport	23	845,484	31.5
Trucking	<u>3</u>	<u>73,261</u>	<u>2.6</u>
	106	\$ 2,685,245	100.0

SMALL BUSINESS LOANS AND GUARANTEES FUNDREGIONAL DISTRIBUTION OF LOANS

as at March 31, 1979

<u>REGIONAL</u>	<u>NO. LOANS</u>	<u>VALUE</u>	<u>% OF PORTFOLIO</u>
Baffin Region	2	\$ 52,175	2.1
Fort Smith Region	79	2,034,474	75.8
Inuvik Region	25	598,596	22.1
Keewatin Region	-	-	-
	<u>106</u>	<u>\$ 2,685,245</u>	<u>90.0</u>

SIZE

Up to \$10,000	29	\$ 142,619	5.3
\$10,000 to \$25,000	33	539,373	20.1
\$25,000 to \$50,000	34	1,238,012	46.1
\$50,000 to \$100,000	10	765,241	28.5
	<u>106</u>	<u>\$ 2,685,245</u>	<u>100.0</u>