

**LEGISLATIVE ASSEMBLY OF THE
NORTHWEST TERRITORIES
9TH ASSEMBLY, 4TH SESSION**

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Tabled Feb. 10/81

Northwest
Territories
Small
Business
Loans and
Guarantees
Fund
**Annual
Report
1979-80**

Kablruk Ltd. Tourist Cabins Coppermine, N.W.T.

Northwest
Territories
Small
Business
Loans and
Guarantees
Fund



Annual
Report
1979-80



GOVERNMENT OF THE NORTHWEST TERRITORIES
CANADA

Department of Economic
Development & Tourism,
Yellowknife, N.W.T.
X1A 2L9

FEB - 4 1981

The Honourable Tom Butters,
Minister of Economic
Development and Tourism,
Government of the N.W.T.,
Yellowknife, N.W.T.
X1A 2L9

Dear Mr. Butters,

In accordance with the provisions of the Small Business Loans and
Guarantees Ordinance, I am pleased to enclose the report of the Fund
for the year ended March 31, 1980, to be tabled at the next session
of the Legislative Assembly of the Northwest Territories.

Yours truly,

A handwritten signature in cursive script, reading "Rod Morrison".

Rod Morrison,
Chairman,
Small Business Loans
and Guarantees Board.

Attachment.

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The Northwest Territories Small Business Loans and Guarantees Fund is by definition a fund of last resort, designed to provide business funding to people that because of risk or geographic location, are prevented from normal commercial funding. The Fund is designed to assist in the creation, acquisition or expansion of a business in the N.W.T.

The year 1979-80 year was indicative of the economic slowdown and high interest rates experienced in most of the Northwest Territories. This was a period of business consolidation brought about by the interest rates that peaked at eighteen percent in March, 1980. Although the economy as a whole was soft during the year, some areas started to show an economic improvement. Notable among these are Tuktoyaktuk, Inuvik, and Norman Wells. Petroleum exploration and the completion of the Dempster Highway were substantial contributions to the improved economic conditions in these areas.

Other geographic areas that were influenced by mineral exploration enjoyed a fairly buoyant economy as activities in this industry were maintained at a high level throughout the year. This included such areas as Yellowknife, Fort Smith and Baker Lake. A third subject matter of interest to the Small Business Loan Fund is in the field of general contracting. A policy decision of the N.W.T. Housing Corporation to encourage local people to enter the house construction and renovation field has resulted in several applications for this type of business.

The Small Business Loans and Guarantees Fund is managed by an Advisory Board comprised of six members appointed by the Commissioner and Minister of Economic Development and Tourism. Two members are from the Department and fill the capacity of Chairman and Vice-Chairman. The other four 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 the granting of loans.

The current Advisory Board consists of the following people:

B.J. Shead	G.N.W.T.	Chairman
W. Moore	G.N.W.T.	Vice-Chairman
D. Bossert	Businessman	Member
R. Desjarlais	Businessman	Member
A. Semmler	Businessman	Member
D. Webb	Businessman	Member

During the year the Board held six meetings, considered thirty-three applications and approved thirteen loans and five loan guarantees. The Board maintains a close observance of all active loans by means of a review that is conducted at each meeting. In this way they are kept informed on the status of each client and can recommend action in cases that warrant it.

The administration of the Fund is the responsibility of the Financial Services Section, Division of Commerce, Department of Economic Development and Tourism. This section, composed of five persons, administers four funds in addition to the Small Business Loan Fund, which Fund comprises about one third of the volume of the Section.

The Small Business Loan Fund has a good working relationship with the financial community of the N.W.T. Of particular note are the Federal Business Development Bank and the Department of Regional Economic Expansion's Special A.R.D.A. program. In certain cases, the Federal Business Development Bank and the Small Business Loan Fund share loans on a joint participation basis. The Special A.R.D.A. Fund is a grant program that frequently complements the Small Business Loan Fund and this magnifies the intent of both sources of funding.

During the year, economic conditions and the needs of the business community indicated that emphasis should be placed on business counselling and the development of total funding proposals for clients. The philosophy of the Section of "helping people to help themselves in business" easily permitted this re-orientation which emphasized four areas of concerns:

Guaranteed Bank Loans. These loans have an interest rate of prime plus one percent which amounted to a substantial reduction in interest costs for the client from the eighteen percent S.B.L.F. rate and by year end were used where practicable.

Financial management counselling for businesses in trouble was undertaken in fifteen cases, twelve for troubled businesses and three concerning business expansions. Of the twelve troubled businesses all are in operation and are either holding their own or have started to recover from their financial problems.

Of the twelve cases mentioned in the paragraph above, seven potential business failures were averted. Management counselling and/or a direct management capability were used in these cases. Four businesses have achieved a substantial recovery and three are in various stages of recovery. The number of jobs preserved as a result of this action was 109.

The negotiation of financing for major projects is becoming a part of the Fund's new service. The need for this service was becoming apparent at year end and will be developed during the 1980-81 year.

Due principally to staff shortage during the year, priorities were placed on certain aspects of the operation which resulted in less than adequate attention being given to foreclosures and non urgent procedures. A program of annual inspection of client security planned for commencement in 1979-80 was also deferred. These deficiencies will be addressed in 1979-81.

Since the inception of the Fund in 1970-71, 428 applications have been presented for the consideration of the Advisory Board of which 179 were approved and issued for a total of \$5,531,320. In 1979-80, loans and guarantees issued amounted to \$1,103,428. Principal repayments to the Fund during the year totalled \$560,589 and interest received amounted to \$295,573. At year end the active loans in force totalled \$2,966,609 and interest receivable was \$124,980 or 4.21 percent of the outstanding principal which compares favourably with last year's ratio of 4.89 percent of outstanding principal. This ratio is a measure of the Fund's success in maintaining the efficiency of loan repayments. The interest receivable has ranged from a high of 5.46 percent in 1977 to the present 4.21 percent which indicates a steady improvement in this area.

The principal portion of bad debts written off amounted to \$77,957.21 for six loans. This brings the total write off since inception of the Fund to \$168,977.67 which is 3.15 percent of invested capital. This ratio is unusually low and although factual, does not take into account potential losses due to foreclosures etc. that are in process. The probable rate may be in the area of nine percent but will only be known when the proceeds of foreclosures in process, some of them as long as four years, are known. At the time of the transfer of the Fund from the Department of Indian and Northern Affairs in 1977, a realistic loss rate of fifteen percent would be acceptable due to the high risk nature of the Fund. Other statistical data appears at the end of this report.

Until this past year, the Small Business Loans and Guarantees Fund has operated almost exclusively in the Mackenzie District. However, it now operates across the N.W.T. with clients in all regions. The businesses supported by the Fund in 1980 employed 831 persons representing 5.9 percent of the total employment in the Northwest Territories. The earnings of these persons, based on the average income of the N.W.T. would be 14 million dollars.

SMALL BUSINESS LOANS AND GUARANTEES FUND

STATEMENT OF REVENUES AND DISBURSEMENTS

for the fiscal period

April 1, 1979 to March 31, 1980

REVENUES

Payments received	\$ 856,161.90
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	\$ 856,161.90

DISBURSEMENTS

Principal portion to revolving fund	\$ 560,588.90
Interest to General Revenues	295,573.00
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	\$ 856,161.90

SMALL BUSINESS LOANS AND GUARANTEES FUND

STATEMENT OF ASSETS AND LIABILITIES

as at March 31, 1980

ASSETS

Cash	\$ 492,432.00
Loans Receivable	2,966,609.00
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	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 FUND

DISTRIBUTION OF LOANS

1979 - 80

<u>REGION</u>	<u>NO. LOANS</u>	<u>AMOUNT</u>	<u>% LOANS</u>
Baffin	2	\$ 81,400	10.0
Fort Smith	10	376,900	46.3
Cambridge Bay	-	-	-
Inuvik	2	88,000	10.8
Keewatin	-	-	-
Yellowknife	4	267,000	32.9
	<u>18</u>	<u>\$ 813,300</u>	<u>100.00</u>

SIZE

Up to \$10,000	2	\$ 7,000	.9
\$10,000 to \$25,000	5	90,300	11.1
\$25,000 to \$50,000	5	193,000	23.7
\$50,000 to \$100,000	6	523,000	64.3
	<u>18</u>	<u>\$ 813,300</u>	<u>100.00</u>

INDUSTRY GROUPING

Agricultural	-	-	-
General Construction	-	-	-
Municipal Services	-	-	-
Resource Harvesting	1	100,000	12.3
Retail	3	115,000	14.1
Service	5	123,400	15.2
Tourism & Food Service	4	201,500	24.8
Transport	1	2,000	.2
Trucking	2	71,400	8.8
Other	2	\$ 200,000	24.6
	<u>18</u>	<u>813,300</u>	<u>100.00</u>

SMALL BUSINESS LOANS AND GUARANTEES FUND
INDUSTRY GROUPING AS AT MARCH 31, 1980

<u>INDUSTRY GROUPING</u>	<u>NO. LOANS</u>	<u>VALUE</u>	<u>% OF PORTFOLIO</u>
Consumer	1	\$ 12,500	.4
General Construction	4	146,000	4.9
Municipal Services	3	86,342	3.0
Other	13	532,913	18.0
Resource Harvesting	7	138,618	4.7
Retail	11	285,602	9.6
Service	25	491,048	16.5
Tourism & Food Service	13	335,835	11.3
Transport	18	756,915	25.5
Trucking	5	180,836	6.1
	100	\$2,966,609	100.0

SMALL BUSINESS LOANS AND GUARANTEES FUND
REGIONAL DISTRIBUTION OF LOANS
as at March 31, 1980

<u>REGIONAL</u>	<u>NO. LOANS</u>	<u>VALUE</u>	<u>% OF PORTFOLIO</u>
Baffin Region	3	\$ 70,103	2.3
Fort Smith Region	75	2,154,988	72.6
Cambridge Bay Region	3	99,626	3.4
Inuvik Region	17	482,192	16.3
Keewatin Region	2	159,700	5.4
	100	\$ 2,966,609	100.00

SIZE

Up to \$10,000	18	\$ 92,036	3.1
\$10,000 to \$25,000	35	595,814	20.1
\$25,000 to \$50,000	32	1,154,039	38.9
\$50,000 to \$100,000	15	1,124,720	37.9
	100	\$ 2,966,609	100.00

SMALL BUSINESS LOANS AND GUARANTEES FUND

LOAN FUND STATISTICAL REVIEW

FROM INCEPTION OF PROGRAM

	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80
Applications Received	18	33	51	43	79	40	41	42	48	33
Loans Approved	7	14	24	16	37	15	17	19	18	18
Value of Loans Issued	\$115,500	\$306,058	\$595,380	\$ 291,400	\$ 784,600	\$ 333,500	\$ 627,345	\$ 770,399	\$ 683,709	\$ 942,029
Value of Guarantees Issued									\$ 100,000	\$ 161,400
Principal Repaid	\$ 2,095	\$ 19,202	\$ 53,218	\$ 93,846	\$ 233,747	\$ 287,255	\$ 222,254	\$ 569,799	\$ 341,229	\$ 560,589
No. Loans Repaid	-	-	1	2	8	6	6	15	9	15
Foreclosures or Write Offs	-	-	-	-	-	3	6	8	10	6
Principal Outstanding	\$113,405	\$400,261	\$942,423	\$1,139,977	\$1,690,830	\$1,737,074	\$2,142,165	\$2,342,765	\$2,685,245	\$2,966,609
Interest Received	\$ 415	\$ 17,862	\$ 34,042	\$ 72,607	\$ 92,538	\$ 135,279	\$ 180,876	\$ 224,286	\$ 237,671	\$ 295,573

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1979- 80

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የግብርና ስም	2	\$ 81,400	10.0
የግብርና ስም	10	376,900	46.3
የግብርና ስም	-	-	-
የግብርና ስም	2	88,000	10.8
የግብርና ስም	-	-	-
የግብርና ስም	4	267,000	32.9
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	18	\$ 813,300	100.00

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ገቢ ለገቢ ለገቢ	\$ 492,432.00
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	3,459,041.00

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