

differences between Motion No. 2 and Motion No. 3. For the minister to suggest that Motion No. 3 is not so far removed in its effect from Motion No. 2 is misleading.

Motion No. 3 makes it clear that the corporation shall not make loans etc. to directors or to members of the regional advisory councils. It is a direct prohibition. On the other hand the minister, presumably ever anxious to cater to the directors he intends to appoint, says in his motion that loans can be made to directors but they have to be made at board level, and that particulars of the loans are to be recorded in the annual report. We say that if such loans are to be made then the particulars should certainly be recorded and made known. But our position is this: why should the funds of the bank be used to support the business activities of directors or of those associated with directors?

If the House accepts the proposal put forward by the minister it means that any one of the directors, any one of the regional councillors, could borrow a million dollars from the bank at any rate agreed upon, and the only penalty would be that their names would be recorded in the annual report after the event.

I suggest that the minister attempted to confuse the issue. He pointed out that we do allow for a firm or corporation in which the beneficial interest of any person or persons, that is, a director or a member of a regional advisory council, is less than 50 per cent, to borrow in certain circumstances. We incorporated that provision deliberately because we did not wish to be unreasonable, and in an attempt to get government support for the motion. If the minister feels the 50 per cent figure is too high, let him say so. Nothing turns on it. If he thinks it should be 10 per cent, we would agree.

We are saying that only in certain cases would the type of approach favoured by the minister be permitted, that is, a loan to a corporation in which only 50 per cent or less is involved. Such a firm may wish to deal with the Industrial Development Bank, and in so doing we are stating it will have to declare its interest, refrain from voting at the board level, record the fact that a loan has been made, and that only in that situation should any loan be permitted.

The Industrial Development Bank has loaned out \$247 million so far this year. It has almost \$1 billion worth of loans on its books. If we pass this legislation the bank anticipates that it is going to increase this amount to a total of \$2.2 billion. For the first time this corporation will be run by a board of directors, the majority of whom come

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from the private sector. Surely it would be the height of irresponsibility for this House to pass a bill which not only does not prohibit those directors from borrowing from this bank, but which sets up a framework within which, by going through the prescribed system, they can literally borrow from the bank to no limit, and in this way divert funds to their own personal benefit and away from the benefit of small business in this country.

Again I point out there is no definition given of "small business". We know that a certain portion of the loans granted by the Industrial Development Bank are over the \$200,000 level. It could well be that the Industry, Trade and Commerce influence in running the new Federal Busi-

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ness Development Bank will ensure that loans made in future are much bigger and will total well over the \$250 million mark already set by the Industrial Development Bank this year.

This is why I believe it is wrong for the minister to try to gloss over the distinction. The distinction between motion No. 3 and motion No. 2 is very simple. If hon. members vote for motion No. 3 they are voting for a prohibition against the directors of this new bank being authorized, and indeed entitled, to borrow from the bank of which they have the honour to be directors. If hon. members vote for government motion No. 2, what they are saying, in effect, is: "Go ahead, boys; if you are lucky enough to get a Liberal appointment to this board, then you can line up to get your loan. Naturally you will disclose your interest, and we would not like you to vote at board meetings, but in any event you will sure get your loan and, of course, you will have to show it in the annual report afterwards".

Surely it was not the intention, when the Industrial Development Bank concept was originally conceived, that directors would use it perhaps as their own private source of funding. I think it is time parliament showed the government that it in no way intends to accept such a misuse of public funds.

I hope that others will join in this debate, not only at this stage but at third reading, because I believe there is an important question of principle here. We must start drawing the line between conflicts of interest that can be tolerated and the point where parliament says it is not going to tolerate any further conflict of interest of the kind this government is indulging in. It is high time we showed the people of Canada that we believe we are acting responsibly, that we are not going to set up a bank with ten directors and perhaps 50 regional councillors who will have direct access to public funds in the bank for their personal benefit.

I repeat, the simple issue is this: if hon. members vote for motion No. 3 they are saying, "In no way will we tolerate this type of misuse of public funds". If they vote for the government motion No. 2 they are saying, "Go to it, boys; let us have more conflicts of interest. All you have to do is make sure you do it in the right way".

Mr. Jack Cullen (Parliamentary Secretary to Minister of Finance): Mr. Speaker, I want to comment only briefly on this bill. Having listened to the comments of the hon. member for York-Simcoe (Mr. Stevens), one begins to think that he is suffering from a Watergate mentality.

Yes, these men are respected in the community. They are gentlemen and ladies who will be picked to serve on the board of directors. One would think they could hardly wait to get their hands on all this money.

When this particular provision came before the committee, many of us on this side were apprehensive and thought there should be a tightening up. The minister was good enough to listen to the representations that were made and he gave us an undertaking that he would bring forth an amendment, which we should look at and see whether it met the kind of requirement that we had in mind, so there might be some form of restriction or control