

Farm Improvement Loans Act

government bonds with similar terms because it is a fact the banks could lend this money to the government by just buying bonds. There are some additional expenses connected with servicing these loans and these expenses are not incurred by simply buying government bonds. This is the justification for the slight additional charge over the rate formerly charged.

So far as what the amount will be is concerned, I hope hon. gentlemen realize that by including small land purchases and presumably, therefore, longer periods for loans than were available under the old Farm Improvement Loans Act, there will be additional costs connected with loans of this type. We do not have any experience, however, with this type of loan and neither do the banks. I do say that the interest rate would be tried to a formula which would take into account a rate that is comparable with, that for the same term of government of Canada bond. I am sure hon. gentlemen will realize that we feel the banks will participate in this program to the same level that they did before. I hope my friend will agree with me that the banks gave wholehearted support to the Farm Improvement Loans Act over a long period of time. We want to make sure that they continue to do so. I have not been hedging at all, and as soon as I have positive, accurate information to give hon. gentlemen I will give it to them.

Mr. Muir (Lisgar): What the minister is telling us is that he is prepared to see multiple interest rates under the legislation?

Mr. Olson: No, Mr. Chairman, I did not say that. I want to suggest that there may be a different rate for machinery, say, on a three year term. I am just throwing out these hypothetical cases. There may be a different rate for a land purchase on a 15 year term. Here again, we have to come back to the same argument I have used over and over again, namely, that it is the banks' money. We want to make sure they support this program and therefore we have to make some arrangements for setting a maximum rate under which we will guarantee loans at a point which the banks will support. It may be that there will be a slightly different rate for three year term loans to buy equipment which would depreciate rapidly compared with loans for the purchase of land. However, I am satisfied these rates will be tried to a comparable term that is current for government of Canada bonds.

[Mr. Olson.]

Mr. Muir (Lisgar): Are we to understand, then, that there has been no discussion with the chartered banks or other interested lenders with regard to any formula that might be presented to them by the government and which they would consider satisfactory?

Mr. Olson: I would not say there has been no discussion. I do not think it would be useful at this stage to have a discussion or to say that the banks have agreed to this or have not agreed to that. Surely hon. gentlemen opposite must realize that it is necessary for the Department of Finance to have a bill passed by this house setting out the terms and conditions of loans before a final decision can be made as to what the maximum rate of interest will be under the guarantee.

I believe it was the hon. member for Assiniboia who asked me yesterday how long it would be after the legislation is passed before it would be operative. I cannot give a positive answer to the committee, but I would hope it would be within a few days after royal assent. We have reason to believe that is so.

Mr. Bigg: Has any consideration been given to the question of different interest rates for operations of different sizes? I refer to the difference between a family farm and a corporation farm. Has this question been discussed?

Mr. Olson: Certainly it has been discussed. I am sure my friend will agree with me that the main purpose of this measure, and other measures, is to assist farmers in obtaining economic units. Then, of course, we get into the complex question of what is, in fact, an economic unit. I followed my hon. friend's remarks very carefully and I agree with some of the points he made. I am sure he will agree that the best service we can perform for farmers is to give assistance in the obtaining of equipment and land in order that they can develop economic units to pay their expenses and provide themselves with a decent living from their farming operations.

• (4:10 p.m.)

Mr. Thomson (Battleford-Kindersley): Mr. Chairman, did the minister consult any credit unions or loan companies in respect of this measure? He said he made some preliminary investigations with bankers but we are not dealing only with banks in this regard. Did he consult them to see what interest rates they might find attractive?