

*Private Bills*

charged by small loans companies, the enormous profits they were making, and the quadrupling and quintupling of the assets of these companies in the space of six or seven years, as revealed by the financial statements they were obliged to produce for the benefit of that committee.

We were also impressed by the fact that these exorbitant rates were in no way justified by the loss records of those companies which at that time—and I do not imagine they have changed since then—were less than one quarter of 1 per cent. The usual argument in favour of exorbitant rates is that a very risky loan is involved, yet we had evidence before us which clearly indicated, as the former superintendent of insurance pointed out, that the vast bulk of the Canadian people are almost pathologically honest and are determined to pay their debts at any cost.

We have before us a bill which is introduced largely by two extremely enterprising young men in Vancouver, one of whom I was very well acquainted with a few years ago and for whom I have a very high regard; but I was interested in the evidence given by Mr. Saunders on Wednesday, May 27, this year, before the banking and commerce committee of the other place, in which he had this to say:

When Senator Cameron introduced our bill for second reading in the Senate, he mentioned that the bank was intended to be a subsidiary of Laurentide Financial Corporation Ltd. It has been our intention that the new bank should be in some fashion allied with the latter company, for the operations of the two institutions can be in many ways complementary one to the other as has been evidenced by similar alliances established by some of the existing chartered banks. Initially, it appeared appropriate that this alliance should take the form of a parten-subsidiary relationship, with subsequent public participation in the bank being invited when its circumstances had somewhat matured. However, it is apparent that if the bank should be a subsidiary of Laurentide Financial Corporation, the restrictions upon non-resident participation in its share capital—as set forth in section 5 of the bill before you—would have little meaning; transfer of control of the parent company to a non-resident would effectively place the bank under foreign control. I shall refer further to the question of control of Laurentide Financial Corporation later.

We have here a clear and frank statement by Mr. Paul Saunders that it was the intention of the promoters of the Laurentide bank that it should be a very close affiliate of a loan company; that in the minds of the promoters the operations of the two institutions would be complementary. I can well believe they would be so. I can well believe this would be as complementary as, in fact almost identical

[Mr. Cameron (Nanaimo-Cowichan-The Islands).]

with a corporation which sets up a wholesale house and has a retail outlet too.

I suspect, Mr. Speaker, this is what would be the real definition of the Laurentide bank, that it is to be the wholesale house which will use the credit creating facilities of a chartered bank to funnel funds into a small loan company which will, in turn, lend them to the general public at vastly larger interest rates than the Laurentide bank itself would be legally entitled to charge. You may say, sir, that this is legitimate business, that this is the way to do it, and maybe it is. Maybe some of us do not quite like it. I do not question its legality, or anything of that sort, but it does raise another question.

The hon. member for Vancouver-Burrard (Mr. Basford) and Mr. Saunders before the Senate committee, and others who have spoken on these applications for bank charters, have stressed quite rightly the need for the establishment of a new bank in western Canada, particularly I think in B.C., and when I say that I am not speaking in any narrow, provincial, nationalistic frame of mind. But as the hon. member for Vancouver-Burrard has pointed out, there is a vast booming expansion taking place in our province at present, and there can be no question whatever that it is to some extent being inhibited by the fact that there is no chartered bank in Canada located in B.C. as its head of operations, and I would make this distinction between merely having its head office located in Vancouver and having the main centre of its operations centered in the province of B.C., in the first instance at least.

The analogy that has been drawn between the situation in California some years ago and the present situation in B.C. is a valid one. Many economists have pointed out that there is a very striking coincidence between the formation and development of the Bank of America, which was the first large bank in the United States to move on to the west coast, and the huge expansion which took place in California and which has now brought that state to the first position in the union to the south of us. Here in Canada we are now reaching the point where we need the same type of development in B.C., and I suggest that development cannot be achieved by the establishment of a bank which is going to deal, not apparently with industrial expansion but with a small loans business. It is going to provide the raw materials for a small loans company.

I am not suggesting for a moment that such a bank should not be established, but I am