

Farm Improvement Loans Act

reason or other, the minister has stated, that the method to be used by the government in setting interest rates will be determined by the amount that is required. While I appreciate that this formula, or something like it, might be functional in the case of the Farm Credit Corporation, I cannot see its purpose here.

If the government is going to be wasteful and chooses in its stupidity to proceed with projects which are not in the interests of the country, then I think it should pay the penalty. For example, let me refer to the building of the arts centre in Ottawa. The contract was originally let for something under \$15 million. Now we understand that the final cost will be of the order of \$45 million. In this particular case the final cost has tripled.

If our farmers have to start paying high interest rates because of the stupidity of this government, then the government has the responsibility for setting an interest rate that is directly proportional to its own stupidity. There is no reason why an industry such as the farming industry should have to pay an interest rate that has been inflated as a result of the stupidity of the government. The government have chosen to embark upon such schemes as medicare, but just because they have to raise a bond issue to capitalize the expenditure I see no reason why the farming industry should be penalized. This is exactly what is going to happen, Mr. Chairman.

If the government spent its money wisely and cut back its expenditure, it would not have to raise so much money. As a result the rate of interest would not be so high. This seems to me to be logical. The government has been buying up spittoons or wastepaper baskets at something like \$35 a piece. This sort of expenditure is not conducive to lower interest rates. At the whim of a minister, the farming economy is being made to suffer because of wasteful expenditure by various government departments.

I am going to be brief and sit down in a few minutes, Mr. Chairman, but we cannot vote for this measure. The minister has been talking about an interest rate of 10 per cent. I have had loans from the bank at less than 10 per cent, and I am not necessarily the best risk. The minister is trying to tell the country that the rate will have to be 9 or 10 per cent, and that if he is able to bring the rate down to 8 per cent then everything will be hunky-dory. It will not be hunky-dory with me and it will not be hunky-dory with the rest of the country.

[Mr. Korchinski.]

There is another way out, Mr. Chairman. The money lent over the years to our farmers has been repaid. I do not know how many times this has been said, but only one tenth of one per cent is the risk involved. These loans are repeat business. It is business that will increase. The farm machinery companies are increasing the price of their machinery, and that is a business that repeats itself over and over again. The government's guarantee about which so much is said must mean something.

● (9:50 p.m.)

Farmers are entitled to premium rates because little risk is involved in their loans. I do not know whether the minister knows the risk rate with respect to loans made to small businesses; I submit it must be higher than the risk rate involved in farm loans. Farm loans carry a nominal, almost non-existent risk rate of one tenth of one per cent. That is, very, very few loans are not paid back. Surely, considering the infinitesimal risk involved in \$200 million worth of business, much of it repeat business, which the banks will enjoy, consideration ought to be given to making loans available at low interest rates. Accordingly I wish to move the following amendment. I move:

That in clause 2, paragraph (f), all the words after the word "prescribed" in line 42 be deleted and that the clause be amended by adding the following words:

"and such rates being not higher than those available to schools, hospitals, municipalities and other such institutions, and such charge for insurance as may be authorized by the regulations, was, by the terms of the loan, payable to the bank in respect of the loan as long as the borrower is not in default;"

Mr. Olson: I see no useful purpose in this amendment. The rate will not be higher than that available to schools, hospitals or municipalities.

Mr. Woolliams: But we do not know that.

Mr. Olson: My hon. friend knows that there are many different rates for schools in different parts of the country. It could well be, if the rate were tied to that available for schools and so on, that the farm rate would be higher than my hon. friend intended it to be. The amendment therefore is of no value and is superfluous.

Mr. Korchinski: If the rate is to be no higher than that charged with respect to schools, hospitals, municipalities and the like, there is no harm, surely, in adopting this