

Fisheries Improvement Loans Act

The maximum rate of interest under the present legislation, from 1955 to the present time, has been 5 per cent per annum simple interest. This will be revised by Bill C-151 along lines similar to the provisions contained in the legislation last fall dealing with the Farm Improvement Loans Act and will be related to the current long term borrowing rate of the nation plus one per cent.

• (8:10 p.m.)

Limits are set on the amount of the cost of equipment or projects which can be financed with a fisheries improvement loan. These limits depend upon the purpose for which the loan is obtained. For most purposes the loan may be made for an amount of up to 75 per cent of the cost of the equipment or project. However, for the purchase of a vehicle a loan may be made for an amount of only up to 66⅔ per cent, or two thirds of the purchase price.

The type of security taken depends upon the purpose for which the loan is obtained. Normally, it takes the form of a mortgage on the article purchased, a lien on the equipment and stock of the borrower, or an assignment of monies owing to the borrower or any combination of types of securities. The borrower must also sign a promissory note.

The maximum period over which a loan may be repaid depends on the purpose for which the loan is obtained. For example, it is three years for vehicles, five years for fishing equipment, fishing boats and major repairs or overhauls, and ten years for all other purposes. Repayment periods vary, depending upon the size of the loan. For example loans of \$500 must be repaid in two years; loans of \$2,500 must be repaid in four and a half years; and loans of \$10,000 in ten years. Repayments must be made at least annually, and in some cases they may be required more frequently.

The Fisheries Improvement Loans Act was designed as an incentive to lending institutions to make credit available to fishermen. I think it is important to keep in mind that the objective of this legislation is to facilitate the making of guaranteed loans to fishermen. The ultimate decision on whether these loans are made or not made rests with the lending institution.

Fisheries improvement loans are guaranteed by the government as to their repayment in the event of default, but the lenders are the source of financing. The lenders of these funds must take into account the prevailing general level of interest rates and the cost to them of their sources of funds.

[Mr. Davis.]

An amendment to the act which makes the rate prescribable by regulation enables the government to establish maximum rates that would be below the rates that fishermen would have to pay in the absence of the guarantee; but this would be high enough to enable the lending institutions to continue to lend their wholehearted support to the program. It would also provide the flexibility necessary to see that the program continues on a fair and equitable basis both to the borrower and lender by ensuring that the rates reflect changes over a period of time in the general level of interest rates. Under these circumstances, it should be possible for a new group of lenders to become active under this program. In other words, new sources of credit are made available to fishermen, particularly to fishermen who have already demonstrated their capability or whose prospects are attractive to the lending institutions of Canada.

This legislation authorizes the Minister of Finance to guarantee loans made by chartered banks and certain designated credit unions for the purposes set out in the act. The first guarantee period was for a three-year period and it has subsequently been renewed for additional periods, the most recent of which extends to June, 1970.

The Fisheries Improvement Loans Act was intended as a companion piece to the very successful Farm Improvement Loans Act and the terms of the legislation were patterned very closely after the latter legislation. Lending under the Fisheries Improvement Loans Act has never approached the levels achieved under the Farm Improvement Loans Act but it has, nevertheless, been a significant source of credit particularly on Canada's west coast.

I might mention that the total number of loans to date since the Fisheries Improvement Loans Act was introduced in 1955 amounts to 2,586, involving an amount of \$6,168,800. This \$6 million, while large in some contexts, is insignificant compared with the more than \$2 billion lent to farmers since the Farm Improvement Loans Act was first instituted in 1945.

In 1955 when the Fisheries Improvement Loans Act was implemented, the maximum rate of interest which could be charged by lenders was established at 5 per cent. At that time, this rate was sufficient to enable lenders to cover their costs of operations given the general structure of interest rates prevailing at that time. The general increase in interest rates in the recent past has, however, made the 5 per cent maximum rate increasingly unrealistic and lenders increasingly reluctant