Farm Improvement Loans Act

I indicated that I did not want to take up very much time because I think it is critical that we get this piece of legislation through, but I hope that this House will give it speedy passage so that we can get on to more pressing legislation such as Bill C-15, to amend the Livestock Feed Assistance Act.

Hon. Alvin Hamilton (Qu'Appelle-Moose Mountain): Mr. Speaker, I think the House is aware of the fact that this legislation is housekeeping legislation to improve the Farm Improvement Loans Act which has served the farmers of all parts of Canada extremely well for over 30 years at very minimum cost to the taxpayers. I would think that the cost last year would be equivalent to the wages and expenses of four or five civil servants, and that is all. This act is one of the family of acts under which we have asked private enterprise engaged in the financial business of lending money to do the job for us, in this case banks and credit unions.

I think there is no member in any part of the House who would want to hold up this bill in any way, but I do think we have to accept the fact that there is a bad point in the bill. This is through no fault of the minister but through the fault of a theory of government on interest rates which hurts all sections of the ecomony and not just farmers. The same thing was true with the bill we put through a week or so ago on small business. On that bill we used private enterprise to handle the business of lending money to businessmen, as we do with this act to farmers. We ask the banks and credit unions to lend money to farmers, and the Government of Canada gives a guarantee against a portion of the losses to the banks.

The reason it does not cost the government very much in having to pay these guarantees is that one would find it almost impossible to find a bank or credit union which ever lent a farmer any money and did not get it all back. It is as simple as that. There is really no risk taken at all by the banks or credit unions. One has to have more assets and more goodwill by five or six times the amount of money borrowed, so let us not feel that this is a hand-out on the part of the gov..nment or the banks at all. The banks are the best protectors of the public interest, if we look on the public interest as the money supply of the Minister of Finance (Mr. MacEachen), that there could be.

I know the minister agrees with me, but I also think that the minister is well aware of the fact that one of the key things in this new legislation is that for the first time the Minister of Agriculture (Mr. Whelan) is allowed to make the regulations. These regulations will go to the governor in council through the Minister of Agriculture. Oh, they have a little stinger in the tail. He has to have the name of the Minister of Finance on the regulations, so in effect what I am asking all members of the House to do is to back up the Minister of Agriculture in taking strong stands on behalf of all parliamentarians, if necessary, against the Minister of Finance, who still hangs on to that residual power of putting his hand on any good thing if he thinks it is going to harm the treasury in any way at all. In this case he does not have too much argument. The Minister of Finance is never faced with very much of a loss each year. It is measured in thousands when we are lending out hundreds of millions.

This act is a remarkable achievement, so I want to make my remarks today ones which I hope the Minister of Agriculture will take in the spirit in which they are meant—of trying to help him with arguments he will have to face with the Treasury Board and with the Minister of Finance.

Even before I go into that part of it, I would think one of the biggest troubles the minister is going to have is with the banks and the credit unions. When this act started some 30-odd years ago, the banks were very reluctant to lend under it. They preferred to lend to the big customers who borrowed large amounts of money and had enough assets that the banks never had to worry. They were reluctant to make these small loans of $5,000, $10,000 or $15,000 under this act. It took twice as much time with the small programs as it did with the big sums of money they were lending to big business accounts. Gradually they were forced into it.

● (1450)

To give their side of the argument, let me say that they did run schools for their bank managers and brought in some very knowledgeable people from the agricultural industry who helped to run these schools. Now many bank managers and credit union managers across Canada have a remarkable knowledge of the business of running a farm. Some of the banks have even set up special sections for agriculture. So I would say that the difficulties on this front are not as great as they were 20 years ago.

The second fact in relation to the banks, the credit unions and the caisses populaires is that the financial situation is different now from what it was a few years ago. Banks and credit unions are loaded to the gills with money. They are so frightened with all the money they have that they are ignoring the Bank of Canada and trying to force interest rates down to get rid of it.

So now there is an opportunity for farmers and small businessmen to come to the banks with a chance that they will not meet with hostility. The banks are desperate to get rid of this money because it is a liability to them. That is one thing working in our favour. This gives a chance to the Minister of Agriculture to use an argument against the financial gnomes that hang around capital cities trying to hold back any constructive activity that is different from what they did before. The financial argument is that, since the banks are willing to lend, they should be willing to go the full length in proper lending. If they are going to take time, as they are doing, to find out all about a farmer's assets, including equity, they also should take time to look at his income picture for the last number of years and project it forward into a hypothetical cash flow. I know that many bankers are doing that and I know it is done by the Farm Credit Corporation. This means that they can take a look at a loan of, say, $100,000 and project forward to the time when this loan will produce, say, an extra $20,000 a year in income. They know that this is a real plum to strive for.

So how can the farmer or small businessman get to the position of having this $20,000 as quickly as possible? The