

*Industrial Development Bank Act*

expanding plant, loans from the funds of the bank if the industry is already borrowing money from private banks?

**Mr. Abbott:** Oh, yes. It is normal practice for borrowers who borrow from the industrial development bank to have obtained their ordinary commercial current banking requirements from the commercial banks. The type of loan which the industrial development bank makes is the medium or long term loan, a loan say for five, ten or even fifteen years. The loans which the ordinary commercial enterprises get from the commercial banks are loans which in the ordinary course would be paid off within six months or a year.

**Mr. Macdonnell (Greenwood):** I suppose it is asking the minister to venture into the realm of prophecy to ask how much new money they will need; but I am coming back to the question I asked a moment ago. I take it that at a certain point, as to the raising of new money, if it is taken even from the Bank of Canada, indirectly in the end, it comes back from the taxpayer. While that raises other questions that I am not going into now, I should be interested to know whether the minister would see any objection in principle to the bank availing itself of the opportunity of getting a considerable amount of money by borrowing. I should be interested to know whether the minister sees any objection in principle to that procedure. In the case of the ordinary commercial bank I think there would be objection. I would not think it was a sound thing for a commercial bank to get money which it borrowed in that way. I would think it ought to have capital at risk. But with a bank of this nature it does not seem to me that point arises. My point is this. Does the minister see any objection in principle to the bank availing itself much more liberally than it has of the right to issue debentures, because I think there is about a million out.

**Mr. Abbott:** Personally I see no objection to the principle at all. I think it would be a question of business judgment. If the management of the bank believed they could borrow this money; if the Bank of Canada was willing to lend that money to its subsidiary at a certain rate—I will not mention the rate—and if it were going to cost them  $1\frac{1}{2}$  per cent or 2 per cent more to get it from the public, the management of the bank might well feel that they should borrow at a lower rate. But directly answering my hon. friend's question, I would see no objection in principle whatsoever. In fact it might even be desirable in certain circumstances.

**Mr. Macdonnell (Greenwood):** That raises this question. Is there any information available as to the rate the bank does charge? Is it a flat rate, or does it vary more or less with the rates of the commercial banks, or does it not?

**Mr. Abbott:** The interest rates would be related to going commercial rates. The rates, for obvious reasons, are slightly higher in the case of the smaller loans because of the expense of servicing them, and they are slightly lower in the case of the larger loans. I do not know that I have available, or whether it would be proper to indicate, the exact rates that are being charged.

**Mr. Low:** And the general type of security?

**Mr. Abbott:** And the general type of security.

**Mr. Laing:** As a British Columbian I want to congratulate the minister on introducing this amendment to the Industrial Development Bank Act. We in British Columbia think this is a most important amendment, having to do with commercial air services. We are particularly interested in this aspect for this reason. We have quite a number of commercial air firms in the province of British Columbia whose experience has been identical with that mentioned by the minister based on the report from the air transport board. They came into the picture after the war. Some of them were organized by young men who had returned from overseas. They bought up surplus planes. They have given an excellent and an expanding service in the province of British Columbia, and are doing so at the present time. They are vital to the many great undertakings along our coast both from the point of view of air freight and the transport of workmen to various points along the coast. They now find that their equipment is wearing out and they are in a difficult financial position because of the fact, as the minister has explained, that they find it difficult to obtain financial assistance from the ordinary sources.

This is a most important amendment that the minister has suggested. It will be of great benefit to us in the province of British Columbia. I see the hon. member for Comox-Alberni (Mr. Gibson) in his seat. I know he will agree with me, and I should like him to say a word, if he feels like it, because this is most important for us in British Columbia where these firms have done a magnificent job.

Section agreed to.

Preamble agreed to.

Title agreed to.

Bill reported.