

Industrial Development Bank Act

necessary to plague the borrower with excessively high interest rates. We know interest rates charged by this bank have been very high indeed.

Another point I should like to make is that the Industrial Development Bank has the practice and policy of tying up all the assets an individual has without regard to the value of those assets. I think the bank, in working out its security, should take only sufficient security to guarantee its investment. In many cases we find that the Industrial Development Bank has gone far beyond this point and has tied up the operations of the individual. As a matter of fact, legally an individual could not sell even a wheelbarrow without first getting permission from the Industrial Development Bank. I think this is wrong, and that the bank should assess a proper amount of equity for its own protection.

● (8:30 p.m.)

I must say that so far as the employees are concerned, I have learned from people who have dealt with the Industrial Development Bank that they co-operate within the terms of the act and within the policies set out for them to an extent that is far beyond the call of duty. It would be interesting to know what the relationship with the Industrial Development Bank will be, now that the regular chartered banks have broadened their field by entering into the conventional mortgage business. I would be interested in knowing whether or not there is still a real need for the Industrial Development Bank, as was the case previously.

It would also be interesting to know whether the government would consider expanding this concept of an Industrial Development Bank and setting up a municipal development bank. The municipalities are in a very bad situation financially, and it seems to me that the government could expand this concept by creating a municipal development bank, and thus increase their borrowings through such an organization at low money cost.

Not long ago when speaking about the cost of money in some of the organizations for which he was responsible, the Minister of Labour mentioned the figure of seven eighths of one per cent. I do not suggest that we could supply money to a municipal development bank at a cost of seven eighths of one per cent, but I do say that the municipalities need help and need it now. If an organization based on the same principle as the Industrial Development Bank were set up, I think they could lend money at a rate as low as 2 per cent, without any problem whatever.

[Mr. Leboe.]

That concludes my remarks, Mr. Chairman. I may or may not have more to say at the second reading stage of the bill once the legislation has been introduced.

[Translation]

Mr. Latulippe: Mr. Chairman, I am happy to say a few words about the Industrial Development Bank.

It has been of great service to our nation. We congratulate the government for taking part of its funds out of those of the Bank of Canada. We are happy to see the government using the Bank of Canada to finance industrial loans.

Mr. Chairman, in spite of the Industrial Development Bank, there are still several little businesses, several small industrialists who cannot take advantage of it.

First, the interest rates are somewhat too high and the repayment period is too short. Several small industries are obliged to pay back, over a period of ten years for instance, too high an amount of capital. The payments are too high and, at the same time, the small businessmen are obliged to pay taxes on the repaid capital. Therefore quite a few small businessmen cannot take advantage of this legislation.

In my opinion provision should be made for a longer reimbursement period and, if possible, the interest rate should be decreased because the interest rate charged by the Industrial Development Bank which in turn receives its funds through the Bank of Canada should be lower as the Bank of Canada is certainly in a position to obtain money under better conditions. On the other hand, the Bank of Canada has quite a substantial revenue which I believe, in fact, was \$19.8 million in 1966.

There are still many sectors of industry which are not financed, which are unable to obtain capital either from chartered banks or insurance companies; there are no funds available to these small concerns. Some of them would get to be large concerns if funds were made available to them.

When one launches an industry, one has to start in a small way unless one has hundreds of millions of dollars available, and those who have that kind of money seldom establish industries.

When one starts a business, Mr. Chairman, it is to make a little money and to expand a little each year; however, those who start a business usually have no capital. In fact, they have to secure outside capital, and this is