

*Guarantee of Loans to Small Businesses*

would perhaps have a deleterious effect upon the amount of lending that would be made to business.

The other point that concerns me and gives me some worry is that the minister has just told us that interest rates went up very substantially, to a peak in the autumn of 1959; then he boasts that since 1959 there has been a decline generally in the prevalent rates of interest in this country. But the fact to which I think hon. members should give attention is that when rates of interest go up the banks tend to increase what the minister has referred to as their prime lending rate; indeed, they did establish a prime lending rate of only one quarter of one per cent below the maximum provided under the Bank Act, which is 6 per cent. When rates went up as they did in 1959 the banks protected themselves by a prime rate of interest of 5½ per cent.

But what concerns those of us who are alarmed at the absence of a fixed maximum rate of interest in this legislation—as is provided for farmers in the Farm Improvement Loans Act—is the fact that although the minister points out that since the autumn of 1959 interest rates generally have declined, the prime rate of interest he has referred to in connection with bank lending has not declined proportionately.

I repeat that the record shows that notwithstanding a fixed rate of interest the banks, because of the element of guarantee by the government—and the record over the years of a very nominal loss under the Farm Improvement Loans Act—and notwithstanding high rates of interest one year and low rates of interest another, have been lending more in volume to the farmers.

**Some hon. Members:** Question.

**The Chairman:** Is the committee ready for the question?

**Mr. Peters:** Mr. Chairman, before the question is put, could I ask the minister one question. In relation to the one act that is similar to this bill, the fisheries act, has the position of loans to fishermen been detrimentally affected by the fact that there is in that act a set rate of 5 per cent simple interest? Has this been detrimental to the amount which has been loaned, while other forms of interest have risen in general in recent years?

**Mr. Fleming (Eglinton):** Mr. Chairman, I know that when interest rates have gone up the banks have complained that the interest rate fixed in the measure is not high enough to be comparable with competing rates available to them elsewhere. They indicated that they wished to lend in accordance with the

[Mr. Benidickson.]

desires of parliament expressed in legislation, but they urged that in the light of rates available in other fields, the rate was low.

It is having regard to that situation and the numerous other factors I have mentioned that in this case, dealing with commercial credit to businessmen—because here we are dealing with people who are in business and are accustomed to these transactions—it appeared to us that the measure would be much more effective with interest rates to be adjusted in the way I have indicated than if a fixed rate were stipulated in the statute.

Amendment (Mr. Howard) negatived: Yeas, 13; nays, 81.

**The Chairman:** I declare the amendment lost. Shall the clause carry?

Clause agreed to.

On clause 4—*Termination of operation of section 3.*

**The Chairman:** Shall clause 4 carry?

**Some hon. Members:** Carried.

**Mr. Carter:** Mr. Chairman, on clause 3, paragraph (f)—

**An hon. Member:** Clause 4 is carried.

**Mr. Carter:** I stood up, Mr. Chairman, when you asked if clause 3 should carry.

**The Chairman:** Clause 3 was carried; but of course if the committee is willing to revert to clause 3, that can be done. Is it agreeable that the committee revert to clause 3?

**Some hon. Members:** No.

**Mr. Benidickson:** Mr. Chairman, there is no question of reverting to clause 3. The hon. member was on his feet—I heard his voice behind my shoulder—while other hon. members were shouting “carried”. A majority has not got that kind of right in this parliament.

**Mr. Fleming (Eglinton):** Mr. Chairman, I suggest that if the hon. member for Burin-Burgeo has a point to raise on clause 3, we should hear it.

**Mr. Carter:** Thank you, Mr. Chairman. I just want to ask one question about the insurance provision in paragraph (f). Will the insurance cover the whole loan, or only 90 per cent of the loss for which the bank is responsible? In other words, will the government guaranteed 10 per cent be covered by insurance?

**Mr. Fleming (Eglinton):** Mr. Chairman, in an ordinary situation of this kind the banks would require insurance. The purpose of this clause is that there may be no interference with that very sound banking practice. It is not a question of the government putting