It was urgently important to improve the Government debt structure, to reduce the overhang of refinancing which would have to be done in addition to new money financing, and to put as much of the Government's debt as possible on a long-term basis.

The terms of the Conversion Loan were developed on the best advice, having regard for the objective, the erosion which had occurred in the market and the measures necessary to attract public investment in the long-term sector. The Conversion Loan was an overwhelming success. A total of more than $5,803 million, or more than 90 per cent of the outstanding victory bonds, was converted.

The interest rates set on the new Conversion Loan bonds reflected the market yields prevailing at the time, while taking into account the size of the operation. Exaggerated and distorted statements have been made as to the burden which these higher Conversion Loan interest rates will impose. Such statements erroneously assume that each victory loan issue could have been refunded on maturity at a 3 per cent interest rate. The evidence is all to the contrary, especially having regard to the fact that the overhang on the market would still have persisted. Rates at the time of such refundings would almost certainly have been higher than is now the case.

The coupon rate on all of the victory loans was 3 per cent. The average coupon rate on all of the bonds converted is now 3.83 per cent. Since 61 per cent of the conversions went into the 14-year and 25-year maturities, and since, having regard to call dates, all of the victory loans were of three years or less maturity, this is a very satisfactory average coupon rate. The interest payable on the $6,416 million of bonds before conversion was $192,480,000. It is now $240,705,000 -- an increase of $48,225,000 or about 25 per cent.

The Conversion Loan was a constructive and stabilizing factor in the market, particularly in the long-term sector. The benefits of this influence accrue to provincial and municipal borrowers who would otherwise have had to face a high rate structure inevitably resulting from the uncertainty and imminence of these huge maturities overhanging the market.

I have said that the Conversion operation was an overwhelming success. It has earned the outspoken admiration of the governments of other countries. This success was achieved with the full co-operation of the Bank of Canada. Before the conversion, only 17 per cent of the Government of Canada's debt other than Savings Bonds was in maturities of over 10 years; after the conversion, fully 43 per cent was in such maturities. Before the conversion, 39 per cent of the debt other than Savings Bonds was in market issues with maturities of less than two years; after