

Industrial Development Bank Act

the main purposes of the bill are to increase the authorized capital from \$50 million to \$75 million, and to increase the borrowing power of the bank from five times to ten times the aggregate paid-up capital and reserve fund.

At the resolution stage of the bill the Minister of Finance pointed out that the debt to capital ratio of incorporated federal trust and loan companies is 15 times the authorized capital and reserve fund. In this bill the bank's borrowing power has been increased to ten times the amount of its paid-up capital and reserve fund. It strikes me as odd that we should restrict the operation of this bank more than we restrict the operations of federal loan and trust companies.

In his introductory remarks the minister said that mainly the I.D.B. is to be a bank of last resort. I have the impression that the bank takes pride in this appellation. The I.D.B. charges between 8 and 9 per cent interest on prime loans. Since commercial banks, which before the Bank Act was amended were restricted to a ceiling of 6 per cent, can now charge a much greater rate, I suggest that the I.D.B. ought to compete with the commercial banks. One can anticipate that I.D.B. interest rates will increase substantially as time goes on. The banking business is competitive and as commercial bank rates increase I expect that the I.D.B. rate will go up to around 10 or 11 per cent on prime loans. Such an interest rate will add to the cost of living. Any borrower will add the money he is charged by the bank to the cost of his product and as a result living costs will increase. The I.D.B. ought to take that into account. It might be wise for it to adopt the principle followed by co-operatives of rebating a certain amount of money to borrowers who have good repayment records. If 10 per cent, 11 per cent or 12 per cent is charged on loans the cost of living will be bound to increase, and this we do not wish to see happening.

Perhaps the underlying aim of the bank ought to be to foster the development of secondary industries so that they can rationalize and specialize and compete in world markets. With the changes to be brought about as a result of the Kennedy round tariff adjustments, a special emphasis will be placed on our export trade. The bank has a vital function to play in encouraging our secondary industries and in helping them to rationalize, specialize and compete in the markets of the world. Such aims ought to be inherent in the philosophy of the bank. It should not adopt a hold-back attitude, nor

should it be, to use the minister's phrase, a bank of last resort. Rather it should be imaginative and resourceful and take the initiative in its lending field.

In the newspapers last week I noted a report that two commercial banks were competing with respect to interest rates on short-term notes. Those rates had risen to 7 per cent and the governor of the Bank of Canada stepped in and told the banks to stop what they were doing. I should like to see the I.D.B. take more initiative and give the commercial banks more competition. It should not adopt a second-rate position in the financial community.

Bearing all these matters in mind I do not hesitate to commend the I.D.B. for its past work. I hope that we can look forward to the bank playing an important role in the economy of the country in the future.

Hon. Hugh John Flemming (Victoria-Carleton): Mr. Speaker, because of the important changes contained in the bill and because of the remarks of the parliamentary secretary I feel compelled to make some comments about this matter. As has been said, the main change in the legislation is the substitution of the deputy minister of industry for the deputy minister of trade and commerce on the board of the bank. If the parliamentary secretary were to ask my advice I would say to him: Leave both those deputy ministers on the board.

● (4:20 p.m.)

Speaking as a person interested in the development of business, it seems to me we should accomplish two things—

Mr. Chrétien: May I point out to the hon. gentleman that they are both on the board, though there is only one on the executive board?

Mr. Flemming: Thank you. I am pleased to have that correction. I had in mind that there was a substitution. In any event I favour having both men as directors and it would appear now as though through a leak of some kind the government was aware of this.

I was about to offer the observation that two types of business are involved here, as my friend the hon. member for Edmonton-Strathcona (Mr. Nugent) has pointed out. First, the Department of Trade and Commerce would, generally speaking, be interested in the development of trade and industry