THE SENATE

Wednesday, December 21, 1966

The Senate met at 3 p.m., Hon. Maurice Bourget, P.C., Acting Speaker, in the Chair.

Prayers.

EXPORT CREDITS INSURANCE ACT

BILL TO AMEND—FIRST READING

The Hon. the Acting Speaker informed the Senate that a message had been received from the House of Commons with Bill C-253, to amend the Export Credits Insurance Act.

Bill read first time.

SECOND READING

The Hon. the Acting Speaker: Honourable senators, when shall this bill be read a second time?

Hon. T. D'Arcy Leonard, with leave of the Senate, moved the second reading of the bill.

He said: Honourable senators, I have just received a copy of Bill C-253, and therefore I assume that copies have been distributed and are on the desks of all senators.

Perhaps I may commence by refreshing our minds on the act itself. This legislation was originally enacted in, I think, 1944. At any rate, the first policy under the act was issued in 1945.

The principle of the act is to assist in the sale of Canadian goods to foreign countries, that is, to assist Canadian exporters. This type of assistance is general throughout the great trading countries of the world, and nearly every government is assisting in building up its export business.

Over the twenty-one years during which this Crown corporation has been in business, since it was set up by the original act, it has been extremely satisfactory and successful. It has had the support of all governments in those intervening years, and I think I can say it has had the support of all parties and also of Canadian businessmen.

The corporation has power to insure credit contracts where the Canadian exporter sells on credit terms, to insure the payment of that credit by the foreign buyers.

The act has been amended from time to time. Its powers have been extended and the limits to which it might enter into risks have also been increased. In addition to its power to insure, the corporation also has power to make loans on behalf of the federal Government, again in connection with the export of Canadian goods.

This bill makes some four amendments to the main act. As the principles applying to these amendments are contained in the sections themselves, it seems to me that the most simple way of explaining the principle of the bill is to deal with it directly, section by section.

Clause 1 of the bill makes an amendment to section 13 of the act, the section empowering the corporation to issue its insurance contracts with respect to sales by Canadian private organizations, such as the Canadian General Electric Company, to foreign buyers. The amendment now proposes to add the words shown at the top of page 2 of the bill, so that in connection with these policies, where a credit insurance policy has already been issued by the corporation, the corporation may issue unconditional guarantees to banks.

In the ordinary course of business, a Canadian exporter will have a bank loan or a line of credit in connection with the transaction affecting the goods which he is exporting. He insures those with the credit corporation but he is still under his liability to the bank. This proposed amendment in effect, enables the Export Credits Insurance Corporation to step into his shoes, so that he can be relieved of his liability to the bank, and the Export Credits Insurance Corporation gives a guarantee to the bank, the insurance corporation being already under liability itself through its insurance policy. Then the exporter is able to restore his line of credit to the original amount, or at any rate to have his liability to the bank thereby reduced.

The maximum amount of liability or risk of the credit corporation is not itself increased. That is taken care of by consequential amendments made by section 2 of the bill. Therein, section 14 of the act, incorporating the amendment now proposed, makes it clear that the total of the corporation's liability, which is ten times its capital and surplus now, with respect to insurance policies that it may issue, will include any of these guarantees. Therefore, the gross amount for which the corporation may be liable is not increased: it is the same maximum amount of risk, whether made up by insurance policies or by guarantees.

This amendment is very remedial and very helpful, and is one which the exporters of