

as a government chartered bank operating on the same terms as other chartered banks, would provide us, perhaps, with some unequivocal content of competition in our banking system. We might even be able to control some of the actions of the chartered banks that were revealed in a letter I was given today, dated December 2nd, 1966, in which a customer of one of the banks had a letter from the bank saying in part. "Your borrowing account has been individually assessed, as of all others on our books, and after taking all factors into consideration, we find it necessary to charge a service fee of 12½ cents per 100 dollars monthly commencing this month to compensate for the increased costs referred to above. This amounts to an increase in interest rate of 1.5 percent."

I would like you seriously to consider this way out of our impasse and seriously consider this proposition as a useful and valuable injection of a real competitive element within our banking system.

Mr. SHARP: Mr. Chairman, I will agree with at least one statement by Mr. Cameron and that is that I think we should all welcome a resolution of this issue in the interest of our relations with the United States and also more generally in relation to the functioning of our banking system as a whole. This issue undoubtedly has exacerbated relations between Canada and the United States. I do not think it has exacerbated those relationships as much as has sometimes been suggested, but it is not a desirable incident or one that has promoted good relations between our two countries. Therefore I am very strongly of the view that if we can resolve this issue in a constructive way, within the spirit of the legislation that has been put forward, this would be a most desirable outcome. I hope that the Committee as a whole will take the same view as you have on this matter.

The CHAIRMAN: In other words, are you referring to the government seizure or purchase of the—

Mr. SHARP: No; I am talking about the desirability of getting a constructive solution to this problem.

As far as the government entering the banking business is concerned, the government is indirectly in the banking business today through the Industrial Development Bank, in which it is making loans directly to industry through a subsidiary of the Bank of Canada—in this case, fortunately, far enough removed from political control that no one has ever suggested that the I.D.B. acted in anything except the interests of the shareholders, who are the government of Canada and the taxpayers of Canada. I think this has been an operation that has been conducted in an admirable way.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Mr. Minister, I think you will agree, however, that the I.D.B. is not a bank in the terms in which we usually regard a bank. It does not accept deposits from the public.

Mr. SHARP: No, but it carries on a business, if not—

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): It is a lending agency.

Mr. SHARP: Yes, and if not competitive with the banks it is at least complementary to the banks and it provides a place to which borrowers can go who do not have access either to bank credit or to the money market.

I, personally, do not believe that it would be in the public interest for the government of Canada to own a chartered bank and, if I did think that it would