

*Industrial Development Bank Act*

a reserve of 3 per cent, 4 per cent or 5 per cent for bad debts?

I also hope the minister will tell us before we go into the committee stage the reason for the change of accent from the trade and commerce department to the industry department. Is the deputy minister of trade and commerce, who has always had an interest in the bank, going to maintain his staff that kept in touch with the bank while the deputy minister of industry similarly gathers a new staff about him to keep in touch with the same body? Is there any possibility of removing responsibility from the deputy minister of trade and commerce in this sphere? Does this change mean that we are going to be more interested in domestic trade, in such things as tourism and so on, and that the bank is no longer going to assist people in the manufacturing field who are dependent to a great extent on exports?

I should also like to know whether the change being made in the board of directors means that the government feels that the lending of the bank should be restricted to domestic industry and that riskier enterprises that depend on export trade are going to be downgraded? Will the public get this impression? That is why I say the minister should tell us whether there will be any policy change in connection with the granting of loans by the bank.

Is the bank from now on going to concern itself more with matters of local interest or with depressed areas? How much accent is going to be put on country-wide development, on national problems? Will both the deputy minister of trade and commerce and the deputy minister of industry be on the board of directors of the bank so that the general policy decisions that are made by the bank will have, shall we say, more government direction than used to be the case with regard to our day to day financial problems?

• (4:10 p.m.)

At a time of high interest rates like the present we know it is more and more difficult for industry in this country to borrow money from the banks. Fewer and fewer of our industries can afford to borrow their operating capital. In view of the objective of the government of tripling the available lending power of the Industrial Development Bank, can we take it that the government is attempting to step into this gap to some extent? Will the Industrial Development Bank fill the gap for industries that two years ago would have been able to borrow

[Mr. Nugent.]

from the commercial banks but because of increased interest rates cannot now afford commercial bank rates? By increasing the lending power of the I.D.B. is it thought by some that we shall ease inflationary pressures in this country? If that is so, may we not expect this matter to come before parliament again next year if inflationary pressures have not eased?

Has the I.D.B. lent all its available capital? The minister has not told us whether the request for additional capital has been instigated by the bank. Has there been a greater demand for the bank's funds than the bank has been able to meet? Have loans been applied for which under normal conditions, had the bank sufficient money, would have been granted? Can the minister say whether a sustained demand for extra capital is responsible for the bank seeking to increase its lending power? Those are legitimate questions.

Does the government think that by appointing two deputy ministers to the board of directors it can influence the fields in which the bank will lend money? Or does the government wish to ease the restrictions on lending, to operate the bank on principles other than those followed by commercial banks and thus automatically create a greater demand for its money? Is there to be a change in the interest rate? We know what has happened to commercial bank interest rates; they have risen. We know what happened to the interest rate on mortgages which are guaranteed by the government; it has risen to a maximum of 8 per cent. Are we to anticipate an increased demand for I.D.B. loans if the interest rate is to be below the commercial rate? Does the government intend not to grant all loans? I ask that because it seems to me that demand for I.D.B. loans will greatly increase. Have all these factors been considered?

In discussing the clauses of the bill we shall be interested in hearing from the minister comments with respect to the deputy minister of industry and the deputy minister of trade and commerce, also details of the administrative changes, why they are necessary, and how the government is to avoid overlapping and duplication of costs. Before closing the debate the minister should tell the house what policy matters are involved in this bill.

**Mr. John Gilbert (Broadview):** Mr. Speaker, I shall be only a few minutes but I wish to make a couple of observations. I note that