leasing, including the leasing of automobiles and trucks. That continued, but certain changes were made to meet objections, though they were not substantial changes. Then, in June of this year, there was a really substantial change proposed. That change was to the effect that no bank might enter into a leasing agreement if the gross weight of the vehicle was less than 46,000 pounds or 21 metric tons. Some of the language here is significant, and it is exactly the language that was submitted to the Commons committee and to our committee by the Federation of Automotive Dealers and the Automotive Leasing Association.

When we started to analyze the change, however, we found many difficulties in it. For instance, there was the expression "capable of being licensed for use on a highway." A farm tractor is capable of being so used, and as a matter of fact we were told that in the province of Quebec and possibly elsewhere it is required to be licensed. Therefore, even though the farm tractor may be a special purpose piece of equipment, it was covered, and if it weighed less than 46,000 pounds the banks could not enter into any licensing deal.

Then evidence was produced to show that 95 per cent of new truck registrations for 1979 were of vehicles of 16,000 pounds gross vehicle weight or less. However, it was an effort. Really, as a witness from one of the leasing companies said to us, "The banks are difficult to control. Therefore you either give them what they want, or you give them nothing." This was a case of giving them nothing.

We did have sessions with the minister, however, and we pointed out, first of all, that the phrase "capable of being licensed for use on a highway" presented certain problems.

The other matter concerned, for instance, special purpose equipment. You have specialty manufacturers in Canada who manufacture the tops of fire engines, cement mixers, ambulances, and all that sort of thing. The only thing that a dealer enters into in relation to that is the chassis. The chassis has to be a custom-made job because of the special weights involved, and so on. You have Hydro, for example, with what are really workshops in the top part of its trucks, and Bell Telephone with its workshops in the top part of the trucks, and the municipalities with special equipment for some of their services. They were all caught up in this situation, where the approach to financing is one of regulating and controlling your cash flow. Leasing is part of that control, because it does not call for the laying-out of as much money all at once. Even Hydro, we were told, operates in that fashion.

To make a long story short, the minister, of his own accord, drafted an amendment which is now incorporated in the bill before us. It was tabled in the House of Commons on the consideration of the report of the Commons committee. It provides a special definition for motor vehicles which was not included in the motor vehicle description that originally formed part of the act. That provision originally put into the bill by the Commons committee at the request of the government remains in the bill, except that the words "capable of being licensed for use on the highway" have been removed and it now just says "in respect of," rather than "capable of". That problem, therefore, has now been dealt with.

The phrase "special purpose" has been defined, and motor vehicles which meet that definition are excluded from the terms of the prohibition.

It is also provided that where the manufacturer of the body of the vehicle, or the special purpose equipment, is a different manufacturer from that of the chassis, that does not bring the dealers back into the application of the prohibition. That sort of transaction is excluded from the general provision in the bill.

Your committee had a chance to look at that, and felt that it went so far towards meeting the objections and keeping the legislation, particularly, from prohibiting something for the dealers and the leasing firms other than banks who do not deal in that sort of equipment, that it struck us as being a rather ridiculous situation that you should cover something for the purpose of assuring the competitive situation of dealers, and prohibit the banks from dealing with it where the dealers do not operate in that area. We indicated that we are satisfied with that but we had an amendment that we could have proposed.

There is one further consideration left, and this is the foreign currency cash reserves of 3 per cent that are required on such deposits if they are owned by a resident of Canada, and are deposited in a Canadian bank. Originally, in the white paper, and in Bills C-57, C-15 and C-14, this particular clause referred to a 3 per cent cash reserve in foreign currency deposits used mostly in Canada. That meant the matter of residence was not a factor—it was just any person from anywhere in the world who might have these foreign currency deposits in Canada—and the bank would have to pay a 3 per cent non-interest cash reserve to the Bank of Canada in respect of those deposits.

● (2150)

When we had Mr. Bouey, the Governor of the Bank of Canada, and Mr. Kennett, the Inspector General of Banks, before us, they both agreed. As a matter of fact, Mr. Kennett said very openly that he was not fully informed as to the competitive disadvantage that was created by the provision of this reserve, because you have the near banks, like trust companies and the financial corporations of foreign banks, able to compete in that field of foreign currency deposits, and they could afford to pay more in the way of interest on those deposits than the Canadian banks could pay, and therefore they acknowledged there was a competitive disadvantage.

What they did was drop the words "used domestically," and they dropped the identification of the deposits with any person outside of Canada, and they simply referred to a 3 per cent cash reserve on foreign currency deposits owned by residents of Canada and in a bank in Canada. We tried to point out that there was the same competitive disadvantage, because the trust companies are engaging in that field of operation, and they do not have to provide the 3 per cent cash reserve. Remember, that cash reserve is non-interest bearing, and therefore the rate