

*Bank of Canada Act*

two, three, five and ten years—which at their expiration have to be replaced by new bonds, the rate of which may differ considerably from the old ones. It therefore follows that local authorities, when concluding such loans, do not know at the time the loan is concluded what the rate will be over its duration. As a rule, it has always been lower than the public market rates. This is due principally to the co-operative character of the company. As pointed out, there is no subscription of share capital required from the local authority when non-consolidated loans are concluded.

From 1948 to 1953 the long-term loans of the Crédit Communal ranged from 20 to 30 years. In 1953 the maximum duration was reduced to 20 years inasmuch as at that time the issue of long-term bonds was not readily acceptable in the money market. They also issue medium term loans. These loans range from five to ten years and exceptionally for 15 years. The procedure in obtaining the loan is the same as for non-consolidated long-term credit.

A third kind of loan is made by way of short-term credits for extraordinary expenses. Loans under this heading would cover the borrowing needs of local authorities for unforeseen expenses of an obligatory character. In most instances, the national government makes contributions toward such requirements of from 30 per cent to 60 per cent. However, as these grants are not always paid promptly the Crédit Communal discounts the promised amounts normally for a three year period and, in exceptional cases, for five years.

Another kind of short-term loan is for current ordinary expenses. In Belgium the state collects certain local taxes which are handed over to the Crédit Communal to guarantee the annual service costs of municipal loans. There is frequently a delay, however, in turning the amounts over to the Crédit Communal. As a consequence, municipal governments require interim credit pending the payment of such taxes. For this purpose, the estimated credit balance—which is not necessary to cover interest and repayment costs of the loans granted to the municipality—can be discounted to enable the communes to pay their current expenses.

Finally, in some instances, loans are made directly to other public bodies, but I will not go into those.

What are the financial assets of the Crédit Communal? As I have already said, long-term bonds formerly were issued for terms of from

30 to 60 years. With these proceeds long-term loans were granted. Included in such loan obligations was a 5 per cent capital subscription to the shares of the Crédit Communal. At the end of the second world war the issuance of long-term bonds was abolished, but the municipal share capital still remains an asset of the company. I have mentioned that before.

• (4:40 p.m.)

The Crédit Communal also operates savings departments. Deposits in savings accounts are callable on demand. Another source of the deposit assets of the Crédit Communal is that it acts as the banker for local authorities and other local public bodies. Funds of these bodies remain on deposit for varying times and, as indicated, a good portion of them is earmarked to cover the capital and interest cost repayments of any loan made to these bodies. Just imagine the amount of money that would be available for us here in terms of what is invested by municipalities in banks, Mr. Chairman.

In addition to state collected municipal taxes local authorities also collect direct taxes and other revenues. These local taxes and revenues are deposited with the Crédit Communal. In recent years the Crédit Communal has been afforded wide banking powers and can, in effect, provide full banking and loan facilities on behalf of local authorities, including savings deposits and the issuance of short-term, medium and long-term loans.

Just to give a more complete example of what the situation is, during the first three months of 1963—here, Mr. Chairman, if you do not mind, I shall revert to French—

[*Translation*]

In the first three months of 1966, the Belgian Crédit Communal loaned 7,151 million francs to its municipalities; if you divide that amount by five, you will have some idea of its value in Canadian money. Out of that amount—that is for the expenses concerning ordinary loans—there were also longer-term capital grants of 1,196 million francs, which would represent a total of 8,347 million francs. By dividing the whole amount by five, we would obviously get some idea of its meaning for a country much smaller than Canada.

Mr. Chairman, in concluding my remarks, perhaps too long already, I will say this: When dealing with financial questions and with matters as important as the Bank Act,