

in this bill. It was the opinion of the committee last year that unless the cost of operation was cut down to a minimum the bill would be useless after it came into effect. I think the reason why the one per cent maximum was imposed for the cost of operation was because of the tendency of government management to let the cost run unduly high, and it was felt by the committee that if that cost were limited to a one per cent margin, some effort would be made to keep within that margin. We have had comments made here and evidence adduced that in Manitoba the rural credit scheme has been running on a margin of one-half of one per cent, and that the American rural credit scheme has been running on something less than a one per cent margin. It does not seem unreasonable, then, to suppose that in the whole of Canada we should be able to run this scheme on a one per cent margin for administration. If not, it would appear to me that the cost of the money to the farmer would run up so high that the loan companies would not need to reduce their interest rate very much to meet the rate charged under our federal scheme, and by so doing our scheme would be killed at the start.

Mr. CLARK: Supposing the board charge one per cent for expenses, and that one per cent does not meet the expenses. Then there are losses, are there not? This act leaves it in the discretion of the board to increase the rate as much as they like in order to provide the necessary reserves for losses. It seems to me that it is leaving a pretty wide discretion to the board to fix a maximum of one per cent for administration, and then let them charge any rate they like to provide for the necessary reserve. I was under a misapprehension when I first saw the section; I had just glanced at it for a moment, and I thought the intention was to make the one per cent provide for the administration and for the necessary reserves for losses. Frankly, I was of the opinion that that was an impossibility, and I am still of that opinion. As it stands now, the one per cent is limited to administration; I think that is unwise, too; I thought it was unwise then, and I think it is unwise now, because if that amount is exceeded, the excess amount becomes loss, and the board has the discretion to increase the rate to any amount it sees fit to meet these losses or to provide the necessary reserve for losses. Furthermore, I think it is advisable that it should not be left in such an indefinite state. I am not clear whether the board has discretion to fix a rate in each individual case to provide the necessary re-

[Mr. Carmichael.]

serve for losses, or whether a uniform rate will be fixed applicable to all loans. I am left in a state of doubt on that point.

Mr. ROBB: I think good administration would provide for a uniform rate throughout.

Mr. CLARK: But how many boards are there?

Mr. ROBB: While I am on my feet I may say that the losses, as I understand it, will be losses in the investment, not losses on administration.

Mr. CLARK: I think it would cover all losses. I know the intention ordinarily would be to fix a rate for losses on the loans, but supposing you have a loss on the administration; how are you going to provide against that?

Mr. BOYS: Has the minister any idea of what the rate of interest is likely to be under this act?

Mr. ROBB: The act provides:

The interest rate on loans under this act shall be such a rate in excess of the interest rate yielded at the time of issue by the last series of farm loan bonds issued by the board as shall be sufficient, in the judgment of the board, to provide for the expenses of operation not exceeding one per cent of the amount of the loan and for the necessary reserves for losses, or if no such bonds have been issued, such a rate as in the judgment of the board will be yielded by the farm loan bonds when issued, increased by provision for expenses and reserves as aforesaid.

Mr. BOYS: I read that.

Mr. ROBB: My hon. friend knows that the price of money is like the price of wheat; it fluctuates. I cannot tell what the price of money will be next year.

Mr. BOYS: But I take it for granted that this has been considered, and there must be some idea of what the rate is going to be. I ask the question because of some knowledge I have of the system obtaining in Ontario in connection with our Agricultural Development Board. The benefit, if any, which may result from this act, so far as the province of Ontario is concerned, will depend entirely on the ultimate rate of interest which must be paid by the borrower under this act. I should think the minister would have a fairly accurate estimate of what the interest rate will be. The section says:

The interest rate . . . shall be such a rate in excess of the interest rate yielded at the time of issue by the last series of farm loan bonds—

I should think the minister would have a very good idea of what rate of interest he thinks those bonds would bring. To that we