Mr. Benidickson: It occurs to me that it would be only a very small bit better unless my original suggestion has some validity and that is that the new guarantee may take the original vendor completely off the hook. In other words, the government would assume 100 per cent liability in contrast to the previous insurance liability which was limited to a co-insurance in the relationship of 85 per cent government and 15 per cent to the original vendor.

Mr. Churchill: There is one matter that should be kept in mind. Although there is 100 per cent liability under the guarantee period that applies in instances where the purchaser has accepted the goods. Under the insurance arrangements a loss might be incurred or a transaction might break down before the goods have been accepted.

Mr. Benidickson: Has it some relationship to the down payment which I referred to in my remarks on second reading? Will they be subject to regulations? Will there be a protection in the matter of down payments just as I indicated was the situation in the United States where the maximum liability is really only 60 per cent in relation to the invoice price?

Mr. Churchill: The experience over the past has been that there has been a minimum of 20 to 25 per cent cash in hand before the goods are shipped.

Mr. McIlraith: The minister in his remarks has indicated the need for some assistance to exporters at this time because of the developing competition particularly in the fields of financing and credit for exports and everyone agrees with the need. The question now is that of getting the best possible bill to meet that need. Our criticism of the bill is directed to that purpose and does not apply to any question of the need for assistance to exporters.

When we were talking about the guarantees under the bill the minister indicated that the banks as a source of financing would be guaranteed payment. In his preparation of this bill has the minister had in mind any sources of financing other than the commercial banks?

Mr. Churchill: I was perhaps a little careless in my phraseology on that point. Throughout our discussions I intended to convey the thought that any lender is considered to be suitable as far as this proposed amendment is concerned.

Mr. McIlraith: The banks being allegedly short of funds for commercial loans now, they will become even shorter if they start buying long term government guaranteed discount paper. They are already in some difficulty because they hold so many government bonds of terms longer than those in which their funds are usually tied up. That is possibly one difficulty. However, I do not suppose there is too much point in stressing the difficulties we may foresee. However, I do not think the minister should assume that this provides an easy solution for all the problems in this field.

The minister came before the house last year with amending legislation to the Export Credits Insurance Act to increase the amount of liability under section 21 of the act from \$100 million to \$200 million. The effect of this new bill is to reduce the liability that can be available for insurance under that section. Could the minister enlighten us as to why, in the light of the remarks he made last year on the point, he now feels there is no need for the authority for insurance under that section for the increased amount of \$200 million?

Mr. Churchill: I do not quite follow the hon. gentleman in his question. We still commence with the insurance principle and then follow that up with a guarantee. This will not take anything away from the activities of the corporation under section 21 as they have been carried out in the past.

Mr. McIlraith: As I understand it the insurance will have ended at the time the guarantee takes over, is that not correct?

Mr. Churchill: Yes, that is quite true. The insurance ends when the guarantee commences, but, vice versa, in some of these instances there would be no insurance unless we were prepared to guarantee.

Mr. McIlraith: What I am coming to is this. Dealing only with section 21 of the act, the minister is now authorized to insure under that section to the extent of \$200 million of insurance contracts outstanding at any one time. The gross liability now being provided is only \$200 million for both the insurance contracts and the guaranteed negotiable instruments. In other words, to the extent that you have guaranteed negotiable instruments you have reduced the amount available for insurance purposes under this section. When the guarantee operation comes into effect the insurance contract has terminated. If you use up \$100 million for the guarantee on your negotiable instruments then you have only \$100 million available for the insurance provision under section 21. If the minister's argument a year ago was correct and if we needed to increase the amount to \$200 million, we are in effect now reducing the amount.

Mr. Churchill: I do not see the matter in quite that way.