

*Industrial Development Bank Act*

in the name of the Minister of Finance dealing with the Industrial Development Bank Act. The item to be called after that this evening would be No. 32 on the order paper, second reading of the bill having to do with the establishment of a department of corporate and consumer affairs. Perhaps we should put an item before the house before we rise until eight o'clock. I would ask you to call item No. 35, Mr. Speaker.

**INDUSTRIAL DEVELOPMENT  
BANK ACT**

AMENDMENTS INCREASING CAPITAL AND  
BORROWING AUTHORITY, ETC.

**Hon. G. J. McIlraith (for the Minister of Finance)** moved that the house go into committee to consider the following resolution:

That it is expedient to introduce a measure to amend the Industrial Development Bank Act to increase the authorized capital of the bank from \$50 million to \$75 million; to increase the authorized borrowing authority of the bank to an amount not exceeding ten times the aggregate amount of its paid-up capital and reserve fund; and to make certain other changes in connection with the administration of the act.

Motion agreed to and the house went into committee, Mr. Rinfret in the chair.

**The Deputy Chairman:** It being past six o'clock I do now leave the chair.

At six o'clock the committee took recess.

—  
**AFTER RECESS**

The committee resumed at 8 p.m.

**The Assistant Deputy Chairman:** Order. House again in committee of the whole on a certain proposed resolution to amend the Industrial Development Bank Act.

**Mr. Sharp:** Mr. Chairman, the purpose of the bill to be founded on this resolution is to enable the Industrial Development Bank to maintain and extend the volume of its lending. The committee will be interested to learn, and some hon. members may be surprised to learn, that the I.D.B. has made 2,200 loans in the past year, for a total amount of \$113 million. I give this information because it is later than the information to be found in the latest report of the Industrial Development Bank, which covers the fiscal year ending September 30, 1966.

The average amount per loan was \$50,000. The I.D.B. had \$389 million of loans outstanding or committed to customers as at September 30, 1967. The limitation on the lending

[Mr. McIlraith.]

power of the Industrial Development Bank specifies that its direct liabilities, including debentures, shall not exceed five times the aggregate amount of paid-up capital and the reserve fund. With authorized capital of \$50 million and a reserve fund currently of \$20 million, debentures are now limited—that is, limited by the present act—to \$350 million, resulting in a limitation of \$420 million on the amount of loans which can be authorized. I might add for the information of hon. members, some of whom may know this already, that all the debentures issued by the I.D.B. have been purchased by the Bank of Canada.

A continuation of lending at current rates would soon bring the I.D.B. to the limit of its borrowing capacity. If there were to be no increase in this limit the I.D.B. would then have to begin cutting back the rate of its lending to within the level of repayments to it, which are currently at the rate of \$61 million a year. To avoid such a development, and to permit the I.D.B. to continue to increase the volume of its lending, it is proposed that the maximum debt/capital ratio of five specified in the present act be raised to ten.

This appears to be a more suitable ratio for an institution of this character. For example, the maximum debt/capital ratio of federally incorporated trust companies and loan companies can be as high as 15. Since the last amendment to its act in 1961, when its capital was increased from \$25 million to \$50 million, the annual volume of the I.D.B.'s lending and its total loans outstanding have tripled.

In view of this substantial increase in the scale of its operations it is proposed that the act be amended to increase the capital of the bank from \$50 million to \$75 million. The increase would be subscribed by the Bank of Canada. The combined effect of the amendments that will be proposed is to raise the limitation on the banks' lending authority to a total of \$1,045 million.

It is also proposed that the deputy minister of industry be added to the board of directors of the I.D.B. This department, which has been created since the last amendment of the act, has a special interest in, and industrial knowledge to contribute to, the work of the bank. The deputy minister of trade and commerce will continue to be a member of the board of directors but will be replaced on the executive committee by the deputy minister of industry.

**Mr. Baldwin:** Mr. Chairman, we are anxious to facilitate the passage of this resolution,