

The provision of financial assistance was supported by witnesses appearing before the Committee for several reasons. Some argued that public support of certain projects is essential since private financiers cannot take the risks that are sometimes necessary to support economic development in the least developed regions. Others suggested that Canadian financiers possess 'blind spots' regarding opportunities in the least developed regions. In either event, witnesses claimed that government-provided financing is necessary to correct these flaws in the market system.

The major Canadian banks are the focus of regional wrath, especially in those parts of Canada where it has been believed that the banks have simply funnelled funds away into more secure projects in central Canada. While the Committee is satisfied that this banking bias is more apocryphal than true (see Table 10-2), risky ventures in all parts of Canada naturally experience significant difficulty in finding financing. Banks, like any prudent business, seek the best combination of risk and returns in their investments; to the extent that investments in the less developed regions are perceived by Canada's financiers as more risky, development has lagged.

**Table 10-2**  
**Regional Distribution of Economic and Banking Activity — 1979**  
**(Percent of Canadian Total)**

	Employment	Gross Domestic Product	Total Bank Loans	Total Bank Deposits	Total Bank Branches
	%	%	%	%	%
Atlantic	7.6	5.9	6.1	5.2	7.9
Quebec	25.1	23.1	19.2	17.8	21.8
Ontario	38.7	37.2	37.0	43.4	38.7
Manitoba	4.4	3.9	4.5	4.2	4.8
Saskatchewan	4.0	4.3	3.8	3.8	5.0
Alberta	9.4	13.5	14.7	11.2	9.6
British Columbia	10.9	11.6	14.3	13.2	12.3

Source: Submission of Dr. E.P. Neufeld, Royal Bank of Canada (1-32-6A:13).

The government has, for quite some time, assisted business development through the provision of financial aid. At times these have been band-aid rescues, such as the efforts made in connection with the Chrysler Corporation and Massey-Ferguson. However, in other policy programs the efforts have been more systematic. One in particular stands out — the Federal Business Development Bank (FBDB).

The FBDB was created in 1974, succeeding the Industrial Development Bank, to provide supplementary financial assistance to small and medium size businesses that are unable to obtain financing from other sources on reasonable terms and conditions. It is important to note that although the Bank does not offer subsidized loans, it tends to assume greater risks than other lenders and deals with newer and less mature enterprises than will private financial institutions. The Bank also provides extensive management assistance, includ-