

*Long Term Farm Loans*

Mr. CLARK: The greater the volume of business, the more reserves you will have to provide.

Mr. FANSHER (Last Mountain): Very true, and the less overhead.

Mr. CLARK: I was not speaking of the overhead. I suggest that one per cent is not sufficient for reserves for losses and depreciation.

Mr. CARMICHAEL: I would like to ask the minister if, according to the language of this clause, the one per cent is supposed to take care of operating expenses plus reserves for losses, or whether it is not a fact that reserves for losses are to be provided for outside of the one per cent and that the one per cent covers just the cost of operation.

Mr. ROBB: Reserves for losses are in addition to the one per cent.

Mr. CARMICHAEL: The hon. gentleman was arguing otherwise.

Mr. CLARK: Where is that provided?

Mr. CAMPBELL: The fundamental principle of a scheme of this kind is the elimination of competition, following, as the hon. member for Last Mountain has said, the principle of our wheat pool. In the district in which I live there are, I think, no fewer than ten different loan companies operating. At various periods of the year no fewer than seven men will come in there collecting money or soliciting loans or doing some particular business in connection with their different companies. It can easily be seen that if all the business in that particular district were turned into one company and competition eliminated, overhead expenses could be immediately reduced. That is the basic principle of the rural credit system. Unless we can achieve that, the system has failed of its purpose. It is based, as most hon. gentlemen know, on the German *Landschaften* system which was established by the German government some time after the Seven Years' war. It met the situation and to-day the farmers in Germany are receiving money cheaper than the manufacturers. Just compare that situation with ours in Canada. I presume that no Canadian manufacturer will pay more than 6 per cent interest. Most of them will secure money at less than that. But farmers, at any rate in Saskatchewan, are not securing money on loans at less than 8 per cent and the ordinary banks charge perhaps 9 or 10 per cent. The idea behind this system is that by having such a large amount of business done in one community and by the

[Mr. Fansher.]

elimination of competition and the duplication of travellers on the road and overhead charges, the cost of operation will be reduced. Unless that can be done, of course this scheme fails, and it is only in so far as that can be accomplished that the scheme will be a success.

Section agreed to.

Sections 3 and 4 agreed to.

On section 5—Capital requirements.

Mr. GARLAND (Bow River): The closing words of subclause (2) of this section read:

The said shares shall be non-transferable and shall be subscribed for in the following manner. And so on. Would it not be much wiser if after the word "non-transferable" we inserted the words "except at the option of the board"? It would be as well to give the board discretion in regard to that.

Mr. ROBB: I will accept that. I think it is an improvement. I move that subclause (2) of clause 5 in the twelfth line at the top of page 3, be amended by inserting after the word "non-transferable" the words "except at the option of the board."

Amendment agreed to.

Section as amended agreed to.

On section 6—Limit of outstanding farm loan bonds.

Mr. GARLAND (Bow River): I direct the attention of the Minister of Finance to subsection 4 of this section, and then ask him to turn back to section 4, subsection (d) which subsection gives them authority to invest the funds of the board in the debentures, bonds, stocks or other securities of, or guaranteed by, the government of Canada, or of, or guaranteed by the government of any province of Canada—in other words, fully protected bonds. But the power having been given to invest in that class of security we find that their use as security is to a large extent modified by subsection 4 of section 6, which restricts the board to securities for its bond issue other than the bonds which it has already invested in. It is a restriction on the board which is unnecessary, and it might be just as well to take into consideration a possible adjustment.

Mr. STEVENS: You have your initial payment to start with.

Mr. GARLAND (Bow River): Subsection 4 of section 6 reads:

(4) Each farm loan bond shall be signed by the commissioner, or by a member specially authorized thereunto by the board, and by the secretary or treasurer of the board. It shall have printed thereon a certificate by the com-