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I N D U S T R I A L   D E V E L O P M E N T   B A N K

*idb*

*Annual Report to the Minister of Finance*

A N D   S T A T E M E N T   O F   A C C O U N T S

Fiscal year **1947**

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INDUSTRIAL DEVELOPMENT BANK



*The Industrial Development Bank, subsidiary of the Bank of Canada established by Act of Parliament August 15th, 1944, commenced operations on November 1st, 1944. Its purpose is to extend financial assistance to sound industrial enterprises which are unable to obtain their requirements from other sources on reasonable terms and conditions. It is intended to supplement, rather than to compete with the activities of chartered banks and other lending organizations, and operates chiefly in the medium and long-term field.*



Ottawa, December 9, 1947

The Hon. D. C. Abbott, M.P.,  
Minister of Finance,  
Ottawa.

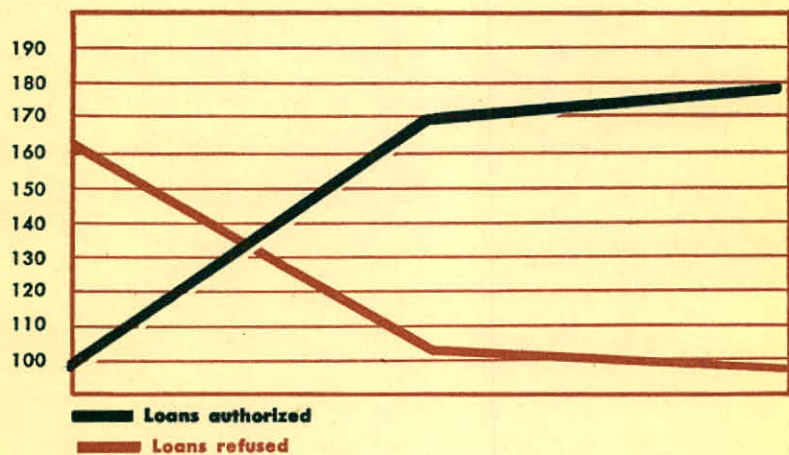
*Dear Sir,* In accordance with the provisions of the Industrial Development Bank Act, I am enclosing herewith in duplicate a statement of the Bank's accounts for the fiscal year ended September 30, 1947, signed by the President and Chief Accountant and verified by the auditors.

The statute provides that this statement should be accompanied by such summary or report by the President as he may deem desirable or as may be required by the Minister of Finance.

I think it would be of value in this third annual report not only to review the statistics pertaining to this past fiscal year's operations but to include, where relative, the statistics of previous operating periods since the Bank's inception. By so doing it will be possible to view the manner in which the work of the Bank has been developing. I am also including the classification of its loans, investments and guarantees which the statute provides shall be published at least once in each fiscal year.

*Capital* Towards the end of the 1947 fiscal year it became evident that the Bank's outstanding loans and investments

<b>TREND IN NUMBER OF LOANS AUTHORIZED AND REFUSED</b>						
<b>1945</b>			<b>1946</b>			<b>1947</b>
Authorized	8,025	(A)	8,869	(B)	10,462	(C)
Refused	1,089	(D)	1,089	(E)	1,089	(F)
Total	9,114	(G)	9,958	(H)	11,551	(I)



other than Dominion Government securities, would soon approach the figure of \$15,000,000, which was then the amount of its paid-up capital. Moreover, in connection with loans and investments already authorized, the Bank was committed to disburse a sum considerably in excess of the amount of its paid-up capital. Accordingly, the Bank of Canada was called upon to pay for the remaining 100,000 shares of its subscription under the provisions of Section 12, sub-section 2 of the Act, thus bringing the paid-up capital of the Bank to its full authorized amount of \$25,000,000 as at September 30, 1947.

*Loans,* Investments and Guarantees. The following table shows the number of applications which the Bank has dealt with each year, classifying them as between authorized, refused and withdrawn.

NUMBER OF APPLICATIONS DEALT WITH

	Fiscal Year <u>*1945</u>	<u>1946</u>	<u>1947</u>
Authorized . . . . .	97	169	177
Refused . . . . .	160	103	97
Withdrawn . . . . .	<u>228</u>	<u>105</u>	<u>113</u>
	<u>485</u>	<u>377</u>	<u>387</u>

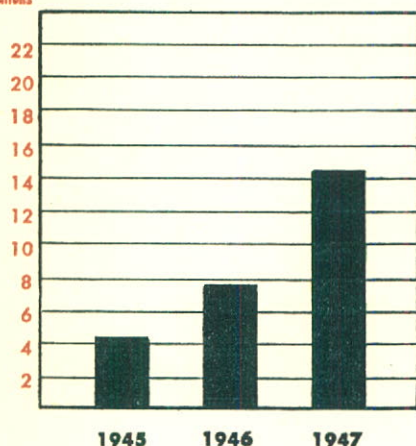
\*11 months only

It will be noted that the number of applications which have been withdrawn or refused has been very much less in the second and third years of the Bank's operation than in its first fiscal year. I believe that the explanation is that borrowers now have a clearer understanding of the function which the Bank is



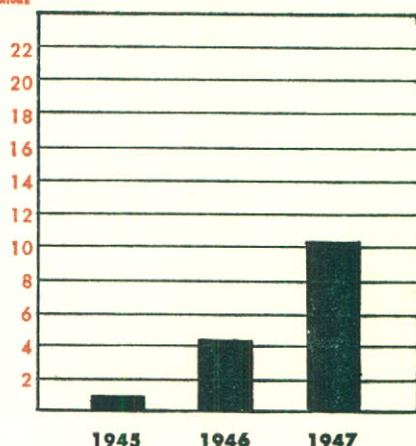
### AUTHORIZATIONS

\$ Millions



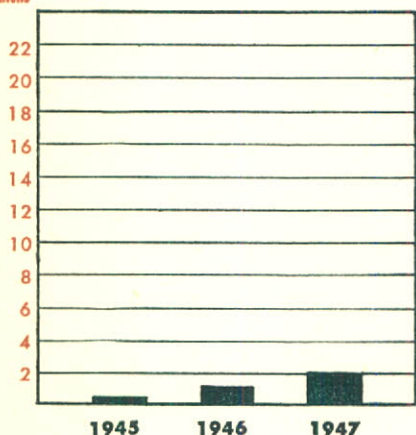
### DISBURSEMENTS

\$ Millions



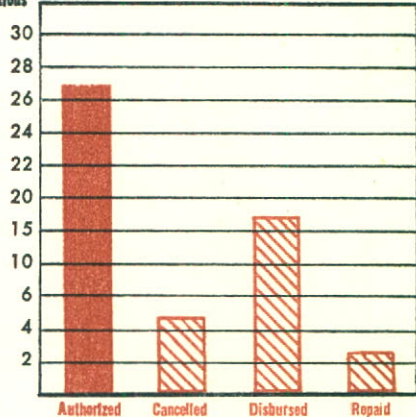
### REPAYMENTS

\$ Millions



### VOLUME OF TRANSACTIONS SINCE THE BANK'S INCEPTION

\$ Millions





expected to perform and consequently of the type of application to which it is able to give favourable consideration. The number of applications authorized by the Bank increased slightly during its 1947 fiscal year as compared with 1946. There were also at September 30, 1947, 45 applications still in process of examination.

The following statement gives the extent of the Bank's lending business since its inception.

	NUMBER	AMOUNT
<i>Loans, investment &amp; guarantees authorized:</i>		
November 1, 1944 to September 30, 1946	266	\$12,051,403
October 1, 1946 to September 30, 1947 .	177	14,684,406
Total . . . . .	443	\$26,735,809
LESS :		
<i>Cancellations of authorizations and reductions in amounts authorized:</i>		
November 1, 1944 to September 30, 1946	53	\$ 2,134,500
October 1, 1946 to September 30, 1947 .	41	2,273,925
Total . . . . .	94	\$ 4,408,425
<i>Authorizations which have been reduced by reason of partial repayment:</i>		
November 1, 1944 to September 30, 1946		\$ 347,429
October 1, 1946 to September 30, 1947 .		1,071,468
Total . . . . .		\$ 1,418,897
<i>Authorizations which have lapsed by reason of full repayments of loans:</i>		
November 1, 1944 to September 30, 1946	8	\$ 172,800
October 1, 1946 to September 30, 1947 .	19	977,650
Total . . . . .	27	\$ 1,150,450
Net Authorizations as at September 30, 1947	322	\$19,758,037

### *Disbursements:*

November 1, 1944 to September 30, 1946	\$ 5,602,931
October 1, 1946 to September 30, 1947 .	<u>10,167,723</u>
Total . . . . .	\$15,770,654

LESS:

### *Repayments:*

November 1, 1944 to September 30, 1946	\$ 480,229
October 1, 1946 to September 30, 1947 .	<u>1,960,430</u>
Total . . . . .	\$ 2,440,659

### *Outstanding:*

Loans, investments and guarantees as at September 30, 1947 . . . . .	\$13,329,995
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Although, as mentioned above, the number of applications authorized by the Bank increased only slightly in 1947 as compared with 1946, the total dollar amount authorized in 1947 was greater than the combined total of the two previous fiscal years.

The difference between net authorized and outstanding amount in the statement above, arises out of the natural desire of applicants who are about to embark upon a programme of expansion to have their financing arranged in advance, and the policy of the Bank to make disbursements only as funds are required, creating an inevitable lag between the authorization and utilization of credits. Repayments, it will be noted, continue at a very satisfactory rate.

## *Classification of Loans, Investments and Guarantees*

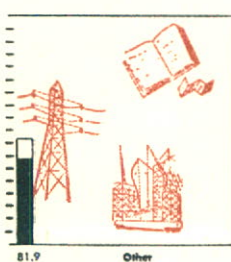
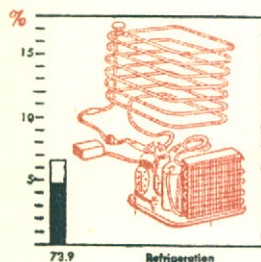
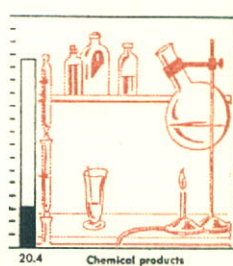
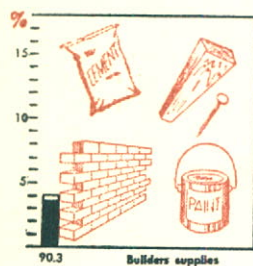
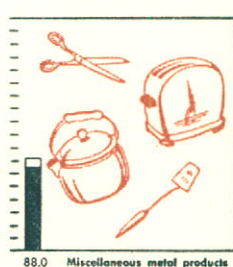
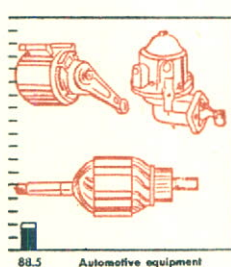
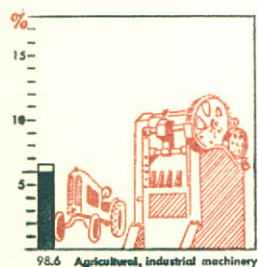
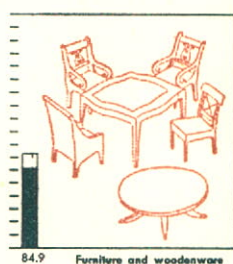
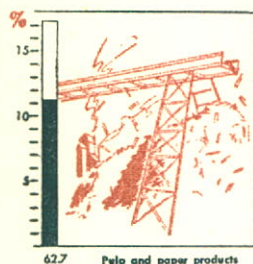
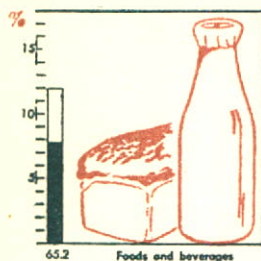
as at September 30, 1947

### **A. By Industrial Enterprises**

	NET AMOUNT AUTHORIZED	%	AMOUNT OUTSTANDING	%
1. Foods and Beverages . . . . .	\$ 2,395,100	12.1	\$ 1,561,863	11.7
2. Primary Textiles . . . . .	669,865	3.4	476,518	3.6
3. Finished Textile Products . . . . .	1,111,917	5.6	916,184	6.9
4. Pulp and Paper Products . . . . .	3,457,500	17.5	2,170,474	16.3
5. Primary Lumber Products . . . . .	802,256	4.1	553,530	4.2
6. Furniture and Wooden ware . . . . .	1,446,743	7.3	1,228,485	9.2
7. Agricultural and Industrial Machinery . . . . .	1,285,582	6.5	1,152,833	8.6
8. Automotive Equipment . . . . .	409,650	2.1	362,900	2.7
9. Miscellaneous Metal Products . . . . .	1,419,894	7.2	1,249,653	9.4
10. Builders' Supplies . . . . .	792,384	4.0	715,800	5.4
11. Ceramics, Glass and Plastic Products . . . . .	190,100	1.0	55,044	.4
12. Chemical Products . . . . .	2,948,784	14.9	604,216	4.5
13. Refrigeration . . . . .	1,284,073	6.5	949,965	7.1
14. Other . . . . .	1,544,189	7.8	1,332,530	10.0
	<hr/> \$19,758,037	<hr/> 100.0	<hr/> \$13,329,995	<hr/> 100.0

The above table shows the distribution of the Bank's credits according to broad industrial classifications. It is an indication of the various types of industry being financed by the Bank.

# CLASSIFICATION OF LOANS BY INDUSTRIAL ENTERPRISES



**LEGEND**  
 Keyed to marginal figures, bar shows percentage of total loans authorized to each industrial group. Solid portion shows percentage of this amount utilized up to Sept. 30, 1947



## B. By Provinces

	NET AMOUNT AUTHORIZED	AMOUNT OUTSTANDING
Prince Edward Island . . . . .	.....	.....
Nova Scotia . . . . .	\$ 178,400	\$ 159,650
New Brunswick . . . . .	574,180	528,275
Quebec . . . . .	6,718,342	3,778,335
Ontario . . . . .	8,121,650	6,165,779
Manitoba . . . . .	904,196	656,225
Saskatchewan . . . . .	201,300	161,496
Alberta . . . . .	1,663,444	1,016,038
British Columbia & Territories . .	1,396,525	864,197
	<u>\$19,758,037</u>	<u>\$13,329,995</u>

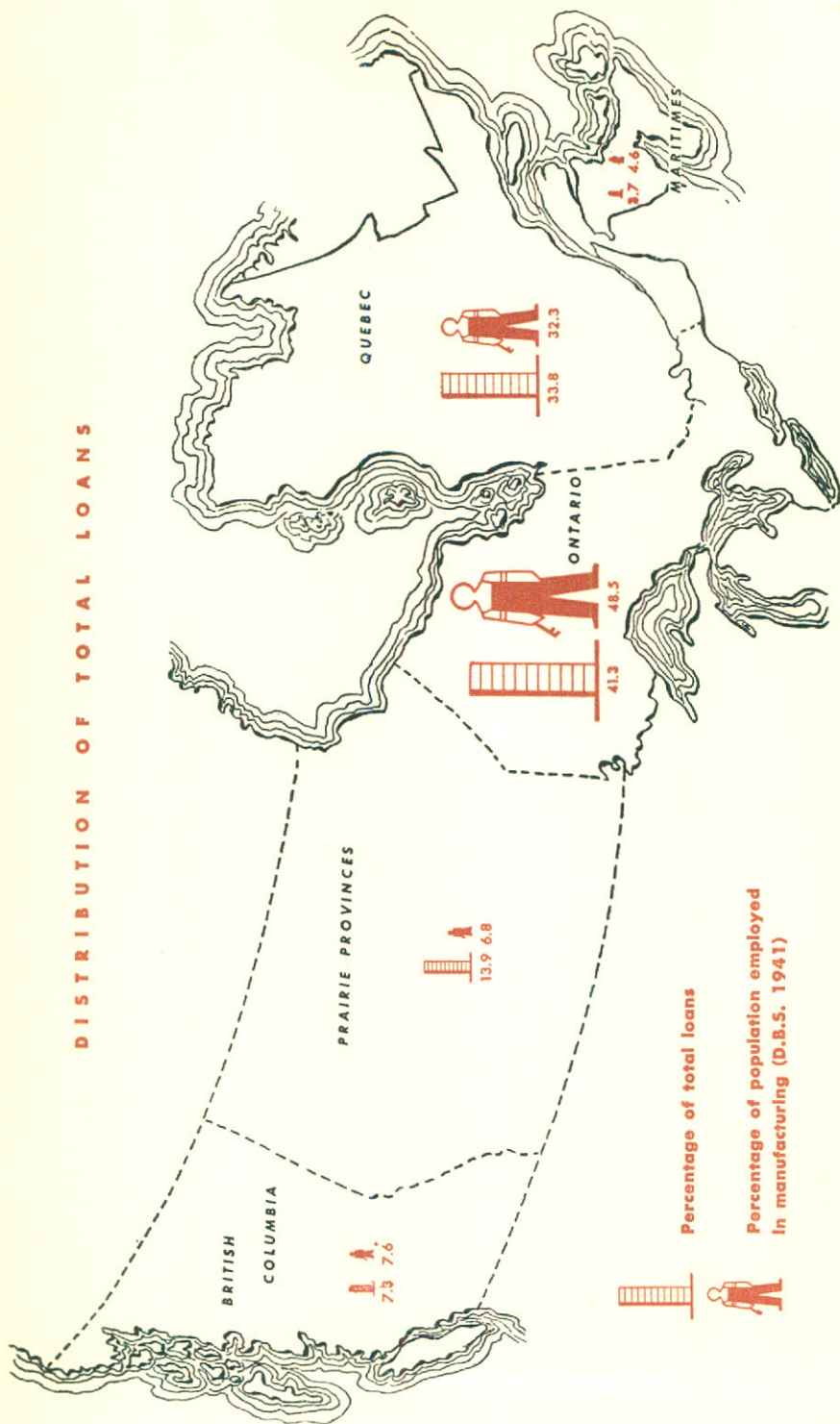
This table shows the distribution of authorized credits according to areas and, as might be expected, reflects fairly well the geographic distribution of industry in Canada.

## C. By Size

	NET NUMBER AUTHORIZED	NET AMOUNT AUTHORIZED
\$ 5,000 and under . . . . .	33	\$ 103,930
5,001 to \$ 25,000 . . . . .	140	1,869,749
25,001 to 50,000 . . . . .	58	2,052,539
50,001 to 100,000 . . . . .	53	3,883,744
100,001 to 200,000 . . . . .	25	3,521,575
Over \$200,000 . . . . .	13	8,326,500
	<u>322</u>	<u>\$19,758,037</u>

This table shows the distribution of authorized credits according to size. The largest number of authorized credits has been in the \$5/25,000 category.

# DISTRIBUTION OF TOTAL LOANS



Percentage of total loans

Percentage of population employed  
In manufacturing (D.B.S. 1941)

Having regard to present buoyant economic conditions in Canada and to the provisions of Double Depreciation authorized to facilitate post war reconversion of industry, it has been the policy of the Bank to encourage borrowers to repay advances as rapidly as possible and to place their finances on a sound basis to meet possibly less favourable operating conditions.

***Profit and Loss*** Income for the year amounted to \$798,192.92 as compared with 1946 income of \$427,322.90. Interest on loans and investments other than Dominion Government securities has shown an increase over last year from \$138,172.12 to \$401,044.95, reflecting the larger amount of the Bank's capital now actively employed. This source now constitutes a substantial portion of total income. Interest on holdings of Dominion Government securities amounted to \$210,264.70 while profit realized from sales of such securities was \$186,490.81. Total expenses during the past year, of which details are shown in the attached statement, amounted to \$288,512.88 as compared with \$185,604.72 in 1946. The profit for the fiscal year 1947 amounted to \$509,680.04 as compared with profit in 1946 of \$241,718.18.

It has always been recognized that in the type of lending in which the Bank is engaged, one must expect, however capable the management may be, to have an appreciable loss experience over a period of years. The first three years of the Bank's operations have not been typical in this respect mainly because of the particularly favourable level of business conditions in this period. While the Bank and its auditors felt that no write-offs



or specific appropriations were required against its loans, investments and guarantees as at September 30, 1947, there were certain accounts in which there was an element of doubt. Rather than wait until the situation in such accounts might have deteriorated to the point where write-offs were called for, it was deemed appropriate this year to set aside a reasonable, round amount to a Reserve for Losses which will be available to meet specific losses. The amount so set aside out of this year's profits was \$200,000 and appears on the liability side of the Bank's balance sheet.

**Organization** No new offices were opened during the fiscal year. The Bank has offices in Montreal, Toronto, Winnipeg and Vancouver. Applicants in Alberta, Saskatchewan and the Maritime Provinces are visited by officers of the Bank operating from the nearest office. For example, in the case of the Maritime Provinces, an experienced officer operates from Montreal and more than one-third of his time has been spent in personal study and contacts in every major centre in the Maritime area. Consideration will be given to the establishment of an office of the Bank in any region where the volume of business in the area warrants such a step.

The General Manager's office in Montreal was somewhat hampered during the year by lack of sufficient space. However, since the end of the fiscal year we have been able to obtain additional space which will improve working conditions.

Practically all applications continue to be investigated at the applicant's place of business and the form of security to

be held by the Bank as well as the terms of repayment are arranged to suit individual cases. In addition, periodic visits are made to customers' plants in order to maintain personal contact and discuss any problems which may have arisen in the course of their operations.

Since my last report the personnel of the Bank has increased to 77. It is an indication of the highly specialized nature of its work that in addition to experienced bankers the staff includes eight industrial engineers, five lawyers, three chartered accountants and three officers experienced in insurance matters. It is with a great deal of pleasure that I record my appreciation of the high quality of the service rendered by the staff during the last year.

**General** During the past year capital investment in Canadian industry has been at an all-time high. During the war many firms were unable to make normal maintenance and modernization expenditures. Since the end of the war, consumer demand, inflated by the war-time backlog of unsatisfied wants and the non-availability of some imports, has been abnormally high, and has tended to encourage capital investment for the purpose of expanding our productive capacity. I believe that most of the increase in our industrial plant and equipment has been on a sound basis inasmuch as it is not out of line with the level of demand for goods and services which one would normally associate with the maintenance of high employment and reasonably prosperous general business conditions. On the other hand, it is only prudent to recognize the possibility

that temporarily high demand may have encouraged the creation of excess productive capacity in certain cases. Under present market conditions it is extremely difficult to detect such instances of over-capacity with any reliability; they become apparent under less favourable circumstances.

Since our labour and material resources are already fully employed and an increase in one type of activity usually must be at the expense of another, it seems rather unlikely that there will be any further increase in the rate of capital investment in Canadian industries in the near future. In view of the fact that a good many of our more urgent needs for additional industrial capacity have already been met and that the necessity of conserving our reserves of United States dollars may lead to some restriction on the importation of industrial machinery and equipment, it seems more likely that some decline in the rate of capital investment in industry may occur.

Such a development would not necessarily involve a contraction in the Bank's lending activities. During the last year or so credit of the type which the Bank was set up to provide has been available from other sources on a larger scale than usual. Even so, the Bank has authorized credits during the past three years to 443 industrial firms across Canada. In the period ahead I believe there will still be many special financing problems for industry of the kind that the Bank was designed to meet and that the Bank will continue to provide a useful service.

I am, Dear Sir,  
Yours faithfully,  
G. F. TOWERS, President

# Statement of Profit and Loss

for the year ended 30th September 1947

## Income —

On Dominion Government securities:

Interest . . \$210,264.70

Profit on sales 186,490.81 \$396,755.51

On loans and investments 401,044.95

All other . . . . . 392.46 \$798,192.92

## Expenses —

Salaries . . . . . 203,180.12

Pension fund and unemployment insurance . . . 18,122.96

Investigation and supervision expenses (including travel) 13,537.38

Travelling expenses—general 9,404.30

Rental and other costs—leased premises . . . 12,496.49

Depreciation of office equipment . . . . . 2,735.32

Telephones and telegrams . 4,862.62

Office supplies, expenses . 7,966.26

Directors' fees . . . . . 3,900.00

Auditors' fees, expenses . 5,602.67

All other operating expenses 6,704.76 288,512.88

**Profit** before deducting appropriation referred to below 509,680.04

**Deduct** amount appropriated as reserve against loans and investments and guarantees 200,000.00

**Balance** transferred to reserve fund . . . . . \$309,680.04

## RESERVE FUND

Balance 30th September 1946 . . . \$439,560.97

Amount transferred from statement of profit and loss . . . . . 309,680.04

Balance 30th September 1947 . . . . . \$749,241.01



# Statement of Assets and Liabilities

as at 30th September 1947

## LIABILITIES

<b>Capital:</b> Authorized, issued and paid up—	
250,000 shares par value \$100 each . . . . .	\$25,000,000.00
<b>Reserve fund</b> . . . . .	749,241.01
<b>Contingent liability, under guarantees and underwriting agreements</b> . . . . .	1,800,000.00
<b>All other liabilities</b> . . . . .	7,748.80
<b>Reserve for losses</b> . . . . .	200,000.00
	<u>\$27,756,989.81</u>

## ASSETS

<b>Cash on hand and deposits with other banks</b>	\$ 37,719.06
<b>Dominion Government securities at amortized cost not exceeding market value</b> : . . . .	14,130,298.61
<b>Loans and investments</b> : . . . . .	11,529,995.33
<b>Guarantees and underwriting agreements as per contra</b> . . . . .	1,800,000.00
<b>All other assets</b> . . . . .	258,976.81
	<u>\$27,756,989.81</u>

G. F. TOWERS, President      H. R. EXTENCE, Chief Accountant

**AUDITORS' REPORT** • We have made an examination of the statement of assets and liabilities of the Industrial Development Bank as at 30th September 1947 and have received all the information and explanations we have required. We report that in our opinion it correctly sets forth the position of the Bank at 30th September 1947, according to the best of our information and as shown by the books of the Bank.

J. G. GLASSCO, F.C.A.,      JEAN VALIQUETTE, C.A.,  
of the firm of Clarkson Gordon & Co.      of the firm of Anderson & Valiquette.

Ottawa, Canada, 20th November 1947.

# INDUSTRIAL DEVELOPMENT BANK

Incorporated under the Industrial Development Bank Act, 1944

HEAD OFFICE—OTTAWA, ONT.

GENERAL MANAGER'S OFFICE—MONTREAL, QUE.

## *Board of Directors*

G. F. TOWERS, C.M.G., President, Ottawa, Ont.



E. G. BAKER, Toronto, Ont.

W. D. BLACK, Member of the Executive Committee, Hamilton, Ont.

W. C. CLARK, C.M.G., Member of the Executive Committee, Ottawa, Ont.

G. G. COOTE, Nanton, Alta.

D. GORDON, C.M.G., Member of the Executive Committee, Ottawa, Ont.

J. L. HOLMAN, Summerside, P.E.I.      F. MAGEE, Port Elgin, N.B.

W. K. McKEEN, Halifax, N.S.

A. STEWART McNICHOLS, Montreal, Que.    R. H. MILLIKEN, K.C., Regina, Sask.

A. C. PICARD, Quebec, Que.

L. P. SAINT-AMOUR, Ottawa, Ont.      E. J. TARR, K.C., Winnipeg, Man.

A. C. TAYLOR, C.B.E., Vancouver, B.C.

## Officers



G. F. TOWERS, C.M.G., *President*

S. R. NOBLE, O.B.E., *General Manager*

D. G. MARBLE, C.B.E., *Secretary*

A. N. H. JAMES, *Executive Assistant*

L. F. MUNDY, *Deputy Secretary*

H. R. EXTENCE, *Chief Accountant*

### GENERAL MANAGER'S OFFICE

ALDRED BUILDING, PLACE D'ARMES, MONTREAL, QUE.

S. R. NOBLE, O.B.E., *General Manager*

A. N. H. JAMES, *Executive Assistant*

L. VIAU, *Deputy Secretary*

### BRANCHES

TORONTO, ONT., 85 RICHMOND STREET WEST • J. C. INGRAM, *Supervisor*

WINNIPEG, MAN., 356 MAIN STREET • D. T. MUSKETT, *Supervisor*

VANCOUVER, B.C., 736 GRANVILLE STREET • N. C. TOMPKINS, *Supervisor*





