Concern for concentration of economic power, and in particular financial linkages, was overwhelming in the evidence presented to the Committee. The Canadian Bankers' Association and consumer groups, such as the Consumers' Association of Canada, the Canadian Federation of Independent Business, and the Canadian Organization of Small Business, expressed serious reservations in this regard and recommended an imposition of ownership limits and a roll-back of non-financial ownership of financial institutions.

I think that the Finance Committee looked rather carefully at the question of roll-backs and was somewhat divided on the issue since this is a rather major and disturbing request to make. The committee was concerned with the increasing trend toward non-financial ownership of financial institutions, as I have said, and considered that concentrated ownership, particularly that of large financial institutions, should be limited.

I would like to provide some samples of the type of evidence which was given before the committee at that time. The Canadian Bankers' Association stated:

We believe that this co-mingling of non-financial and financial businesses is undesirable. It would try the confidence and trust that Canadians place in their financial system.

More recently the President of the Canadian Banker's Association has been quoted as saying that the increase in takeovers and concentration is becoming "intolerable". The Consumers' Association of Canada was concerned that if the present trends go on we would end up with a few financial conglomerates having bought up most of the competition. The Canadian Federation of Independent Business was concerned about the implications of what it called the "unremitting trend toward greater concentrations of economic power". It was stated on the federation's behalf that it was wary of any measures which would tend to increase potential concentrations of power.

I do not think it needs much imagination to see the type of thing with which small business is concerned. If there is a non-financial institution, for example a development company which owns financial institutions, then there is the risk that its lending practices will favour its corporate brethren and discriminate against the small entrepreneur, the small business owner.

Cadillac-Fairview presented a very interesting brief in which Mr. Justice Wyzanski of the U.S. Federal Court was quoted. He stated:

Concentrations of power, no matter how beneficially they appear to have acted, nor what advantages they seem to possess, are inherently dangerous. Their good behaviour in the past may not be continued; and if their strength were hereafter grasped by presumptuous hands, there would be no automatic check and balance from equal forces in the industrial market—

That is a very strong statement—perhaps a little too strong for some of us here. There probably do exist cases in which concentration will assist in efficiency and economies of scale. It has traditionally been said that in Canada, because our population is relatively small and our country immense, there is a case for greater concentration of power than that which is found in the United States. However, when looking for evidence that concentration does in fact enhance R and D and marketing ability, it is very hard to find. Concentration certainly does not create new jobs or innovation. In fact, what we have seen most often recently is that as assets get shifted around among fewer players, jobs disappear.

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Corporate concentration with respect to financial institutions has potentially greater ramifications than it does on the non-financial side of the economy because of the particular characteristics of money and related near-money assets. As well, once this concentration of power has been permitted, it would be very difficult politically to reverse the process and re-establish a widely held ownership structure in the financial sector. This is certainly a situation for which prevention is better than a cure.

That leads us to the example we had put before us today, one which had been dealt with in Question Period to some extent and will undoubtedly continue to be of concern to all of us. That is the situation with Imasco and Genstar. At the end of 1985, there was a specific recommendation made in the Finance Committee report that the Government block the merger of Canada Trust and The Permanent until such time as there was a clear policy. The Government did not accept that recommendation and the merger went ahead. The new entity, Canada Trustco Mortgage Company, was born. Canada Trustco Mortgage Company is Canada's sixth largest financial institution with assets of over $20 billion and is the centrepiece of Genstar's holdings.

In fall of 1985, Genstar, having already owned Canada Permanent Trust, acquired Canada Trust in a $1.2 billion takeover. In March of 1986, Genstar shares rose $7.63 to $55 in a flurry of trading on the Toronto Stock Exchange. On Monday, March 24, Imasco, with extensive holdings in consumer products, announced its bid of $54 per share for 100 per cent of Genstar's 36.9 million shares or $1.9 billion total. The offer is open until April 25.

On March 24, a question was raised in the House by a Conservative Member who asked, since the proposed takeover would result in a financial institution being owned by a non-financial institution, if the Government would block the takeover. The Minister of State for Finance (Mrs. McDougall) said that she would review the takeover bid. Today we learned that apparently the review is still going on and the Minister is not prepared to indicate when she might be able or willing to announce her decision.

On Thursday, April 3, Genstar and Imasco reached an agreement on the takeover, the price now being $58 per share. Imasco is to look for a way to spin off a restructured Genstar without Canada Trust. If no agreement is reached by April 15, Imasco will simply buy out all stock at $58 per share.

Let us look at these companies and what is involved with them. Genstar is San Francisco based with a nominal head office in Canada. About 60 per cent of the assets and 60 per cent of the shareholders are in Canada. It has other holdings in construction and property and 70 per cent of its business is in