

Canada Deposit Insurance Corporation Act

enough people on their deposits; therefore increase the amount of coverage, back date it and pay everybody \$60,000 insurance". That was fine for the people who received the money, but it certainly was not a happy condition for those who were contributing the money. That is a good part of the reason we have this massive deficiency. A second reason for the deficiency is that for political reasons Governments have said to the board: "Well, you should cover everybody". Therefore the Canada Deposit Insurance Corporation covered everybody in Greymac, Crown Trust and Seaway.

When my mayor in this City of Mississauga said we should not bail out uninsured depositors, I had to remind her we bailed out the City of Mississauga for \$1 million on the Greymac affair. We bailed out municipalities and credit unions and everyone else with the CDIC on trust company failures. When the other side talks about bail-outs let us say that they were the guys who invented the bail-out.

It has been a problem for successive Governments to know when to draw a line. It is all very easy to say: "Don't pay anybody except the insured depositors". We have paid people other than insured depositors and it is only in the case of the banks, the Canadian Commercial and the Northland, that a Government was honest enough to come to the House of Commons and say that it will pass a statute to bail out or pay off uninsured depositors. When this happened previously, it was done through CDIC and the board of directors with no reference to the real issues in the market-place.

● (1610)

In a sense, the banks and trust companies that have been contributing the money to make the insurance fund work have in many cases and properly so said that they do not mind paying for liabilities resulting from guarantees for \$20,000 or even for \$60,000. However, they wonder if we really expect them to pay a liability resulting from guaranteeing all and sundry. They have a point there.

If we are going to expect the financial institutions, through a special tax on deposits because that is what a premium is, to pay this back-debt largely created by a previous Government that wanted to look reasonably good and did not want to declare honestly in the House what the situation was, then we ought to at least make sure that the directors of the CDIC come from the organizations or organizational groups that put up the money. It is in that sense that I suggest that two of these directors have trust company backgrounds and perhaps be nominated by the Trust Companies Association and two have banking backgrounds and perhaps be nominated by the Canadian Bankers' Association. I think it is essential that institutions we are insuring realize that they are using their money for the Deposit Insurance Corporation to look after only \$60,000 worth of deposit insurance.

When insuring institutions that are likely to or could go into default, the directors of the corporation should have the knowledge of the street that is required of any insurance corporation. This insurance corporation has not been run well. It has run up massive deficits and in many senses, those massive deficits are

the result of politics playing with the fund. It is time that politics not be allowed to play with the fund. The fund is there to protect depositors up to \$60,000, not to protect all and sundry, and not to give funds away. If Parliament wants the corporation to insure people beyond that amount, another solution must be found.

In its report to the House dated November 6, the House of Commons Finance Committee recommended that we have an arrangement through the National Financial Administration Agency whereby the agency, acting as liquidator, could arrange to pay out an estimated liquidation value to depositors with more than the \$60,000 insured amount. That type of approach would relieve the pressure that is always on Government to pay out to uninsured depositors.

The Government agreed to cover the uninsured depositors and then debenture holders and preferred shareholders came to the Government to ask: "Why not us?". It seems that every time people get into trouble, they come to the Government and ask: "Why not us too? Why are we not included?". That situation has to cease. I think it is important that this corporation be operated in a sensible commercial fashion.

The Bill before us is an interim measure. It only deals with two issues. One of these issues is an increase in premiums but there is no indication in the Bill how those premiums will work to pay off the deficit. Premiums will pay off the deficit over time, and it was the view of the Finance Committee of the House that this type of premium run until December 31, 1986, and that the National Insurance Administration Agency, a new organization for financial institutions, presumably put into place during this calendar year, be in a position to take over the Canada Deposit Insurance Corporation and perhaps operate it as the Canada Deposit Insurance Fund. That fund would set the premiums applicable to cover the deficit and make sure that the premiums were collected.

My friend from the New Democratic Party suggested that Parliament should have some sort of say as to the appointment of the directors. That is exactly what Parliament wants but it is his Party that is opposing the reform of Parliament that would allow Parliament and the committees of the House to confirm and review Order in Council appointments. When members of the NDP hold up parliamentary reform but at the same time make the statements with respect to directorships that that Member made, we begin to wonder where they stand.

Mr. Keeper: Put it in the legislation.

Mr. Blenkarn: Parliamentary reform would require all directorships to be approved. What does the Hon. Member want, just to have this one approved and none of the others? Is that the kind of reform he wants? Is that the attitude to parliamentary reform that his Party supports? It is not ours. Hopefully he will have an opportunity to debate that issue and stand for or against parliamentary reform in a very few days.

I would like to return to the question of the mess in which the former Government got the Canada Deposit Insurance Corporation. Because it was afraid to come to Parliament for appropriation and did not want to increase the deficit unduly,