

Statements by Ministers

To help minimize the impact to western businesses, we asked the curator to carry out his duties in a manner which created the least possible disruption to the business clients of the CCB. That is the background with respect to the Canadian Commercial Bank.

I now want to turn to the situation of the Northland Bank and the decision that was announced this morning. The Office of the Inspector General of Banks has been in frequent contact with the Northland Bank since the Bank was created and has participated in many discussions with management concerning internal operations, audit arrangements, specific lending and financial proposals, and other aspects of the Bank's operations.

When the Canadian Commercial Bank informed the Government of its difficulties that resulted in the March support arrangements, the Office of the Inspector General of Banks, the Bank of Canada, the Minister of Finance and myself were aware of the potential implications for Northland. Over the period following the March support package, it became increasingly clear that the Northland Bank was suffering a lack of market confidence that led to serious funding problems. Bank of Canada advances increased to more than \$500 million by the end of August. Through this period the Government worked closely with Northland's officials to try to find solutions to the Bank's problems. As part of this exercise, the Inspector General of Banks undertook a comprehensive examination of the quality of Northland's assets. His report in late August made it clear that Northland's problems were not limited to funding. Indeed, the value of Northland's assets was seriously impaired and the IGB concluded that Northland also was no longer viable.

At the time the decision was being made to liquidate the Canadian Commercial Bank, the Minister of Finance and I met again with officers of the Northland Bank. Northland officials repeated their assurances that a reorganization or merger could soon be accomplished. We agreed that this effort should be accommodated. However, it was clear to us that Northland could not continue normal operations while this effort was in progress. Thus, at the beginning of September, we agreed to treat Northland as a separate situation from the CCB and give the Bank time to develop alternative proposals to liquidation. The Minister of Finance appointed Touche Ross Limited curator of the Northland Bank, with the understanding that Northland management was to be given time to reorganize its affairs to seek amalgamation partners. At that time I retained Mr. Robert Bellamy of Burns Fry Limited to work with the Northland Bank in an attempt to arrive at a reorganization or amalgamation.

On September 27, I received a report from Touche Ross Limited which confirmed the IGB's report that Northland was no longer able to meet its financial obligations as they fell due. The curators stated that the interest of the creditors and the shareholders would best be served by an orderly liquidation. I also received from Mr. Bellamy his conclusions with respect to potential restructuring arrangements for the Northland. Mr. Bellamy concluded that none of the proposals he had discussed with interested parties and examined in detail was likely to be

successful. The proposals examined did not effectively limit the exposure of the federal Government, in effect the taxpayers of Canada, in that they required a more or less open-ended commitment to assume the Bank's non-performing loans. Nor did they provide a sufficient degree of certainty that the reorganized Bank would be able to carry on as a viable financial institution without continuing Government support. Those are the documents which I tabled today, the curators' report and Mr. Bellamy's conclusions.

While the Government went to significant lengths to accommodate Northland in its search for a merger partner, we were not and are not prepared to enter into an open-ended commitment. Nor were we prepared to support a solution which did not carry with it the certainty, the absolute certainty, that the Bank would emerge as a viable operation in the foreseeable future. We did not receive a single proposal that met these two basic conditions, despite the fact that Mr. Bellamy, on my behalf, approached a number of parties to see if they were prepared to submit proposals. Given no acceptable proposals and the deteriorating situation at Northland, the Government had no choice but to take the decision announced today. I want to say and to emphasize to all Members of the House that we did everything in our power to assist the Northland Bank in its merger and reorganization efforts. While our efforts were unsuccessful, let me assure you, Mr. Speaker, that it was not for lack of trying.

We could not continue with the search for a merger partner indefinitely. Not only was the situation with regard to Northland's current financial picture deteriorating, but we also had the depositors' interest to consider. As you are aware, Mr. Speaker, the Canada Deposit Insurance Corporation cannot pay insured depositors until an appropriate court order is obtained. Thus I assure you, Mr. Speaker, the decision to liquidate Northland Bank was made regretfully but not until all other possible alternatives were considered fully.

Let me now turn to the announcement by the Prime Minister (Mr. Mulroney), on the recommendation of the Minister of Finance and myself, to appoint a commission to inquire into the events resulting in the cessation of operations of the Canadian Commercial Bank and the Northland Bank. Since September the Government has been pressing for a full, complete and non-partisan discussion of the circumstances and decisions which have brought these two financial institutions to their current state. We have concluded that the public right for a full and dispassionate investigation can best be served through a commission of inquiry. A further reason for a commission of inquiry is to ensure that all the relevant facts surrounding the liquidation of the two Banks come out and are dealt with appropriately. The issues are complicated, as discussions in the House over the past few weeks have made abundantly clear. Analysis and evaluation of these issues require the expertise that Mr. Justice Estey's commission will bring to bear.

We have no parameters on the extent of the commission of inquiry. It will be up to Mr. Justice Estey to determine the scope and nature of the investigation in any way that he sees