

Senator Frith: Senator Fairbairn asked a simple, straightforward question.

Senator Roblin: Simple, straightforward questions will get simple, straightforward answers, but when they are based on propositions which I cannot accept, it is understandable that I have some difficulty in answering.

Senator Frith: That question had nothing at all to do with cabinet solidarity—I just hear the pitter-patter of feet running for cover.

The Hon. the Speaker *pro tempore*: Order!

Senator Roblin: Thank you, Your Honour.

DELAYED ANSWERS TO ORAL QUESTIONS

Hon. Duff Roblin (Leader of the Government): I am glad to advise the chamber that I have some delayed answers to questions.

FINANCIAL INSTITUTIONS

FAILURE OF PIONEER TRUST—REQUEST FOR INVESTIGATION

Hon. Duff Roblin (Leader of the Government): Honourable senators, I have a delayed answer to questions raised in the Senate by Senator Steuart on May 14 and May 16 regarding the Pioneer Trust Company.

(The answer follows:)

With regard to the responsibilities of the liquidator, the liquidator is answerable to the Court, and not to the Government. His duties, obligations and responsibilities are determined by the terms of the Pioneer winding-up order issued by the Court and the provisions of the Winding-Up Act. The liquidator's authority extends only to Pioneer Trust, and therefore has no authority to look into the activities of Pioneer Management Limited or any of its subsidiaries apart from Pioneer Trust. A number of the transactions mentioned in the recent television program did not involve Pioneer Trust.

The Winding-Up Act deems certain types of transactions to be fraudulent preferences and the Court has the power to set aside these transactions. For example, if any of the senior officers had substantial amounts of money on deposit with Pioneer Trust and knowing that Pioneer Trust was unable to meet its obligations, withdrew the money just prior to the issuance of the winding-up order, the liquidator would have the right to recover that money. The liquidator's prime responsibility is to maximize the return to creditors. With the objective of trying to see whether there is any possibility of recovery that would benefit Pioneer Trust's creditors, the liquidator will be carrying out investigations to see if there were transactions made by Pioneer Trust in which there was fraud, theft, breach of trust by officers, employees or directors of the company.

[Senator Roblin.]

The liquidator will take legal action to try to overturn transactions, recover monies or seek damages if he believes that the benefits are likely to exceed the cost of taking the actions.

Regarding Senator Steuart's questions arising from the CBC program "Fifth Estate," the main problem with the program was that no distinction was made between the activities of Pioneer Management and its subsidiaries which are not regulated federally and the activities of the two companies over which the federal government does have jurisdiction, namely, Pioneer Trust and Pioneer Life. Pioneer Management owns Life of the Northwest, a U.S. company, Canadian Pioneer Securities and some companies involved in real estate and oil and gas. Many of the transactions referred to in the program relate to the management company and the subsidiaries which are not federally regulated companies. The directors of Pioneer Management and its subsidiaries were virtually the same.

Regarding non-arm's length transactions, the provisions of the federal trust legislation prohibited the Trust Company from making direct loans to significant shareholders and officers. The federal insurance legislation contains similar provisions. The Department of Insurance is satisfied that neither the Trust Company nor Life Company made any direct loans to its officers. Many of the non-arm's length transactions referred to in the program involve Pioneer Management and its subsidiary over which we have no jurisdiction. For example, the \$500,000 of reduced rate loans to senior officer referred to in the program came from Pioneer Management and the financing of Mr. Klein's Phoenix Villa came from Life of the Northwest.

Senior officers and directors of the Pioneer Group authorized loans that while not in direct contravention of the prohibition against non-arm's length transactions, clearly violated the spirit of that legislation. For example, Pioneer Trust made loans to some of Pioneer Life's officers and Pioneer Trust made mortgage loans to a real estate development partnership in which some of the directors and officers held units. These transactions were reported to the Minister in 1983 and were referred to legal advisers who advised that they were not prohibited by the legislation. The Department of Insurance is looking into the involvement, if any, of Pioneer Trust and Pioneer Life in the various real estate projects mentioned in the program and will be making a full report.

Regarding the charges that Pioneer's management was poor and that bad decisions were made, that was the reason for placing the company on a monthly licence and limiting the level of borrowing. In many cases, the regulators had no authority to intervene in the investment decisions made within the authority of the existing legislation. Pioneer Trust was closely monitored and the restrictions that were placed on its operations were with a view to limiting its growth and preserving existing assets. In addition, the Company was under a directive to improve