

Canadian Commercial Bank

Alberta has suffered an exodus of population which has further damaged the business climate. The impact has been particularly evident in the housing market. Amidst all of this economic difficulty, it is not surprising that we should be called upon to adopt some special measures to protect the financial and economic climate of the West.

The extent of the Bank's exposure to the economic conditions in western Canada has been discussed already in this House. Let me add some statistical evidence to illustrate the depth of the Bank's involvement in the regional economy. The importance of the Canadian commercial Bank to the western economy is evident from the fact that 70 per cent, or \$1.1 billion, of the its domestic loans are to businesses located in that region. As we are all aware, the previous Government's policies were not well received in the energy sector. We also know that the western economy suffered severely during the recent recession. Although it has not rebounded as quickly as we would have hoped, there is reason to be optimistic, and that reason is reinforced and enhanced by the statement today of the Hon. Minister of Energy, Mines and Resources.

However, we cannot sit back and hope that all will instantly be well. We must rely on all possible avenues of self-help and co-operation from the private sector, provincial Governments, and of course the federal Government. The difficulties experienced by many of the CCB's borrowers resulted in an erosion in the performance of the Bank's loan portfolio and the values of the underlying security. The Government had already been monitoring the Bank's financial position before the most recent and severe difficulties. To that point, although it had been weakening gradually, it was thought that the problems could be improved upon by the Bank itself as economic conditions improved in western Canada. It was thought that the situation generally was stabilizing. The Bank had initiated efforts to diversify its loan portfolio and the locations of its operations, including the investment in the California bank. The recent oil price decline caught the CCB's clients in the U.S. energy service sector in a serious cost-price squeeze. Their ability to meet their obligations was severely impaired. Because of the especially difficult situation for drilling activity in the U.S., the surplus of used oil equipment further added to the Bank's losses. The Bank expects to suffer losses of \$85 million on its U.S. portfolio valued at \$115 million.

I would mention to Hon. Members that a recent *Wall Street Journal* article estimates that since December 1, 1984, 1,000 drilling rigs in the U.S. have become or will become idle. This contrasts with the situation in Alberta where activity has increased somewhat, and can be expected to further expand, given the recent oil price agreement reached between the provincial and federal Governments. In fact, as the Minister of State (Mr. McLean) has already explained, the Bank has been demonstrating a responsible approach in trying to expand its regional base and diversify its areas of operation and spread its risks. The Bank had begun efforts to diversify its loan portfolio and the locations of its operations. In addition, it worked hard to expand funding sources so that a smaller percentage of its liabilities were in the form of highly liquid money market

deposits. The markets apparently viewed these efforts as beginning to produce beneficial results, and the Bank raised \$95 million in new capital since mid-1983.

The support package is expected to remedy the Bank's current situation and allow it to continue to play a positive role in our western economy. That is why the two provincial Governments were willing to participate in the support package in the very early stages. That is also why the private institutions have taken a role. That is why the federal Government is asking the House for its support in agreeing to federal participation. Hon. Members are already aware that the CCB is a regionally based Bank and specializes in loans to small and medium-sized businesses in western Canada. The average loan is in the area of \$3 million. The liquidation of the Bank would have resulted in the calling of many term loans to western Canadian businesses which might have threatened their survival.

I have already mentioned the role of the small- and medium-sized business community in job creation. When a business closes, it represents more than a blotch on the bank's record. It represents more than another statistic for StatsCan. It represents a human tragedy. It represents the hopes and dreams of the owner or owners, the employees, shareholders and all their families. The local, in this case western, economy suffers as a consequence.

I have painted a sad picture of what happened to the western economy in recent years, Mr. Speaker. What is equally important in terms of this legislation is the outlook for the future, and that is where the picture brightens a great deal. In Alberta particularly, but all across the West, the prospects are once again improving. I do not need to tell you how important the new energy agreement is going to be in that regard. It will be fundamental to the recovery of the western economy, inasmuch as a recovery can ever be achieved from the maladies of rape and pillage. The basic strength is there. The spirit is there, particularly the entrepreneurial spirit that helped build the western economy and has helped it to weather some heavy storms over the years.

A recent report by the Conference Board of Canada states that after three years of output contraction, Alberta's economy is poised for renewed growth in 1985. The report went on to mention a forecast of a 2.1 per cent increase in production, and it reports that oil and gas exploration and production are also forecast to gain more ground this year. Even the troubled manufacturing sector and the trade and finance sector are beginning to show signs of recovery, and further progress is expected in 1985.

Noting that British Columbia suffered an extremely severe recession in 1982, the Conference Board report says that last year services began to improve and coal production surged. In 1985, the westernmost province is forecast to enjoy a year of stronger growth as major industries at last move forward in unison. The West is on the way back. The Bill before us today will help ensure a strong recovery and new growth spearheaded by rising business investment in the future of the West.