

TRUST COMPANIES

ADVISABILITY OF INSTITUTING PUBLIC INQUIRIES

Mr. Simon de Jong (Regina East) moved:

That, in the opinion of this House, the Government should order a public inquiry into the collapse of the Pioneer Trust Company of Regina, Saskatchewan and other trust companies, and should adopt a permanent policy of ordering such inquiries for any future collapses; and

That the Government should consider the advisability of introducing legislation amending the Trust Companies Act to make such inquiries automatic.

He said: Mr. Speaker, the events in the last two weeks concerning Pioneer Trust Company has prompted me on numerous occasions to urge the Minister of State for Finance (Mrs. McDougall) to initiate a public inquiry into the collapse of the Pioneer Trust Company. Upon further investigation into the collapse of other trust companies, Mr. Speaker, I am more firmly convinced that a broad public inquiry, not only with respect to Pioneer, but to other trust companies, is needed. The millions and millions of dollars which have been lost because of trust companies going under, should surely give us a strong indication of the need for public inquiry and a new set of regulations governing trust companies.

● (1600)

The Canadian Deposit Insurance Corporation was formed in 1967, following the collapse of the Atlantic Acceptance Corporation. The CDIC has been catapulted into a number of new functions with the collapse of several other trust companies. Originally an insurer, it is increasingly becoming a regulator in conjunction with other federal agencies. Yet, Mr. Speaker, it has a staff of only 12, a five-man board of civil servants and a part-time chairman. Over the last number of years, CDIC has lost some \$1 billion because it had to bail out some ten different trust companies. I quote from the report of the Auditor General of March 31, 1984 as follows:

—sufficient information was not available at the time of our audit to determine whether the provision was adequate.

Meaning, Mr. Speaker, that there was not enough information for them to determine whether there was at that time some \$650 million which was lost because of CDIC and whether something could have been done to have prevented those losses. Again, I quote from the Auditor General's report as follows:

As of December 31, 1983, the corporation had made loans to the eight troubled companies amounting to \$942.5 million in order to fund payment of liabilities and operations. At March 31, 1984, the amount of loans outstanding was \$1 billion.

Again I quote the following from the Auditor General's report:

However, the corporation anticipates heavy losses and has recorded a general provision for loss of \$650 million at December 31, 1983.

The report continues:

Because of these circumstances, sufficient information was not available at the date of our audit to allow us to determine whether the general provision was adequate. Accordingly, in our audit report to the Minister of Finance, we stated that we were unable to express an opinion on the financial statements of the corporation for the year ended December 31, 1983.

Trust Companies

Government policy regarding trust companies—and I say this with the support of the statement of the Auditor General—has really been *ad hoc* decision-making. We see, with the collapse of Pioneer, another policy decision being made by the Government on an *ad hoc* basis. The past government practice has been to assist in the arrangement of agency agreements, for example, with Greymac, Seaway, Crown and Fidelity trust companies. The agency's agreements virtually guaranteed all depositors and shareholders of those trust companies. But apparently the Government has now changed its policy. Two smaller western based trust companies, Pioneer and Northguard in Manitoba, were just cut loose, their assets sold off, and everyone has taken a beating.

The Government has changed its policies without announcing them publicly, without a public process of hearings or a public committee, and this change in policy might have misled investors and depositors with Pioneer. Certainly the investors and depositors in Pioneer did not know that the Government had changed its policy. So we feel, Mr. Speaker, that there is a need for a public forum to discuss these changes.

I would like very quickly, Mr. Speaker, to move to my major concerns. Those are the concerns I have with Pioneer Trust. On February 7 of this year, the biggest financial failure in Saskatchewan's history occurred. Pioneer Trust, a company which has been a constant money loser in its 11 years of operation, was forced to close its doors. There were many small investors, mainly from across Saskatchewan, who supported the company because they wanted to see a viable Saskatchewan financial institution. There are also some 1,800 uninsured depositors. Many of them were hospitals, municipal Governments, theatre groups, provincial government Departments, as well as many retired farmers and business people who will lose substantial sums of money. They kept their deposits with Pioneer because they wanted to support a Saskatchewan financial institution.

The collapse of Pioneer raises many questions: first, could it have been avoided? Since a special report of May, 1984 to the Minister of State for Finance warned of Pioneer's problems, there seems to have been sufficient time at least to reach an agency agreement. We want to know if any efforts were made to contact, for example, Co-Op Trust in Saskatchewan to take over Pioneer? We are concerned that both the provincial and the federal Governments did not do everything possible to protect the depositors and, in fact, aggravated an already serious problem.

The behaviour of the provincial Government is something which can hardly be believed. On November 21, Mr. Bob Andrew, the Minister of Finance for Saskatchewan, wrote to Pioneer Trust, and I quote from that letter:

Dear Mr. Klein:

Please be advised that the Government of Saskatchewan will guarantee the 27.5 million dollar preferred share offering of Canadian Pioneer Management Ltd. Details of the guarantee are now being reviewed by officials. You may expect the guarantee to be ready in time to allow your new equity to be placed prior to December 31, 1984.

That is a very firm commitment, Mr. Speaker, by the Minister of Finance of Saskatchewan to Pioneer Trust. We