new forms of flexibility which give the banks ample scope, without Parliament accepting the fact, as they do now—and the minister, the parliamentary secretary and members opposite who are part of the committee know this—that the banks can engage in an unfettered end run. They can simply pump their funds into a mortgage subsidiary. What sort of control can the minister have on this activity? The Liberal administration was in office at that time. Was that administration wrong? Was Parliament wrong 12 years ago in insisting on the 10 per cent limit? If so, the minister should stand up in his seat and say so. There is no other way around it, absolutely none. Either it is 10 per cent or it is not.

The language of the section as it now stands is meaningless because the banks can lend half a per cent of their deposit liabilities in their names directly, but the mortgage subsidiaries can lend up to 20 per cent or 25 per cent if they are so minded. We hope that the board of directors of the banks will resist that because there are practical applications to banking, rules of thumb which are as sound as all the rocks in Canada. The rule is that you do not borrow short to lend long, and that has to be a fundamental, basic principle, which I suggest to the minister through you, Mr. Speaker. Let him remember that if you allow all the banks to do this, not only the well-managed ones but some which are not in the best of shape from time to time as far as management is concerned, it will bode ill for the banking industry. It takes only a few transactions to get them into trouble. I will not say that I am going to be the big brother to the banking industry, but we owe it to the Canadian public to ensure that the financial system is as sound as possible.

The minister, in proposing the legislation as it stands now—and I am giving him fair and solemn warning at this point—has opened a hole in the wall through which a coach-and-four can drive many times. There are provisions whereby the minister of finance, through the Inspector General of Banks, may warn a bank that its practices may be unsafe. But what sanction has he? Again, we spoke yesterday of the toothless tiger. We know that many of the powers of the Inspector General of Banks and of the minister are there for cosmetic purposes.

On this score I am deadly serious. On a number of points I have been able to resolve my differences in interpretation of the Bank Act with the minister and the parliamentary secretary. I have given ground and so has the minister—we have come to an accommodation. But on this point I have found the government to be totally unresponsive. I warned the minister at the committee hearings that I would be coming back to this point. I have come back, and I am as insistent as I am on any particular point, in fact, far more than I am on the requirement of defining the business of banking. To me this is far more important.

I do not want the banks to complain. In my proposed amendment to section 25, I have given them a great deal more latitude. I have brought the provision up to date to 1980. The minister knows that I have often said that in the Bank Act we were legislating for the manufacturer of horse collars, that we were behind the times, that we were merely bringing ourselves up to date, that we were not legislating for the future. I will admit that I am legislating for the manufacturer of horse collars right now, that I am only bringing us up to date in my amendment. But the minister is not even doing that. He knows that the banks are taking advantage of a loophole in the act by using their mortgage subsidiaries. The 10 per cent is absolutely and totally meaningless.

I am sorry, Mr. Speaker, if I sound so vehement about this and so difficult about it, but to me this is one of the sheet anchors. The Parliamentary Secretary to the President of the Privy Council (Mr. Collenette) can point to his watch all he wants. He does not care about this act.

Mr. Collenette: I am pointing to the table.

Mr. Lambert: Perhaps he is drawing attention to the fact that I have been speaking for 20 minutes. But the Parliamentary Secretary to the President of the Privy Council could not care less about this act. This is a fundamental point and I want to take my time on it. If I steal a minute or two, that is perfectly all right. The Chair will tell me if and when my time has expired. Again I make my plea to the minister. I want him to understand the banking system fully.

● (1250)

I have been exposed to and been involved in the banking system ever since I started out. On leaving school I was involved in the banking system. Subsequently at university I majored in studies in this particular field, and all through my parliamentary career I have been involved with the banking system. At this particular point the act bothers me. Not only are the banks able to get around a particular thing, but it is an invitation by Parliament to ingenious people to find a way around and run all the end runs they want, while we just stand idly by watching them pile up the score.

At this stage I should like to conclude my remarks on motion No. 25. I still have motions Nos. 24 and 26 to come back to later.

Mr. David Orlikow (Winnipeg North): Mr. Speaker, we are debating the Bank Act. The figures released by Statistics Canada indicate that the cost of living increased in the last year by 10.9 per cent, that the cost of food increased by 12.7 per cent, that the cost of housing increased by 8.9 per cent, and that the cost of fuel and utilities, which are so important for anyone who owns or rents housing accommodation, increased by 15.3 per cent.

If I understood correctly the amendment of the hon. member for Edmonton West (Mr. Lambert), he is proposing a further restriction on the opportunities of banks to lend money to people who want to buy houses and need mortgages. I am not rising to defend the banks, nor am I defending the government. I will deal with the banks a little later, but I think the policies of the Liberal government and of the short-term Conservative government with respect to housing have been disastrous. The effect of the amendment of the hon. member