

Canadian Commercial Bank

Mrs. McDougall: Mr. Speaker, the warrants which are a part of this package recognize that an equity infusion of capital will be an appropriate route for this bank down the road. The warrants may or may not be exercised by members of the support group. Warrants, as the Hon. Member knows, can be traded to other people for exercise. We have provided a vehicle whereby there can be an equity infusion into the company at a future time.

● (1320)

Mr. Garneau: Mr. Speaker, the Minister did not answer my first question about the Canada Deposit Insurance Corporation. Is CDIC still a shareholder of the CCB? Also I should like to ask a supplementary question arising from the answer she has just given. I understand that the warrant can be traded on the market. However, is it legally possible for the bank to own a title to which is attached a warrant that it cannot legally have in its portfolio?

Mrs. McDougall: As I understand it, CDIC is not a shareholder in the bank. It has provided a participation within the support group; it is not a shareholder in the bank. Since the warrants are not an entitlement to voting equity, until exercised, I understand from our advisers that the warrants are an appropriate vehicle.

Mr. Garneau: Could the Hon. Minister answer my first question? Is CDIC still a shareholder of CCB?

Mrs. McDougall: I thought I had indicated that Canada Deposit Insurance Corporation is not a shareholder in the CCB. It is participating in the support package, which does not involve an equity investment.

Mr. Deans: Mr. Speaker, were discussions held with the Government of the Province of Ontario as a result of the ownership of a substantial number of shares by three trust companies—Crown Trust, Greymac and Seaway Mortgage Corporation—in the Canadian Commercial Bank, given that the Province of Ontario seized all the assets of those three trust companies in the not too distant past and that at that time those assets accounted for about 27 per cent of the total share value of the Canadian Commercial Bank?

Mrs. McDougall: As I understand it, we did not discuss this relationship with the Government of Ontario at the stage when we were preparing a support package. Also as I understand it, the assets of those companies are in the hands of liquidators, not in the hands of the Government of the Province of Ontario.

[Translation]

Mr. Gauthier: Mr. Speaker, I would like to put a question to the Minister. For many Canadians, banking is a mysterious world they have trouble understanding. Could the Minister explain why the Government reacted so quickly in the case of the Canadian Commercial Bank and why it took so long to react in the matter of Pioneer Trust?

[English]

Why is there this urgency with the Canadian Commercial Bank but not with the Pioneer Trust situation? Is there a difference that we should understand?

Mrs. McDougall: Mr. Speaker, I think there is a difference between the two situations. Pioneer Trust had been searching for an infusion of capital for some time. It had been unable to find capital within the private sector without the assistance of the Government of Saskatchewan, which came to the conclusion that it could not participate in an infusion of equity into Pioneer, and the management of Pioneer voluntarily closed its doors. In this case, when help was sought from various levels of government, the provinces, and from the private sector, in their opinion it was a viable operation and, therefore, they were prepared to assist in ensuring its future on behalf of depositors and borrowers from the bank.

Mr. Broadbent: My question for the Minister relates to the \$60 million the federal Government is putting up, as well as the equivalent sum by the Province of Alberta. My understanding is that that will be repaid when and if the bank once again becomes profitable. At what interest rate will that money be repaid? Is it an interest-free loan or will the bank be paying interest and, if so, in what amount?

Mrs. McDougall: There will not be interest paid on this infusion of capital. This is a vote of confidence in the economy of western Canada. We believe that with the bank operating in a viable way, this participation will be repaid. It is in the interests of Canadians, particularly those in western Canada, that this bank continue to operate. It has played a key role in the west in the past, and it will continue to do so in the future.

Mr. Gray (Windsor West): Could the Minister of State for Finance (Mrs. McDougall) tell us now what were the sudden events in southern California which caused certain loans to go bad? What were the amounts of those loans and to whom were they made? There has been mention that \$90 million of the bank's loan portfolio is being written off. What percentage of the total loan portfolio does that \$90 million comprise?

Mrs. McDougall: I believe the bank's total portfolio—I do not have the figures in front of me—is roughly in the area of \$2.8 billion. That is its total assets. The problem in California reduced its equity base, so there was virtually no support to the rest of the asset base. The bank did not face solvency problems until this situation happened. It related to a situation in California whereby the drilling industry saw a sudden and sharp deterioration. Realistically and responsibly, the bank felt that it would have to write off those loans. Therefore it placed its other loans in jeopardy, whereas they had not been before.

Mr. Deputy Speaker: Perhaps I could recognize four more Members, and that will be all.

Mr. Gray (Windsor West): Mr. Speaker, the Hon. Minister did not answer part of my question. With respect to the loans