S.O. 31

Government should have known that the figures the Inspector General of Banks had were not sufficient on which to base a sound economic decision.

● (2220)

Tonight the Minister of State for Finance lambasted the Liberals for leaving behind a regulatory regime which was inadequate and inefficient and I totally agree with her. But surely that should have been reason enough for her to mistrust the figures they were supplying her. She knew the regulators did not have the proper manpower or the mandate to get the proper figures. Why did she trust the figures they supplied to her? Therefore, there is every reason to believe that the Government should have rejected the figures that were available.

Those figures are important, Mr. Speaker, because an investment decision was based on whether the package was adequate to meet the needs. If the figures supplied by the management and auditors of the company, and by the Inspector General of Banks, were as accurate as they said they were, then the rescue package would have been adequate and it would have worked. But the fact is the figures were not adequate. They were not correct. The loan losses were much higher. The Government should have known that but it proceeded on the basis that those figures were accurate.

The bankers themselves warned the Government. Every banker we had in front of the committee stated, one after the other, that they warned the Government they did not trust the management of that company or those figures. They proposed to send in teams, sworn to secrecy, to bring back a more accurate picture on the state of that company and the Government refused. That was sin number one from people who pride themselves on having good business acumen.

Sin number two was that the Government did not seem to have any game plan. Once the Bank of Canada had been committed to opening its vaults and providing continuous liquidity to the CCB, which in the end came to around 1.3 billion, the Government did not have a game plan. These Ministers did not say they were going to supply the rescue package today; on day two they were going to change the board of directors; on day three they were going to start changing the management and management practices and get this institution back on track.

Well, Hon. Members opposite laugh and say this is a socialist scheme; Governments are not into banking. No, they are just into bailing out the banks. Yet in the United States, when the Continental Illinois Bank was going under, the U.S. regulators insisted that all the directors of the bank resign. A new management team was put in. Those regulators insisted on that before they put one cent into the bail-out of that bank. That is the U.S. experience. Had this Government, once it was committed, thought through the whole process to step number two in order to get the bank properly on track, meaning a new board of directors and new management, this package might have worked. We might still have had a viable bank in western Canada. But mistake number two was committed.

The Government had every reason to know the management of CCB was not adequate, and nor were the board of directors. The board was often totally out in the cold as to what management was doing at that bank. When the bail-out package was put together on that weekend, the bankers themselves warned the Government—and some of them were very insistent—that management changes should occur. Again, unfortunately, the Government chose to ignore that advice. The Minister has said she made some attempts to recruit some new people to the board of directors but she had some difficulty. We understand from testimony given by the other banks that they had nominated people, and certainly one thing we will want to look at with intense scrutiny is why the Government failed to immediately appoint a new board of directors and new management once this commitment was made. Again, mistake number two.

So we have two fatal mistakes: not knowing what the proper state of the bank is; and, having committed the Government of Canada, not having a game plan in place to make sure that this financial institution would remain a viable institution. With those two mistakes this Government did a tremendous disservice to western Canada. The Government greased the already deteriorating skids under that financial institution.

Why did the Government proceed with this bail-out, Mr. Speaker? I have to come to the conclusion that it was totally naive and believed the management of CCB, accepted it all in good faith despite the warnings of the bankers and—

The Acting Speaker (Mr. Charest): I have been listening very attentatively to the Hon. Member for Regina East. He has been referring for quite a while to the situation at the CCB and the whole subject matter of this motion concerns the Northland Bank.

Some Hon. Members: Oh, oh.

The Acting Speaker (Mr. Charest): Oh yes. I have been listening very carefully. In all fairness, I have been listening very attentatively for some time and I feel I may suggest to the Hon. Member that he should refer more specifically to the motion.

Mr. de Jong: Mr. Speaker, I would point out that I doubt if the Minister in her remarks once mentioend the Northland Bank.

Mr. Gauthier: She didn't.

Mr. Waddell: The Associate Minister of National Defence (Mr. Andre) spent all his time talking about the Bank of—

Mr. de Jong: All right. The point I am trying to make ties directly into the Northland Bank and whether it will become a viable operation or not. I used the experience of the CCB in order to show the mistakes this Government made, the mistakes it should avoid making with the Northland Bank.

I come back to the question of the bail-out. Why do we have a bail-out of the CCB? There was very indication that the support package was inadequate and a game plan for changing