

S.O. 31

For example, on page 3 of the press release, we read:

It is legally necessary to launch immediately a winding up application for each bank. In the case of Canadian Commercial Bank, it will be proceeded with as quickly as possible. In the case of Northland Bank the court will be asked to postpone the appointment of a provisional liquidator to allow time to work out a reorganization or amalgamation. The legal requirements necessary to allow CDIC to make payments to insured depositors will, however, be taken as quickly as possible.

This may all be factually correct but does it enhance confidence? Would this be reassuring to any institution considering an amalgamation with Northland?

The Department of Finance backgrounder which was attached to the same press release also uses language which, although technically correct, would certainly not encourage confidence or does not give the impression that the Government had any great confidence in the ability of Northland Bank to find a solution.

I think we must ask the question then, if the Government had doubts about the ability of Northland to survive, on what were these doubts based? The Canadian Commercial Bank bail-out in March from the non-answers we get in the House looks more and more like a political decision made without any rational economic analysis. We have heard now from three banks that they offered personnel to do a full appraisal of the loan assets of the Canadian Commercial Bank before the bail-out was done but that their offer was refused. We hear that the banks were prepared to offer as many as 50 experienced personnel from each bank to go in and examine all the loan assets and their offer was refused for two reasons: one, that the Government representatives at the meeting, and neither the Minister of State nor the Minister of Finance were at that meeting but one of the Government officials who was there said there was not enough time as the decision had to be made by Monday morning. The Minister of Finance (Mr. Wilson) confirmed that he had presigned the winding up order.

The other reason that we were given in committee was that the Canadian Commercial Bank said they did not want their competitors looking at their books. I find it almost unbelievable that a bank which has come to Ottawa asking for a bail-out of \$255 million, was in a position to dictate terms and that those terms would be accepted by the Government; but quite clearly the decision to go ahead with that bail-out was made on the basis of the figures provided by the Canadian Commercial Bank itself on a segment of its bad loans, not on the total picture. So that decision was clearly taken without full knowledge and we have to ask, was the decision about the Northland Bank taken on the basis of any fuller knowledge or was this another leap of faith?

In the September 1 release the Minister stated:

The conditions of these banks—

Again joining together the bank which was being wound up immediately and the other which we were told might have a chance, the Minister continued:

—are unique and reflect the unusual concentration of business in the commercial real estate market in Alberta which continues to be depressed.

At different times in the House and in committee other reasons have been given for the failure of the Canadian Commercial Bank or for the difficulties prior to the March bail-out. We have heard that the difficulties were due to the California energy situation and certainly in committee we had a lot of information about the lending practices of the bank and the management of the bank, which were certainly a factor.

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In the case of Northland, what does the Minister know? Is its circumstances entirely different from the circumstances of the Canadian Commercial Bank? The treatment of those two banks, of course, has been quite different. The Government bailed out the Canadian Commercial Bank in March and gave many assurances that it would then be viable. The Canadian Commercial Bank operated for five months thereafter in the glare of publicity which may very well have hurt Northland. However, in the case of Northland, there was no bail-out; it was simply a period of time. One must ask why the treatment was different.

The Department of Finance background paper which was attached to the Minister's press release referred to loss of depositor confidence in both banks following the bail-out. One must ask if government actions contributed to the loss of confidence in the case of Northland. The question of dealing with the two banks together in the Minister's press release is, I think, very important and that is why I have mentioned it more than once. Surely the comparison must inhibit any organization considering a merger.

The Minister held a press conference in early September, perhaps September 1 or September 4, and again it was interesting to note that in the press conference, the Minister dealt with both banks but the journalists' questions for most of that press conference dealt with the CCB's lending practices and its bad loans. When questions about Northland came at the end of that session, surely a certain implication was drawn that must have made it difficult for Northland to continue.

In fact, Northland has been in limbo since September 1. Last week the president met with the Minister of State for Finance and was obviously unhappy with that meeting because after the meeting he called a press conference to express his unhappiness with the situation. He said that in his view, the Government was not seriously trying to assist the bank in finding a merger or a reorganization. I think we should know why the president had such a lack of confidence in the Government and what had led up to that lack of confidence.

I do not want to point a finger at the Minister of State for Finance alone because she has often said here in the House that this was a decision taken jointly by her, the Minister of Finance and the Prime Minister (Mr. Mulroney). However,