

*Committee Reports*

The finance committee of this House held extensive hearings on the Government Green Paper proposals for restructuring of the financial services industry in Canada. There was a very high degree of unanimity on the proposals. We, as the Official Opposition, did issue a minority report to spell out certain concerns we had, but Members of all Parties on that committee were concerned about the concentration of power in the industry, and the trend to increasing concentration, which was building up in the absence of a relevant and up-to-date ownership policy, even as the committee proceeded with its work.

In both the report of the finance committee and the minority report of my Party the concern about non-financial institutions controlling financial institutions was spelled out. I would like to quote those remarks. In the Liberal minority report in the Green Paper we said:

We are concerned about more concentration of financial power. Moreover, we do not believe that financial activities and non-financial activities should be combined.

The finance committee report also included these words:

The committee is concerned about the increasing trend towards non-financial ownership of financial institutions and feels that concentrated ownership, particularly that of large financial institutions, should be limited.

This was a view that was reflected in many of the briefs received by the committee. The Canadian Bankers' Association said:

We believe that this co-mingling of non-financial and financial businesses is undesirable. It would try the confidence and trust that Canadians place in their financial system.

There was also one very specific recommendation in the committee report. In the course of the committee's work last fall the merger of Canada Trust and Canada Permanent Trust was in the works, and the committee specifically recommended that the Government not approve this merger until such time as there was an ownership policy in place. The Government chose not to act on that recommendation and the merger went ahead, directly contributing to the situation we have before us today. Genstar Corporation owned Canada Permanent Trust and it then acquired Canada Trust, against the finance committee's recommendation, which gave to Genstar Canada's biggest trust company. It has been described as the jewel among Genstar's holdings now, and is the main reason for Imasco's interest in taking over Genstar.

In the case of Genstar and Canada Trust the concern is that Genstar, with very extensive holdings in construction and development, would have, in effect, its own source of capital. Canada Trust is now the country's largest trust company, one which reportedly is Canada's largest mortgage lender and the fourth largest holder of personal savings accounts.

There was another concern that ran all through the hearings of the finance committee, and that was the concentration of power in fewer and fewer hands, which is a growing trend in Canada. At this point about 25 companies control between one-third and 40 per cent of our economy. The main concern I wish to address today is the potential for self-dealing, the potential for a financial institution making business loans and decisions that are not in the best interests of the shareholders

or of the depositors when it is owned by a non-financial institution.

The member for the New Democratic Party who asked a question just a few minutes ago said that in his view it was inevitable that there should be self-dealing in certain situations. I would never regard it as inevitable. In any situation where you have people of good faith and good judgment you do not necessarily have self-dealing. But faced with the situation as we are seeing it now, which has changed very much in recent years, it is not enough to just rely on people's good faith and people's integrity. It is important there be clear legislative standards as well.

The Minister, according to the new legislation, does have power to block and, if necessary, require divesting or unwinding if a merger seems to be against the public interest. The review would be based on the prospective new owner's financial strength, soundness of business plans, business record and experience, and the best interests of the Canadian financial system. The Bill also proposes that these measures be applied to all transactions occurring after November 29, 1985, which is the date the Bill was issued in its draft form. This is the background to the recommendation approved unanimously by the Finance Committee and reported to the House on April 8. The Finance Committee motion recommended that the Government apply the provisions of Bill C-103 to ensure that major financial institutions such as Canada Trustco, owned by Genstar, not be placed under the control of major non-financial institutions such as Imasco.

• (1630)

To date, we have not had any clear indication of the Government's intention. It is important at this time that we see consistency in the Government's approach and that we see convincing evidence that the government is according some consideration to the institution of Parliament and to the unanimous reports which have come from the Finance Committee. Will the Minister heed the wishes of her own caucus colleagues and block Imasco's takeover of Genstar Corporations? If so, will she then deal with the fact that she did not accept the Finance Committee's Recommendation No. 58 concerning the merger of Canada Trust and Canada permanent Trust? Will the Minister permit the deal to go ahead and, if so, under what conditions?

The Minister was given advance notice of Imasco's intentions and apparently she and her officials have been reviewing the matter since before it became public on March 24. The Minister said in an interview with *The Financial Post* that she has no problem with financial institutions being owned by industrial groups and that this was happening in a number of other countries. At the present time, American laws explicitly forbid ownership or control of financial institutions by non-financial institutions, although we understand that there is pressure to change that law.