

Pioneer Trust

Mrs. McDougall: Of Pioneer management, Mr. Chairman.

Mr. de Jong: Mr. Chairman, my colleague from Prince Albert brought up the question of constituents who have had a mortgage with Pioneer Trust. Their mortgage is up for renewal. Touche Ross, in essence, refuses to deal with them saying that the company acquiring their mortgages will be the one to look after them. People are finding that if they want to change mortgage companies, they are stuck with the changeover fee. They themselves are not given the opportunity of buying out their mortgages. Touche Ross is saying, "We are selling all these as a block", even though a mortgage at 12 per cent or 13 per cent interest might be sold to an institution for only 10 per cent interest. The mortgage holder himself or herself is not able to benefit from that.

Has the Minister addressed herself to this problem, and particularly to the problem of those people who will have added legal costs in transferring their mortgages because of Pioneer's default?

● (1620)

Mrs. McDougall: Unhappily, I do not have any jurisdiction to do that. Under the Winding-up Act the liquidator has two obligations. One is to liquidate the assets as quickly as possible and the other is to maximize the return to creditors whom he represents. It would be helpful if he could accommodate all the individuals, but he is charged with those two responsibilities. In terms of my jurisdiction, I just do not have any.

Miss Nicholson (Trinity): Mr. Chariman, I have just a couple of questions for the Minister concerning sanctions and enforcement. For instance, I am advised that in looking at Pioneer Trust, the Department of Insurance noted several statutory infractions including an investment in a Denver real estate project which was outside the Department's guidelines. If this is true, what action will follow from it?

Mrs. McDougall: Mr. Chairman, there is not much action which can follow from it. The company was instructed to bring that down to within the limit. Unfortunately, there was not a big market for Denver real estate, and that was a problem. It was a business decision and it was over the limit. It was instructed to bring it down to within the limit that it could. Unfortunately, I think the bidding on Denver real estate was not terribly active.

Miss Nicholson (Trinity): The Minister is saying that nothing can be done, presumably because the company has now been wound up. If the company had been staying in business, presumably it could not just ignore guidelines or instructions from the Department of Insurance without some kind of sanction.

Mrs. McDougall: Unfortunately, there are not a lot of teeth in the regulatory function. The Superintendent can reduce the borrowing ratio of a company or can instruct it to reduce interest rates offered on deposits. There is not a whole lot else. Of course, most companies comply. In a situation where the value of the assets has declined considerably, there is not much

market for them. This makes it very difficult on the other side to get into line quickly. I personally think there should be a lot more teeth. There should be more the regulators can do, and we have indicated in our discussion paper that we would like to see a lot more power, a more pro-active role and a lot more prevention. At the moment there is very little we can do until there is actually insolvency, and we are working very hard to try to revise that.

Miss Nicholson (Trinity): I also have a question about the parent company, Canadian Pioneer Management Limited. Were the two companies so structured that the parent company has been able to walk away completely from any responsibility for what happened with the trust company?

Mrs. McDougall: It has lost its total investment in Pioneer Trust. All its equity is just gone, so it has certainly created some difficulties for those shareholders.

Miss Nicholson (Trinity): Finally, I would like to return to the role of the Saskatchewan Government in this matter. As far as I can see—and the Minister has neither confirmed nor denied it because obviously she may not have the full information yet—the Treasurer of Saskatchewan issued a letter of comfort to this trust company indicating that the Saskatchewan Government would guarantee a preferred share issue up to \$10 million. He did this, simply taking the word of Pioneer and perhaps being motivated in part by suspicion of eastern bureaucrats and eastern banks and an appeal to western pride. Those seem to be very poor motives for dealing with public moneys. However, apparently the Treasurer came to his senses later, when he was sufficiently incensed to find that he could not get clear information and that the president and someone else had gone on holidays to places like Hawaii and wherever. He sent in a team and found that the need was not for \$10 million but for something between \$20 million and \$30 million, at which point he withdrew his offer of guarantee.

If the circumstances are as they have been reported and as I have said, all this sounds amateurish and irresponsible. It kept the licence there for a period of almost two months when it might otherwise not have been there. It dragged on a situation with no particular benefit to anyone. If indeed the Saskatchewan Government has acted as irresponsibly as the reports say, it seems to me that it becomes a matter for very serious discussion between the Canadian Ministers and their Saskatchewan counterparts, and that there should be a very clear understanding that any costs involved as a result of this kind of behaviour on the part of the Saskatchewan Government should be picked up by them.

Mrs. McDougall: I cannot undertake to explain the motivation or the examination which the Treasurer of Saskatchewan might have undertaken before the fact. I know Mr. Andrew and I regard him as a man of honour and a man of responsibility. I think some questions will be asked in his own legislature as to how this came about.

As a former western Canadian, I understand that people do care very much about their indigenous institutions. I worked