

*Financial Institutions*

upstream and downstream, and that the web of ministerial control over what one assumes would be relatively normal business activity would be so widespread as to be ludicrous.

● (1130)

The people from Power Financial pointed out that their subsidiary, Consolidated Bathurst, was engaged in a joint venture with the Government of China for a pulp mill in eastern British Columbia. Since the Minister's power of oversight would have stretched to any associated company and any of its activities, that would have meant that the Minister would, theoretically, have had some oversight function on that project, and the Government of China would not have been able to pursue the creation of a new steel mill, the opening of some kind of new financial institution in China, without the approval of the Minister of Finance of Canada.

I presume that that approval would not have been sought. It would be ludicrous to expect a sovereign Government to have to come, cap in hand, to Canada in respect of something which it was doing within its own country.

But, this would also have been the case with all of the commercial investments which are controlled through the investment fund of the Quebec Pension Plan. It would have possibly been the case with the Government of France because of its interrelationships with certain commercial and financial operations here in Canada.

The Minister does not listen very well. He failed to be sensitive to the concerns of the members of the Standing Committee on Finance and Economic Affairs. Even when it is the New Democrats that are saying that a particular measure seems to be unworkable when applied to the business community, I think that any Minister of Finance should hold back and say, "Look, this isn't just a new realism coming from New Democrats; something must be really wrong with this."

Instead, the Minister rolled back and came back with a 50 per cent rule. But that, at the same time, would have been oppressive because it was still not clear how it was going to be applied. It also applied, if I recall correctly, to any increase in shareholdings over the 10 per cent level—and that did not seem to make sense. The only good thing about it was that the intrusion into associated companies had been sharply cut back.

I would be concerned that the Minister might in fact, having exercised his right of review, accept certain takeovers of financial institutions which I would have found objectionable, speaking on behalf of the New Democratic Party.

On the one hand, we did not know what the Minister was going to do with this power; the power was unnecessarily intrusive. Finally, the Minister accepted the reality of the situation, which was that this Bill would not be available in time for the "Big Bang" in Ontario if Clause 10 and the related clauses were not withdrawn. The Minister tried to dress up his withdrawal, but in fact that is what actually occurred.

On this particular question, I should like to point out that the Government's present policy, which grandfathers existing commercial interests, is, I believe, shortsighted, unrealistic and impractical with respect to the future establishment of new financial institutions.

A financial institution, even a small one, needs a substantial amount of capital. That capital, if it is not to come from existing companies, has either to be raised in the market or to come from wealthy individuals. The Minister's view has been that those wealthy individuals, or any shareholders with more than a minimum shareholding, have to have no commercial links at all. For a small institution, it seems to me that that may well be very difficult.

That is the dilemma the Government has got itself into. It is not prepared to be tough and to insist that large financial institutions must be widely held and cannot be controlled by any one interest, be it commercial or non-commercial. The Government, on the one hand, therefore, permits the concentration of ownership for large institutions but, at the same time, inhibits the creation of new financial institutions.

Since some financial institutions are going to disappear, through adverse business circumstances, through merger, through acquisition, there has to be, I would assume, a supply of new financial institutions to take their place. The Government's view seemed to be that those financial institutions should mainly come from the foreign-controlled sector. A godparent for a new financial institution would be permitted if it were a foreign company, even if it had commercial links outside of Canada. The Government was only looking at commercial links within Canada—a position which seemed to me, at best, contradictory and rather strange.

I should like also, Madam Speaker, to raise the concerns of New Democrats—and these are concerns that I have enunciated at some length during previous debate on this Bill and on Bill C-42—that while the Government is concerned about commercial links, it is, on the other hand, open, without a great deal of thought, to permitting financial institutions to own securities dealers. These securities dealers will doubtless engage in promoting stocks, in underwriting, and in giving investment advice, and that kind of thing.

Even though the Government says there will be all kinds of Chinese walls, as they are called—and we should get a different term for that—even though there is a segregation of the different activities, nonetheless there will be people working for the same enterprise, some of whom will be promoting different bond issues or share issues, or recommending the acquisition of different shares, at the same time as others working within the same corporate group, within the same bank or financial institution, will be lending, reviewing the credit worthiness, or in certain cases calling on a particular enterprise, a borrower, to shore up its equity, to get its ratios better, to do an issue, or something like that, because they are getting into a risky kind of situation.