

### Time Allocation

McDougall). That is not so, Mr. Speaker. The Minister of State for Finance is now hiding behind Mr. Justice Estey's robes. That is no improvement. In fact, it is a good deal worse in terms of parliamentary accountability and the responsibility of a Minister for the field for which that Minister is responsible.

Mr. Speaker, since I last spoke on Bill C-79 a number of suspicions of mine have been made dramatically clear. The tabling of the Hitchman Report has laid bare the deficiencies—and, in fact, the total inability—of our inspection system, our monitoring system in ensuring a sound banking system.

Mr. Speaker, there is now very little truth to the claim that Canada has one of the best banking systems in the world, a claim which has been made repeatedly by the Ministers of this Government and by the Governor of the Bank of Canada.

The Hitchman Report has highlighted many of the failures and deficiencies in our system of inspection. It is little wonder that the Government was reluctant to release it.

Members of the House will know that I sat on the Finance Committee throughout its examination of the Canadian Commercial Bank in May and June of this year. The committee heard from all of the principals at that time: the President of the Canadian Commercial Bank, the auditors of the Canadian Commercial Bank, the Inspector General of Banks, and the Governor of the Bank of Canada.

It is obvious from a reading of the Hitchman Report how dishonest, how deceitful, and how shallow so much of the testimony and the advice the committee got at that time was.

Mr. Speaker, the scrutiny which we and all Canadians thought was inherent in our monitoring of the banking system turned out to be simply second and third-hand assurances on the part of the Inspector General of Banks and the Governor of the Bank of Canada, two individuals who essentially took the word of management. What the Hitchman Report shows is that the Canadian Commercial Bank management acted foolishly in its lending practices and continued to act foolishly even after the bank was bailed out last June. This happened even though we had every right to expect that after the bail-out in March, the Inspector General would inaugurate the kind of inspection system which he ought to have had in place all along.

● (1125)

I suggest to Hon. Members that they could read no more scathing an indictment of our financial system and its monitoring than that provided by an editorial which appeared in the *Financial Times* of October 14. If I might be permitted to quote from that assessment, the editorial reads in part:

The findings of the 71-year-old ex-deputy chairman of the Bank of Nova Scotia as he delved into the chaotic mess of loan files at the CCB were in turn profound, startling and devastating.

Above all, they indicated that Hitchman seemed to be alone among countless bank officers, directors, external auditors and federal regulators in having the right nose for the job.

If there was any doubt before the release of Hitchman's report as to the inadequacy of the Inspector General's office in policing the CCB case, there is not a shred of doubt now.

Nor was the performance of the CCB's external auditors anything to rave about. Hitchman's testimony raised grave questions about the role and judgment of the auditors who seemed as ready as the Inspector General's office to accept, lap-dog fashion, management's word on almost everything.

That editorial refers to a pretty comprehensive list of those with responsibility. It is very similar to the list that the Hon. Member for Kamloops-Shuswap (Mr. Riis) and I compiled when we issued an NDP addendum to the Finance Committee's report. Here is what we said on June 12:

If the CCB experience points out anything it is the deficiencies of the present system in which persons with direct responsibilities including bank officers, bank directors, bank auditors, external auditors, bank investment underwriters and government monitors, including the Inspector General of Banks and the Governor of the Bank of Canada, all failed to locate serious difficulties in CCB operations so as to expose and correct them before that bank virtually drifted into bankruptcy. Independent of anything else in the Green Paper discussion paper, there must be an immediate and comprehensive updating and revitalization of this system if the savings of Canadians are to be protected as they must be against mismanagement and conflicts of interest by officials of financial institutions.

That is what we said in June, Mr. Speaker. The advice we gave and the conclusions the Minister of State for Finance should have drawn from the hearings which were held by the Finance Committee in May and June were not heeded. Despite the Minister's hands-on direction of the CCB, we got the same old stuff. Here is how the *Financial Times* describes the new CCB in operation after the \$250-million bail-out which was supposed to make the bank a viable operation again:

In mid-July, after CCB president Gerald McLaughlan had assured Hitchman the bank was devoting its energy to collecting on old loans instead of pursuing new business, the CCB loan committee recommended two new loans of \$15 million each.

Both loans were to be made to brand new companies whose capital value was—

Get this, Mr. Speaker:

—\$1 each. One of the \$15-million loans was for a 10-year term, to bear interest at 10% or prime plus a half. Yet CCB would have had to pay 12% to raise the funds to be lent out—costing the bank an additional \$5 million. The real estate which the loan would purchase had been valued at \$9 million.

● (1130)

Where was the Inspector General of Banks? Where was the Governor of the Bank of Canada who, on a number of occasions, said that the CCB was a viable operation? It is quite clear that those with the ultimate responsibility for protecting the people of Canada were remiss. The Minister of Finance, the Minister of State for Finance, the Inspector General of Banks, the Governor of the Bank of Canada and all the Ministers concerned must take full responsibility. Their failure to act when they should have acted and their failure to require the Inspector General of Banks to perform the job he was supposed to perform will cost the people of Canada billions of dollars.

The failure of the Canadian Commercial Bank has contributed to the failure of the Northland Bank and has placed a number of other regional and smaller banks under extreme pressure. This failure has made the people of Canada question