

**Mr. Bill Kempling (Halton-Wentworth):** Mr. Speaker, in rising to speak on the amendment proposed in motion No. 3 by the hon. member for York-Simcoe (Mr. Stevens), I emphasize the fact that in my view this amendment will remove a cloud that I feel presently hangs over the philosophy and purpose of Bill C-14. I have looked very carefully at the amendment proposed by the minister and I do not feel it covers the same ground that is covered by motion No. 3.

We must ask ourselves why we have this provision which would allow the directors to borrow money from the bank. Also, why was there some resistance by the minister—as I believe there was—in the committee to a motion which would restrict this practice? Perhaps the argument can be made that the Federal Business Development Bank will want to attract a staff of highly qualified people presently employed in private industry. I agree to some extent with that proposition but, by the same token, I do not feel that motion No. 3 will in any way inhibit the Federal Business Development Bank in recruiting directors or members of the regional advisory council. If the bill goes forward without this amendment, there will be a cloud over its philosophy and purpose.

As the bill now exists, even with the amendment proposed by the minister it would still be possible for a director or member of the regional advisory council virtually to steer a loan application through the administrative process up to the point of approval. The bill, in my view, hangs under a cloud in respect of the administering and granting of loan applications, particularly when a director or member of the regional advisory council may be the beneficiary of a loan. There is no doubt in my mind that undue influence could be brought to bear in respect of a loan application, a guarantee, a guarantee of a loan or an underwriting agreement. In addition, if carried further a director or member of the regional advisory council could develop a source of financing for the products of a company in which he has a financial interest. The mechanism is there through which this could be done. It would be a very simple matter to arrange, as part of the sale of a product, for Federal Business Development Bank financing if an officer of the company were a director or a member of the regional advisory council.

In addition to the fees paid for performing the functions of a director or member of the council, a director or member of the council has the potential to make in-pocket profits as a result of a sale financed by FBDB funds. We are dealing with human beings and we are trying to make this piece of legislation as pure as possible so there cannot be any suggestion of conflict of interest. Probably the quickest way to destroy the integrity of the FBDB would be to let this bill go through unamended, or to accept the amendment put forward by the minister. We are restructuring the IDB through Bill C-14, to make it more responsive to the needs of small businesses. We know this legislation is sorely needed because we are aware of the liquidity problems facing small businesses. We are particularly aware of the problems which will exist in the next two or three years.

We must always keep foremost in our minds the public perception of our parliamentary process, the governmental process and the conduct of government agencies and

#### *Federal Business Development Bank Act*

Crown corporations. In my opinion, the FBDB should be available to all and should be able to withstand any degree of public scrutiny. Never is this more important than when public funds are concerned. Conflict of interest has been mentioned several times by other hon. members and it is a subject of public discussion and debate. I do not think we should pass legislation where potential conflict of interest exists, as it does in respect of Bill C-14 even with the amendment proposed by the minister.

● (1620)

I do not think anything reduces public confidence in government more than there being disclosed, say, that applicant A was successful, because he had the inside track or was privy to inside information, over applicant B. There has been much public discussion of insider trading and interlocking directorships which lead to conflict of interest respecting shareholders or potential shareholders. Surely we should set an example in the legislation we frame, so that we may assure the general public and potential applicants for loans that the decisions rendered by the directors and members of the regional advisory boards will be above reproach, and that the directors and members of a regional advisory board are not profiting personally from a bank transaction, whether or not they abstain from voting on a particular application for a loan.

I am very concerned, as I am sure all members are, about the public perception of our governmental process. The cynicism deepens and lowers the public perception of our parliamentary and governmental process when conflict of interest is involved. I would like the minister to include in the bill and his amendment strict guidelines, in the clearest possible language, which will assure the public that no conflict of interest can exist and that any director or member of a regional advisory board cannot claim ignorance of the guidelines due to language ambiguity and interpretation, as is the case with many of the regulations that we have today. Because of the scarcity of information available in annual reports, and the practice of submitting them to a standing committee at the time of its first meeting, I feel it is mandatory to supply information with the annual report that will detail the loans, guarantees, guarantees of loans and other agreements, or anything of that nature. One problem we have is that we do not get enough information from annual reports in order to carry out a proper examination.

We do not seek to restrict the commercial talent available to the Federal Business Development Bank. For this reason we propose that a director or member of a regional advisory council not be allowed to be the recipient of a loan to a company in which he has more than a 50 per cent interest. For these reasons, Mr. Speaker, I support motion No. 3 to amend Bill C-14 standing in the name of the hon. member for York-Simcoe.

**Mr. Clark (Rocky Mountain):** I rise on a point of order, Mr. Speaker. It is difficult at the best of times to understand the minister. However, I think I understood him to say that the hon. member for Gatineau (Mr. Clermont) has some amendments, I presume to motion No. 2 in the minister's name. I presume that the amendments of the hon. member for Gatineau were worked out in collaboration with the minister. I do not think it makes much sense