

Financial Institutions

Canadian institutions. So any further payouts to depositors, any further use of CDIC resources to finance Government policies, will further postpone the eventual retirement of this debt.

● (2150)

At committee, the Minister appeared satisfied to take the chance that there would be no more failures of financial institutions, federal or provincial, to delay repayment of CDIC's deficit. He also said he could not see a need for separate measures. However, I have to say again I cannot follow his reasoning.

He told the committee on June 8 "The whole question of addressing Government planned decisions that affect the CDIC is a separate problem, and a separate event than can be addressed separately". As I pointed out, the Government's practice of using CDIC funds to pay for its own policy decisions is a convenient way for the Government to implement costly decisions without having to show it as an increase in the deficit of the Government of Canada. This is because the CDIC deficit, like the deficits of other Crown corporations, is not included as part of the over-all Government deficit. There are no provisions made for it because it is not recognized as an obligation of the Crown. The Minister's theory with respect to CDIC is that the money is not at risk because it can be recovered through the member institutions.

However, the point is that if the Government had not dipped into CDIC funds to help pay for such things as the bail-out of the Canadian Commercial Bank and the takeover by the Hongkong Bank of the Bank of British Columbia, it would have had to make direct use of Government funds, and its deficit would have been \$1 billion higher. I would have preferred to see the Government adopt a regime to deal with the CDIC deficit in a timely manner without being dependent on there being no further payouts of deposit insurance.

Before concluding my remarks, I would like to refer briefly to another matter involving the Canada Deposit Insurance Corporation which I raised earlier in the House and in committee. In March in this House, in Question Period, I asked the Minister of State for Finance about a proposition made to the Canada Deposit Insurance Corporation by Peter Pocklington whose company, Fidelity Trust, had failed and who had thereafter offered to pay to CDIC \$10 million to buy \$150 million worth of Fidelity Trust tax losses which he would then use to shelter his other profitable enterprises. The Minister of State for Finance referred to this as an extraordinary story and behaved as though I had invented it. Yet in committee we find that in fact this offer was made. The President of CDIC confirmed that they examined the offer and considered it for quite some time before rejecting it, and further, I learned that recently the Minister of Finance (Mr. Wilson) issued a directive to Crown corporations regarding the sale of tax losses.

When I asked the Minister about this matter, and he behaved as though I had invented it, it was under active consideration by the Canada Deposit Insurance Company which, to its credit, rejected it, and the Minister of Finance presumably was concerned since he has subsequently issued a directive to Crown corporations advising them not to get involved in this kind of exercise. I am very glad he has done this. However, I am concerned that the Minister of State for Finance either did not know about the issue, or knew but chose not to answer my question.

It is this kind of lack of frankness which makes it very difficult for us to have confidence in the Government and to have confidence when we are told to pass the Bill and all our concerns will be satisfied later on. Nevertheless, because this Bill does reinforce the powers of the regulators to some extent, I will be voting for it and further questions will remain until we get the more solid Bill, whenever we get it.

Mr. John Parry (Kenora—Rainy River): Mr. Speaker, it is my pleasure to rise and comment on this Bill. I must admit that given the exhaustive and comprehensive analysis my colleague, the Hon. Member for Trinity (Miss Nicholson) has provided, it almost verges on the superfluous for me to try to expand on the points she has raised. Nevertheless, I think it is very useful that we reinforce that the over-all strategy of the Government in dealing with the shock waves which went through the financial industry as a result of the failure of two western banks was definitely lacking. The shortcoming lies in the slowness of action and in essentially realigning the regulatory system without, as my hon. colleague said, providing any firm assurance that there will be a strengthening of the personnel involved. That does not reflect favourable on the Government's level of commitment to ensure this sort of failure and, indeed, the losses which would have arisen but for the Government stepping in and subsidizing the Canada Deposit Insurance Corporation, does not happen again.

I think the situation, obviously, which ideally all Parties in this House would want to see, is one in which the Canada Deposit Insurance Corporation always has access to the funds necessary to pay any claims against it arising from the failure of any size of financial institution. We know that this was not the case with respect to the two western banks, and the Government felt it was incumbent upon itself to step in. That which was essentially an *ad hoc* investment, if we put it politely, and expenditure, if we put it bluntly, of taxpayers' funds was in fact little more than the parallel to the sort of shoring up of industrial companies, particularly Crown corporations which has happened under previous Liberal Governments. So it is not for any partisan purpose that I would instance this as an indication of failure of the Government's over-all agency financial institutions regulatory policy.

We saw the turnover of personnel at the highest levels, the supervisors, the watchdogs of the financial industry and, indeed, one thing which at least we can say is that we know the management which previously had allowed some of the things