However, in the long term, which is what we really must be concerned about, it is still far from certain that banks would offer life insurance at super competitive prices.

We heard a lot of contradictory evidence on this whole issue. For example, in 1989 the Public Interest Research Centre did a study claiming that if banks sold insurance consumers would save millions of dollars. However, in 1991, this year, there was a study completed by Eckler Partners discrediting that previous study.

That is what I mean by saying that there was a lot of contradictory evidence to sort through to make decisions.

We also heard a lot of arguments that the banks would provide very unfair competition. That is because of the size of the banks. With assets of $126 billion, one bank, the Royal Bank, would be larger than the total insurance industry in Canada. Together the six major banks account for almost 90 per cent of the $584 billion in Canadian banking assets.

Therefore, it has been argued that there is a possibility of very unequal competition between the banks and the insurance companies simply because of the size of the assets of the six chartered banks.

It is possible that if the banks and trust companies sold insurance we might have a short but very intense battle between the huge chartered banks and the smaller life insurance companies. We could have massive dislocations in the insurance industry, which is made up of 170 companies and 35,000 agents.

Possibly a lot of insurance people could lose their jobs and a very successful Canadian insurance industry, which serves both rural and urban Canadians, would be permanently damaged by such a battle between unequals.

There is also some evidence to suggest that there could be some tied selling, which I described earlier. A survey in the United States by the insurance industry indicated that regulators found significant evidence of tied selling there. Therefore, you might ask: "Well, does that mean that it would happen in Canada?" Not necessarily, but it is certainly one of the arguments or factors we had to consider very seriously.

As I indicated earlier we heard a lot of conflicting views on whether banks and trust companies should be able to sell all types of insurance. We have studied this in great detail and given the potential enormous cost to the insurance industry. We in the Liberal Party have decided that banks and trust companies should not be able to sell all types of insurance.

Another issue that took up a lot of time in committee and which we examined in detail concerned the kind of foreign institutions that should be able to own Canadian Schedule II banks. This new Bank Act before us today adds financial institutions to the list of those which can apply for a Canadian Schedule II bank. That is really the same as it is in Canada.

• (1530)

We think that it is fair that foreign financial institutions should be able to apply for a Schedule II bank as long as we have confidence in the quality of the applicants.

The first draft that the government presented to the committee said that anyone in the business of financial services should be able to apply for a Schedule II bank. We had concerns about that and there was a lot of concern expressed about the potential destabilizing effects of the entry of unregulated companies like General Electric Finance Corporation and others. That could create a serious problem in Canada.

The original draft of this section was also very vague. As I said, anyone in the business of financial services could apply in Canada to become a bank. We felt that this left the door open for a whole host of undesirable applicants and that it would possibly undermine the soundness and safety of financial institutions in Canada.

As I mentioned earlier, that was a main objective that we in the Liberal Party kept in mind when we were reviewing this legislation. Foreign non-banks like GE Finance do many things that Canadian banks do. They raise money by making short-term loans known as commercial paper. This sounds like banking even though these institutions are unregulated and they are commercially linked. If they came into Canada they would obviously be regulated.

However, the question of allowing such commercially linked companies into Canada raises concerns about the fairness to Canadian banks and about the soundness of the Canadian financial industry.