

Adjournment Debate

The hon. member for Lisgar has indicated that he realizes and understands fully the need for the development of consensus between those interest groups which, in some cases, have very divergent opinions with regard to the most appropriate method of solving this particular problem. Naturally, the government is anxious to consider the views of all those interested and would therefore seek the opinions of eastern food processors as well as the opinions of western farmers and in particular would consider the proposals forwarded by the western agricultural conference and the Prairie Farm Commodity Coalition.

In conclusion, may I assure the hon. member that the minister and his cabinet colleagues are working to resolve this most difficult problem as quickly as possible.

BANKRUPTCIES—RE-MOR MANAGEMENT INVESTMENT—C & M FINANCIAL SERVICES—INVESTIGATION CONDUCTED BY COMMITTEE OF ONTARIO LEGISLATURE

Mr. Bill Kempling (Burlington): Mr. Speaker, on January 23, as reported at page 6503 of *Hansard*, I asked a question of the Minister of State for Finance (Mr. Bussières) with regard to the bankruptcy of Astra Trust and its various associated companies. Hon. members are aware that a committee of the Ontario legislature has been examining the matter of Re-Mor Investment Management and C & M Financial Services and the relationship of these two companies with Astra Trust. It has now been shown that the three companies are interconnected through common ownership of share stock.

Let me deal with the question I put to the minister regarding the approval of the application to Astra Trust. We now know, through evidence given at the committee of the Ontario legislature, that the application for a trust licence was put to the Department of Finance on three occasions. I believe that the original application was submitted in 1972. At that time inquiries were made.

We know that the Superintendent of Insurance turned down the applications on two occasions due to concerns about some of the proposed directors. All of this information came out in testimony before the committee, although it has been denied in this House. Part of the testimony presented by some officials of the Department of Finance was given after reference to notes. They were not direct statements made by officials of the Department of Finance, but were statements from notes of lawyers.

● (2210)

One comment was that the Department of Insurance was mainly concerned with the financial details of the application and that the information supplied by the RCMP was not very reliable. I find that view to be absolutely incredible. Of course the proof of the accuracy of the RCMP reports is evidenced by the order to wind up Astra Trust and by the bankruptcy of Re-Mor and C & M. We note that fraud charges have been laid, and I am sure more charges will follow in this amazing and complicated financial collapse of three companies.

There is ample evidence from the report and evidence of the Ontario legal committee to cause the Government of Canada to conduct a full inquiry into this whole financial mess. It is known that the Superintendent of Insurance recommended against a trust licence. We know that extreme pressure was applied. The sworn evidence shows in the notes and other documents that dozens of memos and phone calls were made. One note quotes Senator Stanbury, in an August 11, 1975 note, as saying there would be pressures, problems and flack if this application were turned down.

What magic did these people in Astra Trust have? What hold did they have that they could keep this thing going for a number of years?

Phone calls and visits to the office of the then minister of finance occurred over a period of about two years. There was lobbying and pressure, and a dramatic turnabout occurred somewhere between October 21, and November 12, 1976, when the Astra Trust application was approved. When dealing with private investors in a trust environment there is a special set of conditions. Many trust clients are unsophisticated investors, while others are state trustees bound by the court to administer an estate in a particular way. Speculative investors do not normally seek out a trust company.

The troubles that settled on Astra Trust began almost at the start. Within 30 days of the issue of the Astra Trust licence, there was a stock split, five to one. The evidence of the committee shows that one major shareholder made \$1.5 million on the split. He had real inside information. Other people made lesser amounts. Shares were put into a voting trust without authorization. It is evident that insiders made a bundle.

One of the people doing the lobbying for Astra Trust became a director and benefited by the five to one split. That causes one to wonder about the conflict of interest of former Members of Parliament. The person I referred to was a former Member of Parliament, a parliamentary secretary and chairman of the justice committee of the House of Commons.

I cannot believe that the Department of Insurance did not know of the five to one stock split; I cannot believe that the department was unaware of the agency certificates that were being issued; I cannot believe that the department was unaware of this misadventure in Spain when \$2 million was invested in a condominium unit that was bankrupt before people got there. I find it strange that the operations of C & M were not more closely monitored when it was a condition of the granting of the charter that it be closed down.

If one turns over the coin, one must assume that the people directing Astra Trust felt secure in their operation. One would assume that a newly-chartered trust company would be very careful in its start-up operation. One would not think it would engage in stock splits and insider special deals, issue questionable certificates, open more branches than authorized, or venture into a condominium development in Spain without first clearing these matters and discussing them with the Department of Insurance or officials in the government in order to ensure that they were operating within the guidelines.