

automobiles and other equipment. This prospect caused great concern to the automobile industry. Representations were made and we are all pleased that the minister saw fit to bring forward an amendment which would change that situation. This is just one more improvement which has been proposed. It is based on good sense and good judgment, and its intention, I am sure, in fairness to the hon. member for Edmonton West, is to have as the end result a better act providing for better control over our banks and our banking system.

As I have already indicated to the minister and to the House there are provisions that can be changed. The provision which would have allowed the banks to become involved in leasing from which they were formerly precluded, has been changed to allow the automobile industry and other businesses engaged in the leasing of autos and other equipment, to retain control of that field and not be subject to unfair competition from the banks. I am sure the objective of the hon. member for Edmonton West was simply to improve the bill.

● (1530)

The Bank Act is not written in stone, Mr. Speaker; it is not a perfect document. In my view, the main drawback is that the Bank Act is not subject to proper supervision and administration. There is no provision for officials to change some of the restrictions which have been placed on banks such as the percentage of assets or liabilities that can be used in the mortgage market. I believe this should be a function of the supervisor of the Bank Act, the Inspector General of Banks. Until now he has had the limited function of ensuring that banks operate on a sound financial basis. There should be a provision for such greater supervision and control of banks on a day to day basis to ensure that they become more responsive to the needs of the public, and that they can change with changing times.

I have reviewed the provisions of the Bank Act which relate to the Inspector General of Banks who, after all, is the supervisor of banks. This official should be charged with some control over these changing aspects of the Bank Act—bearing in mind, of course, that the provisions of the act only change every decade. I think it is one of the drawbacks of the Bank Act that legislators are forced to make provisions that are binding for long periods of time. We should try to find a way of placing within the Bank Act the means to control factors such as the amount of money available for mortgages across Canada through banks and other lending institutions, as situations change. The only hope of achieving a provision for such change within the act lies with the office of the Inspector General of Banks. There is ample precedent for this in other legislation. As the office of the Inspector General of Banks is presently constituted, he may not be capable of assuming these responsibilities but if we want the Bank Act to be something that can grow and change as circumstances demand, this is the area we should be concentrating on rather than just trying to change the various provisions before us in the bill. We would have to reconsider the whole structure of the act.

Bank Act

We are faced with an imperfect document, Mr. Speaker. The hon. member for Edmonton West has tried to alter one of the provisions in a manner that we feel would be more favourable to the industry, to people who need the services of banks, to those in the mortgage field and other fields as well. As the act now stands, it does not have the flexibility that would allow for change from time to time. The only way this kind of flexibility could be achieved is through the proper supervision of banks and the banking industry by a properly constituted office under a properly constituted officer such as the Inspector General of Banks. At the moment, however, his powers are so limited that he can do nothing for people whose day to day lives are affected by banking activities. If we want the Bank Act changed so that it can reflect the needs of the Canadian community as conditions change, we should be looking for some technique that would allow those changes to be made.

Mr. Bob Rae (Broadview-Greenwood): Mr. Speaker, I simply want to point out to the hon. member for Edmonton West (Mr. Lambert) that the inevitable consequence of his amendment would be an increase in interest rates, a reduction of competition in the mortgage market and a special deal for certain institutions such as trust companies and mortgage and loan companies at the expense of the consumer.

I am not surprised at the position taken by the spokesman for the Conservative party in this debate but I think the consequences of the amendment should be made clear. An hon. member says, "That's what you think." That is true; that is why I am saying it. I know it is not traditional for a Conservative always to say what he thinks but that is how we in this party conduct ourselves.

The hard fact is that if hon. members were to seriously consider the problems that exist in the residential mortgage market, the idea of providing for less competition or of providing a special privileged position for certain institutions such as trust companies, makes little sense. In the first six months of 1978 the total of mortgage loans approved by all lending institutions was \$6,590 million. In the first six months of 1979, the figure rose to \$6,975 million. In the first six months of 1980, it dropped to an astonishing \$4,158 million—a decline over the previous year of nearly \$3 billion or almost 50 per cent.

The mortgage market has, in a sense, almost collapsed. In the first six months of 1980 the number of housing starts was at the lowest level since the early sixties as I pointed out yesterday in a question to the minister responsible for CMHC. It is down to 53,800 starts. The minister replied that on an annual basis the figures for October showed 187,000 starts. That is the October figure multiplied by 12. If we contemplate what the figures for 1980 will be, we can only conclude that starts are at the lowest ebb since the early 1960s.

Confronted with this situation and considering the fuel that has been poured on interest rates as a result of government policy and confronted with the tremendous uncertainty existing amongst borrowers and lenders about whether to make loans for five years, three years or one year, the result has been a virtual collapse in the housing market in new construction