

Bank Act

populaires for whatever their business requirements may be with regard to financial institutions.

The criticisms I have made are the same that were made when the white paper on the Bank Act was brought forward. I want to put on record some of the views of governments, credit unions and trust companies. To a large extent they are the same criticisms that we make of the government's proposed bill which has been postponed. Should the same government be in office when the Bank Act is brought forward, it will be in much the same form as when it was first tabled by the government.

When the white paper on the Bank Act was brought forward, the government of Manitoba made certain comments. I quote in part from their comments:

My government has serious concerns with the over-all tenor of the proposals. They are apparently designed to promote competition among financial institutions and make the provision of financial services more efficient.

They said they approve of those goals but feel that, and I quote:

—the very structure of the financial sector in Canada is such that the changes proposed are more likely to produce the reverse effect—more concentration and less "efficiency" in the broadest sense.

The plain fact is that promoting competition between institutions of grossly unequal size simply allows the dominating institutions to take over business from the small institutions.

The chartered banks have demonstrated clearly that they act as 'oligopolists'; if competition among banks were real or effective they would be vying with each other for higher deposit rates and lower lending rates, and this would be reflected in lower profits.

I was told today by someone very knowledgeable that one cannot get from the Canadian banks the prices they offer for different types of loans. This is kept secret. In fact there is no competition among the major banks despite the need for competition, and we should have a new competition act which would deal with that kind of situation.

The government of Manitoba further stated:

I would ask that the federal government demonstrate the sincerity of its concern with competition in banking by setting up a monitoring system to track the competitive situation in the financial sector—and take action should there be evidence of lack of competition.

Talking about the kind of investment controls which I indicated countries in western Europe have, the government of Manitoba said, and I quote:

The federal government has the power to stipulate requirements on the banks' assets and thus influence the composition of investment. Market forces concentrate investment on large low risk projects, and shortchange housing, especially low income housing, and small business and industry in remote regions. Certain proportions of the banks' investments should be earmarked for housing and small industry.

The province of Saskatchewan stated:

The banks have not been responsive to regional needs. The credit unions and co-operatives have grown up to fill this gap. The continuing existence of a strong credit union system is our insurance that the banks will not revert to their old ways of dealing with the people of Saskatchewan . . .

The banks are already earning excess profits because of their market power; allowing them to move into leasing and factoring will increase this power, which is already too strong.

[Mr. Orlikow.]

I do not have time today to go into detail, but in the *Financial Post* in January of this year there was a story headlined "Banks Increase Share of Expanding Leasing and Factoring Services." It will be seen that the province of Saskatchewan was not wrong when it warned of this. I quote from this article:

Despite further delays in the Bank Act revision, Canadian banks are going ahead and beefing up their participation in leasing and factoring (basically managing accounts receivable).

Canadian Imperial Bank of Commerce and Banque Provinciale du Canada have recently established new wholly-owned leasing subsidiaries. And Provinciale has brought a 100 per cent interest in an existing factoring company while Commerce is negotiating with a U.S. bank to take over its Canadian factoring operation. Earlier, Royal Bank of Canada bought a 100 per cent interest in an established leasing company and increased its holding in another to 100 per cent from 50 per cent.

One therefore sees the direction in which the banks are moving without any countervailing action on the part of the federal government.

The province of Saskatchewan said that it is concerned that the white paper relies too heavily on the notion that increased competition within the banking sector will have a beneficial impact. The paper fails to realize that the real source of competition for the banks will increasingly come from the trust companies and credit unions. They feel in particular that no impediments such as a reserve requirement should block the road for the credit unions, that direct regulatory controls are necessary to restrain excess profits in the banking industry.

The National Association of Canadian Credit Unions made representations. They pointed out that while they had no objection to reserve requirements based on the needs of a clearing system, they saw no need for non-interest bearing reserves with the central bank. They said the only purpose of that proposal would be a centralized monitoring control which the Bank of Canada had always maintained could be achieved through control over the banks. They said that credit unions are already subject to a variety of legislative requirements under the provincial statutes and the federal Co-operative Credit Associations Act. They said that to stack such requirements on top of existing legislative requirements specific to Credit Unions without providing access to the compensating advantages enjoyed by chartered banks would be quite inequitable.

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An even lengthier brief was presented by the Federation de Quebec Caisses Populaires. I could go on, but it is pretty obvious that what the government proposes in respect of revisions to the Bank Act will not do the job required. It will not bring about more competition and will not serve the needs of the people of Canada. We believe the Bank Act should accomplish these things, and this should have been assured in the proposed bill that has been postponed. There should have been provisions included to beef up disclosure and conflict of interest rules that apply to banks so everyone will know who it is that runs the big banks, what they earn, and what are their business interests.