

Oral Questions

Minister taking to ensure that Canadians will be able to rollover the bonds that mature on November 1?

Hon. Michael Wilson (Minister of Finance): Mr. Speaker, as the Hon. Member is aware, we have given 48 hours' notice of our intention to cease cash sales at the close of business this evening.

The holders of outstanding issues that mature on November 1 will be able to roll those over on Monday, November 2. That will provide them with the protection that they can keep their funds invested in Canada Savings Bonds.

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AUDITOR GENERAL'S REPORTCANADA DEPOSIT INSURANCE CORPORATION—PAYMENT TO
HONGKONG BANK OF CANADA—TAX IMPLICATIONS

Miss Aileen Nicholson (Trinity): Mr. Speaker, my question is for the Minister of Finance.

In response to my question on Tuesday about the tax treatment of a \$200 million payment by a Crown corporation which did a circle via a bank in the Bahamas to the Hongkong Bank of Canada, the Minister of State for Finance replied, and I quote from *Hansard*, October 27, page 10437:

This particular transaction was a complicated one, structured in such a way that no one . . . would have been able to figure out the tax implications of the transaction.

Will the Minister be kind enough to explain to the House the contradiction between that answer and the fact that several days before the transaction was completed, the district office of taxation in British Columbia provided the purchaser with a letter of comfort to the effect that the \$200 million would be not taxed?

Hon. Michael Wilson (Minister of Finance): Mr. Speaker, I think that the Hon. Member is well aware that the relationship between a taxpayer and Revenue Canada is confidential, and only known by those two organizations.

INQUIRY WHETHER SIMILAR OFFER MADE TO CANADIAN
INSTITUTIONS

Miss Aileen Nicholson (Trinity): My supplementary question is directed to the same Minister.

At the time that the Bill on the Bank of British Columbia was introduced in this House, the Minister of State for Finance stated that a number of Canadian financial institutions were canvassed about taking over that bank.

Was the same \$200 million tax-free sweetener offered to those other Canadian institutions?

Hon. Michael Wilson (Minister of Finance): Mr. Speaker, as I recall the process at that time, there were a number of banks contacted to see whether they had any interest. Off the

top of my head, I do not recall if any of the other banks were sufficiently interested in principle to embark upon any further discussions with them.

Mr. Heap: Vancity Credit Union was.

Mr. Wilson (Etobicoke Centre): The Hongkong Bank was interested. It was on that basis that discussions were commenced.

As the Hon. Member is aware, the CDIC is empowered to make offers to potential purchasers if, in its judgment, it is cheaper for the CDIC to make a direct commitment, as it did in this case, than it would be to allow the bank to go under.

Clearly, the second option was something that the CDIC and certainly the Government wished to avoid, and in the event it was cheaper than the judgment that the CDIC had made—

Mr. Heap: Did you offer that deal to Vancity Credit Union?

Mr. Wilson (Etobicoke Centre): —as to whether the bank would have gone under.

ROLE OF CDIC IN STRUCTURING DEAL

Mr. Simon de Jong (Regina East): Mr. Speaker, my question is on the same matter.

I wish to ask the Minister of Finance whether it was CDIC that suggested the deal be structured in such a manner that the parent company in the Bahamas would receive the \$200 million rather than the Hongkong Bank of Canada? If that is so, surely the Minister cannot stand in this House and tell us that the tax implications were not known to the Government.

Again, I repeat the question, and I think it is a question of integrity, why does one Minister stand up in the House, in this case the Minister of State for Finance, and tell us that the deal was structured in such a way that no one could figure out the tax implications, whereas officials from the Bank of Hongkong of Canada have stated quite publicly that the deal was structured in such a way to save them paying taxes? They knew several days before the deal was okayed that this was going to be the manner in which the \$200 million was to be paid.

Hon. Michael Wilson (Minister of Finance): Mr. Speaker, I think that the Hon. Minister of State for Finance and I have made the point that our primary motivation here was to save an important regional bank that, had it gone under, would have had very powerful repercussions in the financial community in western Canada, particularly in British Columbia.

Our primary motivation was to save that bank. We did not get into the details of the tax considerations of that transaction. We knew that the cost of \$200 million was significantly less than the cost the CDIC had indicated it probably would be had the bank gone under. That was the motivation that we had, and that is why the deal proceeded on that basis.