

former may well have more hands-on experience, so long as CDIC has access to the Consolidated Revenue Fund it cannot be construed as a private sector organization. It amazes me that the majority of people on a board with access to the fund should be from the private sector. I strongly believe the board should continue to be mainly from the public sector. Personally I would like to see someone on the board from the Department of Consumer and Corporate Affairs. Certainly the consumers of the services offered by financial institutions are not represented and they should be, because the Department can provide some expertise to the board which I think is important.

My Party is also concerned about conflict of interest. We do not believe the government amendments are strong enough. It strikes us as somewhat odd that the one thing required of the one private sector person, namely, the chairperson of the board, was not extended to other private sector members of the board. Indeed, the Government dropped the provision which requires that they be Canadian citizens ordinarily resident in Canada. One can only conjecture why the Government failed to apply that criterion as a disqualifier for all private sector members of the board, not just the chairperson. In other words, a person can be a member of the CDIC Board and still not be a Canadian citizen ordinarily resident in Canada. In other words, again Canadian citizens spending most of their time in the United States can end up being members of the board. Personally I do not think that is a desirable situation at all.

I am surprised as well that the Government did not see fit to disallow public sector members of the board naming alternates to sit at board meetings. Studies from quite a few organizations, including parliamentary reports, have recommended that alternates not be allowed, whether private or public sector. The Wyman report of April, 1985, the Senate banking committee report of December, 1985, the Standing Committee on Finance and Economic Affairs report on financial institutions of November, 1985, the Ontario task force on financial institutions, December, 1985, and the Senate banking committee report on financial institutions in May of 1986 all recommended against public sector members being allowed to name alternates to the board. Our beloved chairperson of the committee made a strong presentation on this subject. After I questioned Mr. Sommerville, a representative from the Trust Companies Association who were also opposed to alternates, he stated:

You have so many substitutes that you do not have a responsible or representative board. The board should be governed the same as any other board, and you should have to have a quorum present—

He goes on to say:

So I am totally opposed to giving any alternatives.

The chairperson of the committee interjected his own thoughts at that point. They were rather colourful but to the point:

I have to agree with Mr. Sommerville on this matter. I have never heard of a situation in a board of directors where you can send your brother or your donkey or whomever you want to represent you. You maybe could do that at a

shareholders' meeting with proxies. But being a director is something more responsible than just being able to send some friend.

I think the general feeling of members of that committee was in agreement with the chairperson. The Canadian Bankers' Association had this to say about alternates and I quote Mr. MacIntosh:

To have alternates present in the case of the public sector has already been a problem, because there were many cases when the named members on the board were not present during the discussions of the CDIC in the last few years. There was a high absentee rate of the directors.

I am surprised the Government has not accepted our amendments and insisted that all members of the board operate under the same rules, that is, being unable to send alternates.

We have noted in the past as well that the board itself has been relatively weak. The following example illustrates the authority of the board, especially the current public sector members. The participation of CDIC in the March bail-out of the CCB came about when, according to Ronald McKinlay, the current chairperson of the corporation, the directors of the corporation participated in the attempt of the federal Government to rescue the CCB. The CDIC was authorized by the directors to make available \$75 million in that effort. When officials of the corporation were asked whether a representative from the corporation was present at the decision, the reply was that there was not. According to one of the officials appearing before the legislative committee on Bill C-79, while the board of directors were attending a single meeting they were doing so in their capacity as the Inspector General of Banks, the Governor of the Bank of Canada, and the Superintendent of Insurance. Later Gerald Bouey, Governor of the Bank of Canada, minimized the participation of the corporation in the March bail-out. He said: "I do not think at this stage we can call that Government money although the corporation has borrowed from the Government." He was referring to the \$75 million from CDIC.

The Wyman committee was of the opinion that CDIC should have a greater degree of independence than it currently enjoys. The decisions of the board of directors should be made with the interests of the corporation in the forefront rather than the interests those board members may have outside the corporation. There should be no inference of any conflict of interest as one might find when examining the decision to involve the corporation in the March bail-out of the CCB.

The difficulty with the majority of people being from the private sector arises from the potential for conflict of interest. The manner in which public service directors involved CDIC in the bail-out of the CCB can be seen to have been the result of a conflict of interest on their part. The corporation did not have any independence of action once that decision had been made. By merely changing the majority on the board from public to private sector without articulating strong conflict of interest guidelines will in no way diminish the possibility of a conflict of interest.