

Private Bills

making the best decision for both companies concerned. That is a matter which should be recognized more specifically in the legislation dealing with companies of that kind than is now the case.

In other words Mr. Humphrys says that this is the principal danger. The danger is to the investing public, to those individuals who have a contract, whether with a life insurance investment or with respect to mutual funds, with any company that is part of a group or closely related complex of companies. Mr. Humphrys went on to say that he was making recommendations to the minister who had authority over the department for the introduction of law to deal with this matter.

I hope that such law will be introduced before this house soon, because the danger of which Mr. Humphrys speaks has not arisen during the last week or the last month. It has existed in this nation for many years and, were Mr. Humphrys' words not heeded, the result might be the collapse of any one of the intimately involved trust and insurance complexes that exist in this nation.

● (6.40 p.m.)

This may be one of the features involved in the collapse of such groups. I do not think we can simply trust to the hope of the department of insurance that its highly critical view of such arm's length dealings should be relied on in the future to carry the weight which Mr. Humphrys says it has done in the past. This is a very real danger.

When the bill was considered earlier there was an injection of politics into our discussion. I would only say in passing that the hon. member for Medicine Hat (Mr. Olson) also spoke on June 16, 1965, and since this is an Edmonton based company the hon. member for Medicine Hat pointed out that this was obviously the result of farsighted policies on the part of the government of Alberta, and that no company could possibly go broke under those conditions. I say this in passing. I do not see the hon. member for Medicine Hat here today and I doubt whether he would have the same remarks to make today, in any event.

I wish to follow up some of the remarks made by my hon. friend from Nanaimo-Cowichan-The Islands (Mr. Cameron) about the state of our economy and the effect upon it of the activities of groups such as the one whose affairs are before us now, carrying out a certain type of investment program, a type of program which my hon. friend has clearly stated to be injurious to Canada's interests. By this, I mean purchasing policies which result in an outflow of Canadian savings for

[Mr. Howard.]

investment in other countries. This is one of the most important factors contributing to the difficulties we are experiencing in this country today. If the Minister of Finance (Mr. Sharp) would only pay more attention to this aspect and less to slashing expenditures, raising taxes and introducing price and wage controls, we might be better off. Let me quote from the proceedings in the Senate committee in connection with investment outside Canada. Senator Isnor raised this matter, as reported on page 26:

Mr. Chairman, perhaps what I am going to say has no direct bearing on the bill itself, but I am wondering about the mutual funds statement. I notice there are \$2 million in various securities—common stocks, and that of a total of \$7 million, \$5 million is invested in common stocks. Is this the usual percentage that you use?

To which Mr. Cormie replied:

Well, no; I would say this varies according to the recommendations of the investment advisers, the name of whom at present is Davis Palmer Company, New York, and this will vary according to the judgment of the investment advisers. There is a tendency to move more heavily into United States stocks.

So there is a group of investment advisers in New York upon whose judgment the investment policy depends. The report continues:

Senator Isnor: Yes, in stocks in a mutual fund.

Mr. Cormie: Yes.

Senator Isnor: In other words, you have 80 per cent investment in common stocks?

Mr. Cormie: Yes, that is correct.

Mr. Lambert: Mutual funds.

Mr. Howard: Yes, indeed. That is why I quoted Senator Isnor's original question—because he talked about mutual funds and \$5 million of the \$7 million being in common stocks. The report goes on:

Senator Isnor: That struck me as very high.

Mr. Cormie: This will vary. It has moved up. I believe six months ago it was close to 62 per cent in common stocks. Now it has moved up recently to the time of this statement—

June 28, 1967.

—and you will notice in November a big change in the proportion in common stocks between November 1966 and February 1967, so that would indicate I believe what we are saying that the movement into common stocks has only occurred recently.

Then the committee goes on to discuss the percentage guide lines and so on. As we see, Mr. Cormie himself indicates that the company's investment advisers are a firm in New York and that there was a tendency recently to move more heavily into United States