

*Committee Reports*

has operated in the past. We have summoned officials of Genstar and the President of Canada Trust to appear before the Standing Committee on Finance, Trade and Economic Affairs next Monday in order to go over some of these conflict of interest matters. At least Genstar can divest itself and become merely a financial holding company. Today, the bulk of Genstar's business is in terms of the financial intermediary business. At this point in time it would not be that difficult for Genstar to divest itself and become a strictly financial intermediary holding company. Broadly held as this company is, or was until today or yesterday, it would come within the share rules originally prescribed by the committee. However, if this takeover is to take place, then it will not be possible without a great deal of difficulty to unravel the ownership so that there will be no massive concentration of ownership in one holder.

● (1700)

It is essential that there be wide ownership of financial intermediaries, and the reason is that financial intermediaries are different from our local boot and shoe companies. They are not commercial organizations. On the balance sheet of a commercial organization, the leverage might be one to one or two to one. Perhaps commercial organizations borrow some money, but by and large their balance sheets contain capital and capital is used in the businesses. However, financial intermediaries operate on leverage. That is how they make profits. They put up a buck and make 20 bucks. That gives them \$21 to be invested. They operate by lending precious little of their own money and putting depositors' money at risk.

With a financial intermediary, the people who are really at risk are the depositors. Those who deposit their money in Canada Trust are the people who are taking the risk when Canada Trust makes loans, not the shareholders, except to the extent of perhaps 4 or 5 per cent. It is on that basis that boot and shoe companies, drug companies, tobacco companies and tugboat companies should not be able to own the bank. That is why the Finance Committee recommended these strict ownership requirements. We have to have strict requirements on who owns financial intermediaries, particularly as they get larger.

A great number of comments have been made with respect to the testimony given before the Finance Committee by Bernard Ghert of the Cadillac-Fairview Company. There is a strange situation. I do not know who owns Cadillac-Fairview now but perhaps there was a conflict of interest between him and one of his eventual employers. In any event, Mr. Ghert very clearly pointed out how as conglomerates get larger in the finance business, they control the source of the mortgage money, the source of the land development money and which tenants can go into shopping centres. They control development and the growth of the country. It is very important that that kind of control be broadly held by many shareholders so that no one shareholder has so much control over large financial conglomerates that he can use his economic leverage for his own good and not necessarily the good of the depositors.

When we analyse share values of the Schedule A banks in Canada, we find that those shares are being traded on the market for considerably less than their break-up or book value. In the case of Canada Trust, the offer that has been made is a payment of at least \$2 for every \$1 of real book value.

One might ask why one would pay so much for a trust company and so little for bank stock. The answer is pretty simple, is it not? It is power that is more important than ownership, power over the leverage of the money. Those who control this great pot of money can make deals the way they want them to be made, and that is why ownership controls are so essential. People do not buy trust companies these days for the profit they are likely to make on ordinary intermediary action; they buy them for the power that the control of that money provides.

We have to recall that we are talking about depositors' money, not shareholders' money. There is nothing wrong with having power over one's own money, but having power over one's depositors' money is another matter. There are still opportunities for self-dealing, despite the suggestion made by Canada Trust that it had passed board resolutions preventing self-dealing. This House ought to agree with the committee that there should be serious limitations on ownership and that an ownership policy should be determined before the Imasco deal is approved.

We cannot sit back and say that we have to study the matter further. It is important that the Government declare itself. I have nothing against the Genstar people. I think they are fine people and good corporate citizens. In fact, they are probably even better corporate citizens than the corporate citizens who own the group that is being purchased. The fact is that we are dealing with ownership requirements over the management of money that does not belong to shareholders but to depositors. That money has to be controlled in such a way that no one within a company of this size has the absolute power to say yes or no.

**Mr. Riis:** Mr. Speaker, I listened with interest to my hon. friend explain why it was so important that the points raised in today's debate be heard and presumably followed by the Minister of State for Finance (Mrs. McDougall). If the Minister decides not to stop this takeover of Genstar by Imasco as recommended by the Finance Committee, would the Hon. Member who is Chairman of the Finance Committee be able to think of any reason for this? Is there any compelling reason the Minister would use for not stopping this after all of the debate and all of the arguments have been put forward? Is there anything that would indicate to Canadians that her action in that case would be in the best interests of the country? Can the Hon. Member think of a single reason why she would not stop it?

**Mr. Blenkarn:** Mr. Speaker, there are reasons. I do not necessarily agree with those reasons, but we must take a look at them. There is a suggestion that there are a great number of financial companies in Canada and that there is ample