

The Budget—Mr. Lind

The operation was becoming so profitable that this increase continued, and at the end of 1963 the amazing figures were reached of 3,678 estates in bankruptcy and \$193,700,000 in defaulted liabilities. It is a truly devastating torrent, and this during the most prosperous years experienced by Canada.

Confronted by this plague, certain associations and groups prepared some 47 briefs and presented them to the Minister of Justice (Mr. Cardin).

In reply to these briefs and to the suggestions made by these associations, it was stated in judicial circles that the Bankruptcy Act was well thought out and protected the creditors provided they used it when they believed their rights to have been encroached upon. Without pretending to know more than these lawyers, I do maintain that when creditors are systematically victimized by these organized frauds they are not at all protected by the Act. On the contrary, they are being duped. The responsibility for pursuing these bankrupts falls on the shoulders of the creditors who have already lost very heavily. It also becomes the responsibility of the creditors to inform the Superintendent of Bankruptcy.

What are the duties of the Superintendent of Bankruptcy? The answer is given in Section 3 of the Act. After speaking about his appointment by the Governor General in Council, subsections 2 and 3 contain provisions as to the powers and duties of the superintendent. The part most interesting to creditors is paragraph (f) of subsection 3 which says that the superintendent shall—

—receive and keep a record of all complaints from any creditor or other person interested in any estate and make such specific investigations with regard to such complaints as the superintendent may determine.

It must be noted that if the Act in using the word "shall" binds the superintendent to do a certain thing, the same act gives him complete freedom when it uses the word "may", because if the superintendent does not have the appropriate staff or the appropriate funds then there is physical incapacity. I strongly recommend that the phrase "may determine" be changed to "must determine" to do away with this distinct weakness in the present Act, and I urge this house to consider immediately the new amendments to the Bankruptcy Act found in Bill S-17 of the Senate. Surely the urgency of this matter is very obvious to hon. members when we consider the losses to individuals, businessmen and corporations during the last ten years.

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In 1955 the number of estates in bankruptcy was 1,795. In 1960 this number had risen to 2,828. Here are the figures for subsequent years: in 1961, 2,659; in 1962, 3,190; in 1963, 3,678; in 1964, 3,606; in 1965, 5,003. I would draw the attention of hon. members to the fact that in 1946 there were 278 estates in bankruptcy whereas last year there were no less than 5,003 estates in bankruptcy. Between 1955 and 1966 there was an increase of some 3,208 bankruptcies. Most surely, part of this increase must have arisen as a result of planned bankruptcies.

What about the defaulted liabilities over the period from 1955 to 1965? In 1955 total defaulted liabilities amounted to some \$53 million. In 1960 the total was \$174 million. In 1961 it was \$116 million; in 1962, \$149 million; in 1963, \$194 million; in 1964, \$203 million. In 1965 it had risen to \$392 million, a figure which does not include the loss amounting to more than \$100 million sustained by over 40 businesses which were put into receivership following the collapse of Atlantic Acceptance Corporation. I consider these figures conclusive evidence that the bankruptcy racket does erode the tax base, and that these losses must ultimately be borne by you and by my constituents, as well as causing many innocent victims to suffer injustice.

• (3:00 p.m.)

I believe the Minister of Justice (Mr. Cardin) has given the reason why changes in the act are necessary when he stated as reported at page 2211 of *Hansard*:

I am also very anxious to explain to members of the committee the difficulty which the minister has in trying to administer a very complicated, awkward, and obsolete act, in trying to deal with what has become sophisticated and, I understand, organized crime in the field of bankruptcies.

I urge that a committee study Bill S-17 and that immediately this committee make recommendations to the house for changes in this obsolete Bankruptcy Act. The Minister of Justice on March 4 outlined some of the changes to the act. These changes could return some integrity to business, instead of such scandalous reports as these.

In summary, I urge you to look at the figures. In 1946 the number of estates in bankruptcy were 278, with a total liability of \$6 million. In 1949 the Bankruptcy Act was revised, and immediately bankruptcies jumped, so that in 1950 there were 1,303 estates in Bankruptcy with a total liability of \$25 million. This bankruptcy operation was

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