

Oral Questions

obsolescence as reported by the United States government, is Canada negotiating a new role in NORAD that will include land-based read-out stations and a share of the scientific and technological hardware available in the space radar market?

Hon. J. Gilles Lamontagne (Minister of National Defence): Madam Speaker, as I mentioned in a statement to the media, there was discussion with the previous American administration about modernization and a new position as far as the DEW Line in Canada is concerned. When I saw Mr. Weinberger during the last three weeks I discussed the matter with him because he is part of the new administration. He said that nothing will be done about the DEW Line without consulting the Canadian government. We will be fully consulted before any action is taken on that matter.

Mr. Wenman: Madam Speaker, my supplementary question relates to the Pine Tree Line. Is the minister planning on phasing out or upgrading the Pine Tree Line? In such phasing out of the Pine Tree Line or the DEW Line, will consideration be given to the sociological impact on the communities of the phasing out, and is there compensation for this from the American government?

Mr. Lamontagne: Madam Speaker, when I had discussions with the Secretary of Defence for the United States, that was one of my concerns, the economic and social impact of modernizing or changing the DEW Line or Pine Tree Line. As I said before, and I repeat, before any action is taken, before reducing any sites on the DEW Line or Pine Tree Line, there will be a full discussion between this government and the United States. Nothing will be done to harm any of these sites before we have an agreement with them.

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BANKS AND BANKING

JUSTIFICATION FOR SPREAD IN INTEREST RATE LEVELS

Mr. Nelson A. Riis (Kamloops-Shuswap): Madam Speaker, there is no question that all members of the House would agree that Canada is experiencing very serious financial problems. My question is directed to the Minister of Finance and it relates to Canada's chartered banks. In 1977 the spread between the rate paid to depositors and the rate paid at the prime level was 2.5 per cent. By 1979 that had accelerated to 3 per cent. In the early part of 1981 it stands in excess of 5 per cent. Is the minister prepared to call in the heads of Canada's chartered banks and ask them to justify this 5 per cent plus spread in interest rate levels?

Hon. Allan J. MacEachen (Deputy Prime Minister and Minister of Finance): Madam Speaker, I am quite prepared to retrace the ground that I have covered myself in attempting to understand the differential that exists. The hon. member knows that there is a good deal of competition in the financial market at the present time and that other financial institutions are competing with the banks. As a result of the passing of the

Bank Act, there will be increased competition facing the existing banks from foreign banks which will be permitted to operate in Canada. I believe that is the best assurance that the banks are operating in a way that does not harm the population of Canada. I have no evidence to support the hon. member's contention that the banks are taking unfair advantage at the present time. I would be prepared to consider any evidence that anyone might produce.

INCREASE IN PROFITS OF CHARTERED BANKS

Mr. Nelson A. Riis (Kamloops-Shuswap): Madam Speaker, I think one could certainly question whether 5 per cent or more is fair. One could also question the assumption that we have a very competitive banking system in Canada.

My supplementary question relates to bank profits. In the last three months the profits for business in Canada have actually been down. During the same period, however, bank profits for the three months ending February 1, rose. For example, the Bank of Nova Scotia's profits rose 23 per cent; profits for the Bank of Montreal rose 41 per cent, and profits for the Toronto-Dominion Bank rose 67 per cent. Madam Speaker, we are talking about a 67 per cent increase in profits in Canada's banking institutions. I think we are very interested in recognizing that this money is not necessarily in the productive sector of the Canadian economy. It is not in the job-creation sector.

Will the Minister of Finance assure the House that the profits and performance of the chartered banks will be closely monitored over the next 12 months, as a first step toward ensuring that Canadian consumers and businesses are not overcharged by our banks?

Hon. Allan J. MacEachen (Deputy Prime Minister and Minister of Finance): Madam Speaker, the hon. member has referred to performance for a three-month period. This would not be a very reliable basis on which to judge the long-term profitability of Canadian banks. I should remind the hon. member that, as I understand it, the principal part of the profits currently being earned by Canadian banks is derived from their foreign operations and not primarily from their domestic operations.

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GRAIN

STATUS OF COMPENSATION PROGRAM ARISING OUT OF EMBARGO ON SHIPMENTS TO RUSSIA

Mr. Gordon Towers (Red Deer): Madam Speaker, I have a question for the Minister of Agriculture. Farmers in western Canada are now preparing what will possibly be one of the most expensive seeding programs they have ever entered into, and they are trying to put their finances in place for that purpose. It is hoped that part of their finances will come from compensation to be paid to the farmers as a result of the embargo on grain shipments to Russia. Could the minister tell