LEGISLATIVE ASSEMBLY OF SASKATCHEWAN
May 13, 1985

EVENING SITTING

COMMITTEE OF THE WHOLE

Bill No. 70 — An Act respecting the Provision of Financial Assistance to Depositors of Pioneer Trust Company

Clause 1 (continued)

MR. LINGENFELTER: — Mr. Minister, I wonder if you could outline for me . . . In the questions that have been asked previously, the amount of money seems to be anything but clear that the Saskatchewan taxpayers are going to end up paying out for this fiasco, and I wonder if you could outline one more time, for the committee, very clearly and succinctly, how much money we will be paying out to cover off the losses, or the amounts that we will be suing of taxpayers' money to cover off the uninsured depositors.

I've heard, and you will have heard, the number of 27 million. You are saying 10 million, and I think that's a fairly large discrepancy. If I understand it right, the total amount is around 38 million, of which the federal government pays out 10, and the province assumes the balance which is 27 million. In my mind that is what you were saying earlier today, and yet you're also talking about 10 million. And people are asking us, who have been watching the proceedings, exactly what are we talking about. Are we talking about 10 million, or 27 million, or how will that be broken out?

As I understand it with the federal government, they have written into their legislation 5 million, that they will be paying out 10, and assume that they will be getting 5 million of that back after the liquidator has sorted things out, and they hope that they will be getting back 50 per cent of what the total amount they have paid out.

But could you, for the benefit of the committee and for the public watching, outline how that 27 million will be — or 28 million, whatever it is — will be broken out for us?

HON. MR. ANDREW: — The situation will be as follows, and I think it's best if we start right from the beginning. With the liquidation of Pioneer Trust, there was a total of $240 million in deposits. Now those deposits would be broken down as follows: 202 million of the 240 million were covered by CDIC, and that means deposits up to $60,000. So we were left then with $38 million of uninsured depositors. Of those uninsured depositors, the federal government will pick up 10 million, which is the Income Averaging Annuity Contract, which then left 28 million. Therefore, the division of credit or what you are on the hook for, if you like, is as follows: CDIC has 202 million; the Government of Saskatchewan has 28 million; the federal government through treasury has 10 million.

What happens is, that if they were to receive 50 cents on the dollar, that would mean that we would have a total liability of $14 million, the federal government through treasury would have a liability of $5 million, and the CDIC would have a liability of $101 million. Now the question becomes: at 50 per cent that would mean 14 million, if there's 50 cents recovered on the dollar; if there's 60 cents recovered on the dollar, it would be $11 million; if there's 75 cents on the dollar, you're looking at about $7 million. So there is where the break goes.

Now if you were to look at 75 cents on the dollar being recovered through the sale of assets, the mortgages, this type of thing, that would mean that Pioneer Trust was in the hole at the time of dissolution and liquidation by $60 million — offside, in other words, by $60 million. Now our best guess, and the guess of the federal people who were writing down the assets . . . What happened is that Pioneer Trust . . . The federal authorities come in and said, you have to write down those assets. You have them priced at this. They're not worth that; they're worth

something less. Now they wrote those down by about $26 million. That was in the fall, into December of 1984. It would have put Pioneer Trust in a negative position of about $15 million.

Now if you had to immediately sell it, you might have to take fewer dollars than you would maybe have been able to do through a commercial transaction as a going concern. I would suspect, and this is simply a guess, that we are going to be in the area of between 60 and 75 per cent return on asset. That's what I would anticipate is going to be, because you have to bear in mind that a lot of the assets of Pioneer were mortgages or this type of thing, as opposed to the properties and where the properties would be.

There's a couple of questions on the properties. One is the mortgages in Alberta, and the mortgages in Alberta are in more severe arrears than the mortgages, let's say, that would be held in Saskatchewan. And the reason for that is the value of property in Alberta has dropped significantly. In other words, a house that was maybe $100,000 in Alberta two years ago might only be worth 60,000 now. So the drop in housing values in Alberta has been far more severe.

Then you have a few larger projects that we'd just have to wait and see as to what they're going to be worth. One of them would be Denver. A couple of other ones would be some shopping centres that they would have. And how and when that Alberta market is going to pick up would have a fair bearing on what you recover.

MR. LINGENFELTER: — Mr. Minister, you've mentioned that you're expecting or hoping or whatever that you will get back 75 cents on the dollar. On what are you basing that? When you say it, you must be assuming that you have done some calculations on the properties, or done a study into what was actually there. But can you tell me, on what are you basing this assumption?

HON. MR. ANDREW: — I based the assumption . . . As I indicated, the properties, the only way we could do the properties is most of the major properties were revalued by the federal authorities before the collapse. In other words, if you take the Denver property, and they went down and valued the Denver property — the Department of Supply and Services, Ottawa — and wrote the value of that down some $8 million. And they said that's what the value would be worth now. Now Pioneer and them argued back and forth as to whether that was too low or not too low.

So if we take those figures, what you had at the time of the failure of Pioneer Trust was about $15 million negative equity. Okay. So if there's $15 million negative equity, let's assume that the feds were . . . or the regulators were too generous with the values. Now that's 15 increases to 60 — is a four-time increase over the figures that we had at the time of the liquidation started, or the time of the collapse.

So I would suggest that that is a reasonable figure. As I say, you know, it's difficult to find out the value until it's put for sale. It's like you as a farmer. If a farmer was required to liquidate his farm, and let's say a good piece of land that maybe sold for $1,000 in your acre, in your acre or my area, if it was put on the market today it's pretty hard for you who are in the farming business, or me who have had some experience with land values, to really know what that price is going to be worth. And I suppose you can't do that until you put it on the market and see whether another farmer is prepared to buy it and what he's prepared to pay for it. So that's sort of the analogy, and that's a very difficult thing at this point in time, it seems to me, to put a total value on it. It's sort of like guessing what's the value of farm land.

MR. LINGENFELTER: — Well, Mr. Minister, I guess that's what bothers the taxpayers of the province and members of the opposition — is this guesswork that we're still involved in after the fiasco has gone on for this many months, and still we don't have any idea of how much it's going to cost us. And we're saying, trust us, give us $28 million and we'll pay it out, and then we're going to try to collect back.

You mentioned the mortgage on my farm. And of course I have a mortgage on my farm. And what worries me is that when you're mortgaging land, or in this case where you have a number of creditors involved, it seems to me, and what people are telling us, is that first of all the liquidator will get paid. He will be the top individual to get his money — or her, or the company. That money will come out; you will get none of that, as I understand it.

CDIC is in before you are and will get their share of the money out. And the federal government will be involved, and they will be in layers; the liquidator getting his money out, and CDIC getting their money out, and the federal government getting their money out, and the province getting their money out last. And what worries us, and worries the taxpayers, is that we are not going to be getting our share out and that other people will be in ahead of you.

Well you're shaking your head, but what guarantees do we have? What do we tell the taxpayers? Where is the assessment of the value of these properties that you're talking about? What do we take to the people who are paying the bill, that being the taxpayers, and tell them that, here is what the property is worth? Why isn't any of this available to us?

And this is why we are continually calling for an open and public inquiry into this, so people know where their tax dollars are going. And Mr. Minister, that is what we are asking. And for you to say, no, it's all right, we're going to fix this, after this many months of shenanigans going on, people are beginning to shake their head and say, no, don't accept their word. Question them longer. Get more information from them.

Because when we pay out $28 million, when every person in the province . . . The 1 million people that we now have in the province are being asked to pay out $28. For a family of five, we're now looking at 120 or $130 for every family in the province for one issue, for one mistake made by either the company, or by the government, or by a combination of the two. The taxpayers are being asked to pay out 100-and-some-odd dollars. And they're not willing to trust you, as some of the back-benchers . . .

AN HON. MEMBER: — Trust us.

MR. LINGENFELTER: — The member from Lloydminster is saying, trust us. Well this is the very problem with this government. They trusted you in 1982, and I think they trusted you in 1983. But in 1984 and '85 they're beginning to wonder. And this is what we're asking, Mr. Minister, and that's why when you don't have any paper or any documents or any inquiry to show us, people are beginning to say: no, don't trust them; insist that you get something in writing from them so we know where we're at.

HON. MR. ANDREW: — You raised a point that was raised earlier this afternoon by the Leader of the Opposition, and that was the ranking of the creditors.

Now the liquidator will take his fees out first. And that goes as the standard case. The rest of them will be ranked equally. In other words, we stand in the same stead, same ranking, as CDIC, and as the federal government. So what's ever felt, we would share that equally. Okay? So that puts that to rest, that particular question.

Now you go to the second question and you say: how much are we going to recover back? Now we will never know how much we're going to recover back. I gave you my best guess. And I suggest that a conservative estimate is $10 million. Now I would hope that it's better than that, and our total all-in cost would be closer to 7. But whether it is or it isn't, we won't know until it's finally dealt with by the liquidator.

Now I have asked the liquidator, or people have asked the liquidator, what he would see as return on total investment. And he's not prepared to make a statement of that at this point in

time. He's got one large block of assets being sold, the mortgages, which are probably going to be priced in the $100 million range. And we will see how that comes down in a couple weeks time.

Now the only option that we would have to give you exact numbers, the only option we would have, is to wait on this Bill until the liquidator has sold all the property and then we would have that cost in.

Now that puts the unfortunate depositor in a very difficult position of having to wait perhaps another year before he receives anything. And that's what we hope by this legislation to try to avoid.

Now I provided to the Leader of the Opposition earlier this afternoon that this would be the total share of total liability, that as the interim payments are made — and we would expect an interim payment within the next two to three weeks after the disposition of the large mortgage block — that will then be paid into court and distributed to the creditors. If that is the case, then we would get our share, which would be one-eighth as to what we took for debt. We would get our one-eighth share back at that point in time.

Now that information is not going to be held or withheld from the public, because it's a public document, because it must go back to the court and the liquidator would report back to the court. So that information becomes available as and when the assets are disposed of, and the liquidator's interest, I think, is to dispose of those assets as he can, and as soon as he can, and for the most appropriate price that he can.

(1915)

So as it unfolds, that information and that dollar will flow through, and that's the understanding. What I can assure you, and have advised you, is the only information that we have that would be definitive, and that came before the collapse of Pioneer, is that the federal regulators wrote down, or requested a write-down of the assets of . . . The federal regulator has an affidavit, in his affidavit filed on the liquidation, to set the exact amount of what that write-down was. Now we will undertake to try to dig that out of the files and send it over to you, but let's assume for now it was $25 million that they wrote the assets down. Prior to that write-down, Pioneer Trust was in a solvent position — its assets were above its liabilities.

Now with the write-down and when they had to take that write-down, it became a minus position, or a negative or insolvent position. So at that stage of the game, when we decided not to proceed, what Pioneer Trust found itself in, with the figures as provided by them, with their audited figures, the best that they could have, plus the write-down of the federal officials — a minus $15 million equity position. So what has happened since that time, since February, where it's been in the hands of the liquidator, we can only obtain that information from the liquidator when he makes his interim reports to the court, which I understand will be made in about three weeks time.

MR. LINGENFELTER: — Mr. Minister, I hear what you're saying. I and others will believe when we see how much money we get back, because to date your record hasn't been great. We will believe that we will get half of it back, or 75 per cent of it back, when we see that amount coming back into the coffers.

But I think what the taxpayers of the province are believing right now is that they are having to pay out 27.5 or $28 million, which many of them are saying is a needless expenditure of money.

Mr. Minister, what I would like to know is, in the dying days of this company, of the Pioneer Trust, between — I believe you said you were contacted on November 7th or 8th and issued the letter of security on November 21st — and then the going down of the company in February,

was any attempt made by yourself or your department or by the minister of consumer and corporate affairs to deal with other trust companies in the province? To get them together into a room and say, look, we've got a problem here where one of our private sector friends are in trouble; we think we have expertise in the province — other than Mr. Klein and others who were attempting to run Pioneer Trust — the Hill family or some of the co-operatives, like Co-operative Trust and other trust companies, or banks.

Did you get them together in a room, or the minister of consumer and corporate affairs, and say, look, let's try to solve this using the private sector? Because as you know, Mr. Minister, your government and many of your friends who are now in this problem together, in 1982 and prior to that were the very people who were saying, we don't want any government; we don't want the taxpayers to be bailing people out; we're going to do this on our own, because we believe in free enterprise and we believe that we can handle this by ourselves.

And what many people in the province are saying is, why should we be bailing out this company, or covering off the tracks of this company and this government, who believe and preached free enterprise in the 1982 election, who said, no way, we don't need government help? Did you make an attempt in the private sector between November 8th or 7th, whenever you got the notice from Pioneer Trust — between then and February 7th — to sit down with the private sector and try to solve this problem? Was there any attempt like that made by yourself or by other ministers of the Crown?

HON. MR. ANDREW: — No, I mean one could look at, as I understand . . . I can give this not in the sense of direct knowledge, if you like, but I am advised that in fact companies like Co-op Trust, who are the only trust company in Saskatchewan anywhere close to that size of capital to handle a trust company with 240, 250 million in deposit base . . . Now you have a couple of other smaller trust companies in the provide that are far smaller than that and would have no wherewithal to do it.

Now some of the trust companies following the collapse that would step in and look to simply take it over prior to the liquidator being appointed by the court, were prepared to look at that, but they also wanted 15 to $20 million — 15 to $20 million of government money kicked into that particular trust company, which we weren't about to do.

Co-op Trust, as I understand it — and I get this not from firsthand knowledge, and I hope you can appreciate that — as I understand had looked at the assets of that company and were not interested.

And the other question that you had with regard to the write-down. If you look at the affidavit of Keith Bell of the city of Ottawa on behalf of chief registrar, analyst, trust and loan investment company division, Department of Insurance, Government of Canada, his affidavit on page 5:

> On the basis of discussions in paragraph 4, I believe that the following represents the effects on the company's capital base as of November 30, 1984. Capital base as reported, $16 million.

Okay, so the capital base was positive $16 million at that time.

> Less market value deficiencies, guaranteed fund as of October 31st, 1984, minus 2.3 Company fund as of October 31st, 1984, 2.7. Provision for losses, 8.5 million. Write-downs: Denver, 8 million; Clearwater, 1 million; Englewood, 2 million; shopping centres, 3 million, and others, 1 million.

For a minus 12.5 negative capital base as at November 30th, which was the most current numbers that they could have when they filed this affidavit, which would have been shortly after the 7th of February.

MR. LINGENFELTER: — Mr. Minister, I still find it very interesting — the approach that you and other free enterprisers take when it comes to dealing with a company like this; that the first people that they would run to would be a Conservative government, and you, as the Minister of Finance, would sign a letter guaranteeing $27 million so they would and could stay afloat.

Now this seems to be in direct contrast with what you and with what these individuals would have been saying prior to 1982, because they were the biggest free enterprisers in the world. They didn't believe government should be involved and they thought there was no need for intervention in the economy of the province, either in potash, or oil, and certainly not in trust companies and banks.

And so when they get in a little bit of trouble, they come hat in hand and you get out the old stationery and write out a letter saying that you're going to guarantee a loan or another group of shares for the amount of $27.5 million.

And there are many people in the province who wonder about this arrangement where people who are so-called free enterprisers are filling their pockets or attempting to fill their pockets out of the public purse.

What I would like to ask you, Mr. Minister, is in the development of your budget, where did this pay-out fit in? Was it included in the amount that you announced as the deficit? Will it be part of the $1.2 billion or will this be added to the end of it after the year is over?

And I guess what I'm saying is that, is this yet another $28 million that will be added to the deficit of the province, or did you take this into consideration? And would it be fair to say that, let's say the new tax on used automobiles which will amount to $8 million a year, that this will be part of the money that will be paid out in this fiasco, or will it be part of the flat tax and the new tax on used automobiles? Will this be part of the reason that these new taxes were introduced?

HON. MR. ANDREW: — No. we of course did not directly put that into the budget as a budget item, because we didn't know what it would be. And our view is it will probably be $10 million, which I suggest.

At the time of doing the budget, our view would have been that we would have created a revolving fund, as it would have taken longer. But then the advice of officials was that it's better to run it through as a budgetary item, that it comes in then as expenditures, as opposed to a revolving fund which would become far more difficult to see.

One of the taxes that one would tend to equate with it would be, our view, the corporate capital tax on banks. Over a period of time we would anticipate to be able to pay this out from the receipts we get from that.

MR. KOSKIE: — Oh, yes, Mr. Chairman, Mr. Minister, I'd like to direct your attention . . . when we were questioning your Minister of Consumer Affairs, she clearly indicated that, you know, in respect to the control of trust companies, comes under the purview of the federal government. I'd just like you to indicate the particular powers that we have within the provincial regime, our legislation, for the control and regulations of the conduct of trust companies, and whether you are aware of the particular federal provisions for the regulation of these trust companies which handle, you know, millions of dollars of investor's money.

And so could you indicate just what responsibilities we have here provincially, and what are the responsibilities that lie with the federal government?

HON. MR. ANDREW: — All right. First of all as it relates to CDIC, Canadian Deposit Insurance Corporation, that is clearly under the federal jurisdiction. Pioneer Trust, I think, as the minister of

consumer and corporate affairs has indicated on other occasions, was a trust company incorporated federally in 1974. And when it's incorporated federally, that means that it is licensed federally, and when it's licensed both federally and provincially, then the federal regulations or federal authorities supersede that of the provinces, so that they would be mandated with the responsibility of doing the audits, that type of thing, on the trust company. And of course, what we are dealing with here is the uninsured depositors. That is totally within the realm of the federal authorities under the Canadian Insurance Development Corporation.

MR. KOSKIE: — Well as you indicated, it's a federally incorporated company, and that the regulating of it, and the carrying out of the audits in respect to the company, was a federal obligation. And what I ask you now is: have you checked with your federal counterparts to see whether or not that they had, in fact, carried out the provisions of control over the company that finds itself in a massive financial mess, and in which the taxpayers of this province, as a result of probably not regulating strictly enough . . . And why wouldn't the audits, in fact, that the federal governments were obliged to do, disclose some of the problems that have surfaced here?

HON. MR. ANDREW: — What happened, I think, as I indicated to the member from Shaunavon in his previous question with regards to the write-downs that the federal authorities ordered to be taken — now that was done after they did an audit on the properties, and the properties were the things in question.

So they went from a $16.1 million capital base down to a readjusted capital base, taking into account those write-downs of $12.5 million deficit. So that was the federal regulatory authorities that ordered that write-down, and the revaluing of those particular properties. So it was the federal authorities that had done that.

With regard to whether or not we had a lax regulatory mechanism in place, I don't think anybody would disagree that that's, in fact, the case. Now the Minister of State for Finance has tabled in parliament a green paper looking into the whole issue of financial institutions. In fact, there's some — what I think — some danger signs there, and one of the danger signs that she is looking at in that particular green paper is a case of conglomerates starting or having the ability to control the financial institutions, as opposed to the widely held nature of financial institutions today, and then hoping that through regulation you can have some paper walls around it to ensure that you have proper trading and control mechanisms.

I think what one would find here is that while it's difficult, hand perhaps the regulations were not as strictly enforced as they should have been or the write-downs taken as soon as they should have been, I think it also indicates that a regulator is going to have a very difficult time, in fact, handling many financial institutions. And I think the question that you raise is a fairly valid question as it relates to the current debate going on within the industry as to what those control mechanisms should be.

(1930)

The second point, it seems to me, that your question also begs is: how do you cover, or how do you determine what is the area of coverage, for CDIC? Should it be 20, should it be 60, should it be 100? And should there be a mechanism in place by which a depositor over and above that amount can buy further insurance to ensure that his deposit is protected in the event that you have, let's say, an operating accounting in there of 100,000 or $200,000? Even a lawyer with a trust account should have some kind of protection to ensure that kind of safeguard, it seems to me.

MR. KOSKIE: — I was wondering if the minister could indicate when the federal government first became aware of some of the problems within the Pioneer Trust because, as you indicated, they did an audit and that they wrote down substantially some of the values of their property. In the sequence of events, when did they first disclose this? And was it, in fact, communicated to the provincial government?

HON. MR. ANDREW: — As I indicated on a previous question, during the time from the 20th of November through till the lst of January, there was debate as to what the level of these write-downs should be, okay? In other words, there was debate as to the write-down of the various properties that I read into the record. And that was an ongoing basis as to where it would be.

As far as the federal authorities were concerned, indicated to us that with the proposed guarantee of the preferred share issue that that would make Pioneer Trust whole, in the sense from a regulator's point of view that it would be able to carry on.

Now our question then became: given that, and looking at and projecting forward with regard to the potential revenues that that company could generate with that preferred share issue, would they be able to repay their dividend, which was, I think, a 9 per cent dividend over a seven-year period. And then a total pay-out of that preferred share issue: would they be able to handle that, given the projected cash flows that they might have, and given the spreads that they might have on both deposits and loans?

And so there became the argument that one had to come to. On the advice that I had from the officials that looked at that is that, (a) the spreads were — and I think you can see it today where many of the financial institutions, their spreads are very, very tight, in fact — and that they would not be able to generate the kind of revenue needed to repay that dividend, and in fact would likely have been back to us for more help in the future.

MR. KOSKIE: — Well I note the dates that you give me in respect to the federal disclosure of their audit. It happened some time along about the same time that you were dealing with Pioneer Trust, starting about the 20th of November, you indicate.

I guess what I'm asking you: have you any knowledge of any federal audits done in the previous year in which any irregularities were in fact raised, or any concerns in respect to the operation of Pioneer Trust, previous to you getting involved with your guarantee on November the 21st? So what I'm really asking you is: have you done a full discussion with the federal counterparts to determine whether they have, on previous occasions or previous years, done any audits prior to November the 20th, the date hat you indicate?

HON. MR. ANDREW: — I'm advised that in August the two conditions by the federal authorities placed on Pioneer Trust were as follows. One is that their deposits, that they had to pay at a rate below the average of four or five major trust companies in Canada — in other words that they would not allow them to pay rates that were higher. Very often that's what you'd end up getting is companies trying to pull more dollars in by way of deposits and therefore offering higher amounts. Okay. In other words, they were required to go below as opposed to above. And the second thing that they were required to do is reduce their leverage which they were dealing with at a 20:1 ratio down to a 17:1 ratio. Now do you follow what I'm saying on those two points?

MR. KOSKIE: — And you're saying that in August of '84 that the federal government required Pioneer Trust to do two things — in respect to their rate that they were paying in for deposits, to lower their rate below the going rates. Is that proper to say, below the going rates of other trust companies?

HON. MR. ANDREW: — What it says is, except with written permission of the superintendent of insurance, the interest rate offered on the company's guaranteed investment certificates and demand liabilities will be limited to the average paid by Royal Trust Corporation of Canada, Canada Trust, and Guaranty Trust for any particular term, less a quarter of 1 per cent for a period ending of August 31, '84; a half of 1 per cent for a period ending September 30, '84; three-quarters of 1 per cent for a period ending October 31, '84; and 1 per cent for a period

ending December 31st, 1984.

So what that meant is that they had to go below those trust company rates so that they weren't using higher rates to pull deposits in. And I think there was sort of, during this whole period of time, some speculation that they were paying premiums on their rates. In fact, that wasn't the case; they were paying less than premium.

MR. KOSKIE: — And the significance of the second point, the reduced leverage?

HON. MR. ANDREW: — It's so that you are not lending 20 times for every dollar you have. And they brought that down to 17. Now 20 tends to be the standard, and it's brought down to 17. And that's in an attempt to make more liquidity to it or make it more liquid.

MR. KOSKIE: — And was this information provided to the provincial government as soon as the federal government had this information? In other words, in August were you apprised of this information as to the decision of the federal regulating body?

HON. MR. ANDREW: — One would be aware that there was those concerns with Pioneer, these as advanced by the federal authorities. What happened later on is it came down to the reassessment or the revaluing of some of this property that took a big chunk out of the balance sheet by requiring that write-down — as I indicated a positive 16 million to a negative 12.5 million because of those write-down requirements.

MR. KOSKIE: — And it seems to me then that you've given me this information as to what the federal government was imposing upon Pioneer Trust in August, and then, as we have indicated, you went on in spite of the apparent problems to provide the letter with a $27.5 million guarantee.

I would have thought that having had that information where the federal regulating body was prescribing particular things that this trust company had to do, would have indeed alerted you to the financial position of it, and would have guaranteed that you would have gone into a considerable amount of research before making the guarantee of the shares.

What I want to get to now is: I look at the contributions of the federal and the provincial government, and I look at the provincial government's share as $28 million, and the federal government, $10 million. Can the minister indicate why the federal government, being the regulating body, having the essential control of the auditing and so on, has taken on such a limited amount of the liability in comparison to the province?

I would suggest to you, Mr. Minister, your letter of November the 21st pretty well sealed how much you were going to pay. And you're paying about the amount that you guaranteed in that letter, which is $27.5 million in your letter. And what you end up with here in relationship with the federal government, is $28 million. And they said, Mr. Minister, you stuck your promise out; you gave the commitment; and if we're going to bail out, you're going to at least be liable to the extent of your written guarantee.

And that's about what we have here. The provincial government, $28 million; and the federal government, a maximum of $10 million.

I wonder, with this new federal co-operativism, and in light of the fact that the federal government has the essential role of regulating the trust company, why we, the taxpayers of Saskatchewan, are paying $28 million and the federal counterpart, which is the regulator paying 10 million.

HON. MR. ANDREW: — Well I think the best analogy is that the most recent failure is the Western Capital Trust in Vancouver, that failed and left a significant number of uninsured

depositors. And the federal government has made it clear in that particular case that they are going to cover nothing beyond the $60,000 CDIC limit, period. So in this particular case, the federal government has steadfastly said that they are not going to step in and pay over the $60,000 limit, period.

(1945)

Where they made the concession on this particular issue was the fact that they were income-averaging annuity contracts. There was misrepresentation, or the argument of misrepresentation was made, that that misrepresentation arguably should have been stopped by the regulators. It was not, and therefore the feds stepped in and took that chunk of it. Now that is more than they have given in any other situation. It's the first time in history, in fact, that the federal treasury has coughed any money up to a financial institution that has suffered a loss, period.

So in our case, we are getting 30 per cent of it, or 33 per cent of it from the feds, plus the CDIC contribution. In B.C. with the Western Capital Trust, there is absolutely no money going into it by the federal government. So it's the first time ever that the federal treasury has coughed money up in one of these failures.

HON. MR. BLAKENEY: — Mr. Chairman, and Mr. Minister, I would not, wish that to pass without some comment. While it may be accurate to say that this is the first time the federal treasury has put up money, certainly the federal Crown corporation, CDIC, has put up money over and above what they had guaranteed, or at least they have undertaken virtually the entire loss, or very large amounts of loss, in Greymac and Crown and Seaway, and so, so far as I can recall, some others. But I think of those three where the CDIC undertook the job of reimbursing the depositors in the course of, in effect, bailing out the trust companies so that they didn't go into liquidation.

That would have been even a happier solution so far as we were concerned, with Pioneer Trust. If the federal government — using the term broadly to include CDIC — had done as well for Pioneer as they did for, I'll say just Crown Trust, we the taxpayers of Saskatchewan would be paying a whole lot less, and somebody else, presumably, would be paying a whole lot more.

And while it may well be that in B.C. they didn't do as well, and I don't know that, I know that for, and I'll use Crown as an example, here was a major failure where the Government of Ontario was not called upon to put up the same percentage as we are now putting up. And I have to make that point because an impression may have been left that somehow we were getting the federal government to put up more money than was the case with previous trust company failures when, in fact, the reverse is true and the federal government, including CDIC, is putting up less money in this case than they did in Crown, Seaway, Greymac, the others.

HON. MR. ANDREW: — I think what the hon. member is referring to the Crown, Greymac issue and CDIC in that case stepped in and said, in our view it would be cheaper for us to do it in this particular way. And that was under the previous government in Ottawa. Their experience in that whole situation was far from being favourable, and the view of CDIC is that they would never, ever, again venture into such an undertaking as they did in the Crown, Greymac matter. They found it to be improper and not the proper way to go. And, in effect, what they were doing is covering for 100 per cent.

The argument that you advance — and I tend to subscribe to it — is can we move to a situation where, in fact, we do have 100 per cent guarantee of deposits? Because I believe that people put the money in a bank or trust company or whatever, should have the assurance that those dollars, while on deposit, are fully covered. I think that there's a large body of people around the country that are totally not aware of the fact that they did not have coverage when their money was in the bank. I think there's a lot of people of that view. And I think we need a mechanism by which

we cover that, and if we don't have a mechanism by which we cover than then you have to . . . I suggest a fairly broad advertising campaign to bring people's attention to that fact.

Now the danger one has with doing that is, if you push that too far you end up with the only people that are going to carry deposits over $60,000 are the five major banks. And if you get into a situation where it's only the five major banks that have that preferred position, then do you find yourself in unfair competition situation where the five major banks control all the financial institutions in the country? And I think that augurs poorly. There's a lot of people, in western Canada particularly, that would have a concern that if there was no competition, whether it's from the credit unions, or from other trust companies, etc., that we would find ourselves in a worse position in the sense that the banks would be able to maximize that position of increased strength and increased superiority in the whole area. And there's the argument. And what are the trade-offs in that particular argument going to be? And there is the dilemma. But CDIC, having once stepped into the Crown, Greymac matter, made it very clear to us that they were not about to do that again.

MR. KATZMAN: — Mr. Minister, a couple of questions for information purposes. My understanding is, as you indicated . . . You just said the five major banks. Is it not correct that if a husband has $60,000 or $70,000 . . . Let's use 70 for a point of . . . (inaudible) . . . and a wife has 70,000, they can also put 70,000 in their both names, thereby being protected out of that 210, having 180,000 corrected. For example, if Mr. Eisler and his wife Louise had 70, 70 and 70, they would all be totally covered with that 180,000, am I correct?

HON. MR. ANDREW: — Surprise, surprise! The member from Rosthern has probably got his money stored in such a way, but obviously husband and wife are two separate people and so they're each covered. A joint account, as I understand the explanation advanced by CDIC, would also make a third account, and therefore you could be covered. You used the number 70. The maximum is only 60, though, so I got you on that.

MR. KATZMAN: — The second part of the question now, Mr. Minister, is most banks are double-edged and most trust companies are double-edged, which means if you were investing with the Royal and Royal Trust combination, or any of those combinations, you could probably protect yourself. And I'm suggesting a farmer who sells his land and so forth should use this method, and can protect himself up to 360, between him and his wife, rather than keeping it in his own name.

HON. MR. ANDREW: — Yes, the argument that you advance in the case is obviously right. The argument you advance also augurs well as to rewriting the rules to cover a more realistic amount for people involved.

Otherwise, you could get that exact type of thing where that would become difficult, let's say, if it was a lawyer's trust account — it's very difficult to have your wife as one of the signing officers of it —or the situation where it's a business account. Or if it's a case as we saw here, the city of Regina, or various school boards, or the hospital in Estevan, that type of thing. It's very difficult because it's one entity — one legal entity — to spread it around in husband and wife. I suppose you could spread it in each account, but there you pay the price for that, as well.

Clause 1 agreed to.

Clause 2 agreed to.

Clause 3

MR. CHAIRMAN: — Amendment moved by the Leader of the Opposition to clause 3:

Amend section 3 of the printed Bill renumbering it as section 4 and by adding the following

section as section 3:

> Judicial Inquiry.
> 3(1) The Chief Justice of Her Majesty's Court of Queen's Bench of Saskatchewan shall appoint a judge of that court to conduct an inquiry into the following matters:
> (a) the collapse of Pioneer Trust Company;
> (b) the regulatory responsibilities of the Government of Saskatchewan with respect to Pioneer Trust Company;
> (c) circumstances under which the Government of Saskatchewan stated its intention to provide a share guarantee to Pioneer Trust Company and its subsequent decision not to proceed with the share guarantee;
> (d) the extent to which any directors or officers of Pioneer Trust Company or other persons may have personally and improperly benefited as a result of the offer and withdrawal of the loan guarantee mentioned in clause c), and the extent to which any of those persons should be required to make payment pursuant to subsection 6(3); and
> (e) any ancillary matters that the judge thinks appropriate.
> (2) At the conclusion of this inquiry, the judge shall submit his report to the Speaker, who shall lay the report before the Legislative Assembly and circulate the report to members of the Legislative Assembly.

HON. MR. BLAKENEY: — Mr. Chairman, I would like to move the amendment as you have read it. I would like to point out I see a very small typographical error in four lines from the bottom of page 1. The word is "improperly" rather than "inproperly". And accept that as a typographical error, as I'm sure you will. And I would like to speak to the need for an inquiry.

We would consider changes in the terms of reference of the inquiry. We had anticipated perhaps putting in a longer one, but we thought that this would do the job. Clearly there is need to investigate and report on the nature and the extent of the information on which the Government of Saskatchewan based it's November 21st commitment to guarantee the preferred share issue of $27.5 million. There is need, for example, to investigate and report on the information on which the Government of Saskatchewan based its decision not to honour that commitment which was contained in the minister's letter of November 21st.

There's need to investigate and report on the Government of Saskatchewan's exercise of its regulatory functions, if any, with respect to Pioneer Trust, and we are not prepared to accept the view that no such obligations existed. We believe that it's necessary to investigate and report on the extent to which any persons knew prior to February 7th that the Government of Saskatchewan wouldn't act on its guarantee. We think there was a very considerable opportunity for the use of insider information during that period, and we would be interested to know what transactions transpired to know whether insider information was, in fact, used.

We think that there ought to be, in order to set matters to rest, a disclosure of whether or not there has been any use of insider information during the last, say, 12 months of the life of Pioneer Trust, because a good number of people knew that Pioneer Trust was in difficulty. Obviously that was clear once the federal government began to impose very stringent conditions on Pioneer Trust.

Once the federal government decided that Pioneer Trust couldn't offer for its term deposits or guaranteed income certificates or whatever word, term, you would like to give to those particular evidences of indebtedness, once the federal government decided that Pioneer couldn't compete, couldn't offer as much as Royal Trust or Guaranty Trust, you knew you were, in effect, cutting off the money of Pioneer before long, and the days of Pioneer were going to be numbered unless they were particularly fortunate.

(2000)

Once they couldn't take in any more money, and obviously in the ordinary course of events had to pay out money, as everybody does who takes in deposits . . . Everybody who has a deposit with you doesn't necessarily renew it when the times comes, and if you don't have any opportunity to compete to get new deposits, your days are numbered. And this was known back in August. And it would be interesting to know what happened after that particular requirement, together with the requirement of the reduction of leverage from 20 times the net asset pool to 17 times. That obviously is going to restrict the operation of the trust company. It'd be interesting to know just what happened after those facts came to light.

There are certainly other matters which could very properly be investigated. We all are aware of the things that were said by Mr. Sykes in the course of his discussions with *The Fifth Estate*. We're all aware that if the facts which he outlined are accurate, then there was some very inappropriate, in appropriate non-arm's length transactions taking place involving Pioneer Trust and some of its directors and officers.

And I think the public are entitled to know that. And it's not a question only of what the public is entitled to know in exchange for the money which the public is being asked to put up, but there's more to it than that, I think. I can't help but agree with a number of the press statements which we have seen in the last few days, from people like Peter Braun in Medicine Hat, who has been leading a depositor's group, and like other major depositors who are saying that we need an investigation. We need an investigation so that people will understand, both inside and outside the industry, what are appropriate standards of conduct, and what are inappropriate standards of conduct for officers of trust companies.

I think it's time that somebody said it. I guess it has to be a judge because no one else is saying it — whether it is appropriate or not for senior officers of trust companies to get low interest or no-interest loans, not to buy a house as is common enough in industry, but also to buy large blocks of shares which isn't so common, although I don't say it's unheard of.

We ought to know whether it is appropriate or inappropriate. And I guess a judge has to say because no one else is saying whether it is appropriate for a trust company to buy portions of enterprises of which their directors are already practical owners.

SOME HON. MEMBERS: Hear, hear!

HON. MR. BLAKENEY: — That strikes me as, to put it mildly, an unorthodox practice. No one apparently has said that it ought not to be done. I haven't heard the federal government regulator saying publicly that it not ought to be done. I haven't heard anybody provincially saying it not ought to be done. I hear Mr. Sykes and others saying that it's unethical from the point of view of ordinary business practice. But the government opposite puts scant reliance on, Mr. Sykes' views, and have made that very clear.

But I think someone ought to say so. And if it has to be a judge who says that this is appropriate and this isn't appropriate, well the sooner it's said, the better. Because this isn't the only trust company in Canada. This isn't the only trust company in Canada, and I very much hope it will not be the only private sector trust company of major size in Saskatchewan. There are, incidentally, I believe some smaller trust companies operating in Saskatchewan, private sector trust companies. We would all like to see them grow. We would like to see other trust companies operate. We are not going to get them to operate if the public believe that the management practices portrayed on *The Fifth Estate* and also bandied about in the press, (a) took place, and I think that ought to be either established or rebutted; and (b) could take place again.

And I think we're not going to know that until we find out what happened with Pioneer Trust find out whether the management acted appropriately, and whether or not the same thing could happen again, whether or not the same thing could happen again. Because if it can happen again

we're not going to get people to invest in local trust companies.

If no one casts any reflections on the standard of conduct which has been made public, then we are by our silence giving it some measure of approval. I don't think there's any question about that. We either have to say (a) it didn't happen; or (b) it did happen but it shouldn't have; or (c) it did happen but we don't care. And if we don't have an investigation, if no one knows what the facts are six months from now, it doesn't matter what a liquidator might say two years from now; the time is now to tell the public.

If no one knows six months from now whether or not misconduct took place, and whether or not it is satisfactory and unsatisfactory conduct to the regulators, then the public must assume that it's okay, because some one did it and nothing happened to them. And it's not good enough for someone simply to hand in a resignation. That happens all the time. The question is whether or not the conduct which apparently brought Pioneer Trust to its knees — and I emphasize that I can't prove what was portrayed in television, on the press — but it's out there, the accusations are out there. They are all but undenied. They're all but undenied, and nobody is suggesting that they are inappropriate. Just a few tut-tuts.

If only the subdivision in Denver had made money, it would have been fine. It was just that it lost money that was the problem. That's the present state of acceptance or non-acceptance in the public mind. Nobody has said, nobody in an authoritative position has said whether or not you are going to make money on a real estate development in Denver. It was certainly a speculative investment and ought not to have been made at that level, at least with trust moneys, perhaps ought not to have been at all.

We're not hearing any of those statements coming from government regulators, federal or provincial. It is our judgement that they've got to come from somebody. They have to be based on hard facts and not on newspaper stories, however reliable they may be.

And accordingly, we need some established facts. We need some established facts. We will get them from a judicial inquiry, and it is in all probability the judge will make some comments on what he thinks is appropriate. At any rate, the isolation, identification, and verification of the facts will in themselves generate a public discussion out of which some government regulators are going to have to say, this is appropriate and this is not. Nobody has said it up to now.

It may be said that an investigation won't save money in Pioneer, and you may be right, although even there may be opportunities for recovery. But Pioneer is not the only trust company in the world, not the only trust company in Saskatchewan, and I very much hope not the only major private sector trust company that we're going to have.

And if we're going to lay the groundwork for our own indigenous financial institutions, then if something happens with one of them, we have to find out why, find out what could be done to avoid those problems in the future. And I suggest with respect to Pioneer Trust, the best way to do that is to get the facts from an impartial tribunal like a judicial inquiry, and go on from there.

Therefore I think that this amendment is sound, and ought to be acceptable to the government. And I would be interested, if they suggest it isn't acceptable, what they intend to do in a very firm way: (a) to inform the public as to what happened; (b) to state some principles publicly for all to know as to what was appropriate and what wasn't appropriate in the past, and what will be appropriate and what will not be appropriate in the future so far as trust companies are concerned.

HON. MR. ANDREW: — I think what the hon. member is asking perhaps can be put in three ways: one, what are the regulatory rules that govern trust companies, both at the provincial level and at the national level? Now the hon. member is perfectly aware of the federal government's green paper on that very question, which is presently being put out to the public. Public

discussion is on. There is presently a report coming down any day now by Bob Wyman, that was the head, or is the head of Pemberton Houston Willoughby, report on the functioning and the operations of CDIC. There is the green paper, and for people that are looking at this question, should look at that whole green paper because it is asking and proposing to venture off in various directions.

Now what I can indicate to the hon. member is that the Government of Saskatchewan will be making representations to that green paper, and I would hope that the member opposite would also do that, as will all governments across this country, on the regulatory process of financial institutions, all financial institutions. That is presently being discussed and is presently before parliament, if you like, in a green paper. So from a regulatory review process of financial institutions, that's already under way. That's point number 1.

Point number 2 is the illegal activities, the non-arm's length transactions. Now I indicated to the hon. member today in question period that I am advised that the liquidator has power to look into all non-arm's length transactions.

From *The Fifth Estate* show, the one that I would see, and I agree with the hon. member, that would seem to me to be a non-arms' length transaction is a case where, I think in this case, was one of the directors of the trust company had an investment in some properties in United States and brought in Pioneer Trust as a further investment to it. Now that strikes me as a case where that particular director could stand to benefit from Pioneer becoming involved in it.

Now I think there was two of those type cases advanced by *The Fifth Estate* show. What the Government of Saskatchewan intends to do with the assignment and on behalf of all uninsured depositors is to deal with the liquidator to have him investigate those kind of transactions. So to say that something is not being done, that is not in fact true.

Further, if the liquidator is of the view that he does not have enough evidence, we would support an application by that liquidator to go back to the Court of Queen's Bench to arm himself with that power, to deal with all members dealing with the Pioneer Trust in a non-arm's length transaction way. That means all the members of the board of directors, that means all senior management of Pioneer Trust, and that means all senior members of Canadian Pioneer Management.

And that would get to the second question, it seems to me, and that is to try to recover. Because what we want to do is to be able to use whatever legal means we have to recover any dollars that could be owed under law because of non-arm's length transactions or because of other transactions.

(2015)

Now the third question becomes a question of mismanagement, and I think the hon. member referred to the Denver property. I don't think, if you looked at *The Fifth Estate* show, it was not a case of anything in Denver property and the decision to go into the Denver property other than the fact that they shouldn't have made that decision because they were getting into a league that was probably beyond them.

So now what you're questioning is mismanagement or that which could fall into a category of mismanagement. As the hon. member is aware, by law, as a lawyer, that you cannot probably be successful with a civil action on mismanagement in a case of a bankruptcy, or, for that matter, mismanagement on virtually anything as arising a civil liability. The people probably standing in the strongest position to make that case would be the shareholders of Canadian Pioneer Management who certainly would have the wherewithal to proceed on that.

With regard to the allegations made in *The Fifth Estate* show and recited by the Leader of the

Opposition with regard to soft loans, and that means loans made to an insider to buy something, I think in your case is other than a house, because most financial institutions provide soft loans to employees to buy a car, to buy a house, or to make a major consumer purchase. What this case was involved is a soft loan to one of the management people of Canadian Pioneer Management.

Further, as I understand from the documentation, is that the soft loans were in fact being made by the Life of the Great Northwest, which is an insurance company wholly owned by Canadian Pioneer Management but operating wholly within the United States, and following, therefore, United States laws to cover that. I have been advised by the superintendent of insurance — not I, but the members of my staff have been advised by the superintendent of insurance — and they investigated it, that there were, in fact, no soft loans by Pioneer Trust to the management or the board of directors of Pioneer Trust. That has already been investigated by the superintendent of insurance, and he advises us that there, in fact, was no soft loans.

Now what the member says then, I think, is this: is that regulatory reform, I agree with. The Government of Saskatchewan will be making representations to the federal authorities dealing with that under Barbara McDougall's green paper. And I think if you look at that, there is a great deal of concern, not only by the Government of Saskatchewan but other governments and other ministers of finance that I have talked to. They intend to make that representation as well.

With regard to the non-arm's length transactions, with regard to the question, did the management of Pioneer Trust and did the board of directors of Pioneer Trust take some advantage from that transaction; did they use their good offices to bestow an unreasonable benefit on themselves; that is something that we intend, as a government, to take up with the liquidators. That is something that we intend to have the liquidators pursue, and that is something if the liquidator believes that he does not have enough power of investigation, that we would endorse him applying into court to get that further power of investigation.

As you know, the liquidator's report is to be made public, and always must be made public, and I suggest to you that that is the mechanism that we should use to ensure that those people are in fact no improperly benefiting from this particular situation.

HON. MR. BLAKENEY: — Mr. Chairman, and Mr. Minister, I think that you're taking an entirely too narrow a view of the problem with which we're faced. First, with respect to the liquidator: unless it's going to be a very different liquidator than is usually the case, I do not expect any particularly penetrating examination by the liquidator of how the losses were sustained.

There will be a very, very good analysis of what he found when he was appointed, what he did in order to turn those assets into cash, how he distributed; not nearly as penetrating an analysis as to how the situation arose which he inherited; and perhaps some examination into whether or not there might be a right of recovery against somebody who acted improperly, which led to the loss.

But what we're going to get from the liquidator is a story on what he found, how he turned it to account, whether or not there were any claims against somebody who may have acted improperly; but no analysis in any comprehensive way of how the company got into the shape it was when he found this.

That's not the job of liquidators. They're not there to shape public policy. They're there to protect creditors. They're not there to make findings which would assist governments in regulating other trust companies. That's not their job. They're there, as I say, to protect creditors, and we are not going to get from a liquidator any sort of analysis of how the company got there.

And if the minister thinks we are — this isn't the first company that's gone down the drain — do dig up some liquidators' reports who have examined into how the company got into the shape it was. I think he'll find next to none, because that's not what liquidators are all about.

To pick up more specifically on what the minister is saying, he believes that the problem is only one of, perhaps, top management feathering their nests. That is the smallest part. There may be that, but that's the smallest part of the Pioneer Trust problem. The problem arose because of, I would suggest, based on the facts as I know them, substantial managerial errors by management acting with next to no rules.

Here we have a trust company which, even on the most charitable valuation of their equity, had an equity of under $20 million, and at that time — at that time — taking a venture of 7, 8, $9 million into a single real estate venture in Denver. And that's presumably okay by the rules. And as I say, it's not only trust company rules; it's other financial companies'; rules which have been looked at.

But here we have somebody gathering in deposits from people who expect that their deposits are safe. And the minister has been confirming this. He has been confirming the fact over and over again that the public believes that with a trust company their deposits are safe.

Now they're not going to be safe if managements can take highly speculative investments and risk half their equity on one single highly speculative investment. They risked the rest of their equity many times over on a series of other highly speculative investments.

And it is not only the fact that the management may have operated improperly in the sense of attempting to benefit themselves, but much more importantly that the management operated without any rules, without anything governing them, and in an area which, as it happened, they were inexperienced. And as a result, the problem which we are now facing is upon us.

And I don't know what government should do, but I don't see any evidence in the current discussions of the green papers that we are going to see rules which govern trust companies of the kind which we have governing life insurance companies.

Life insurance companies could not have made half of the investments which this trust company made. It would have been illegal, and it would have been illegal because we have had in this country rules which say that, when people buy a life insurance policy, they have a right to believe that when the time comes to pay it out, the company will be there with some assets.

And therefore the rules governing investments by life insurance companies are fairly rigorous, and we're all in a general way familiar with them. They're allowed to speculate, but to speculate with perhaps 10 per cent of their assets. And even there, to call it speculation is to overstate the word.

But here we have a trust company which is taking entrepreneurial positions in all manner of investments, highly speculative investments, spread across a continent because there were no rules which say otherwise. And there's no indication that any specific provisions of trust company Acts were violated, so far as I'm aware. I haven't heard them. And these I think should be brought to light.

I think people have to know what happened — what happened with Pioneer, what happened with Prudential, what happened with Crown — what is happening. And I think we in Saskatchewan have to find out what's happened with Pioneer, because I think the public have had their confidence very badly bruised. And I don't think their confidence is going t be reinstated by any green paper, where we have an esoteric discussion of the appropriate role of a chartered bank, and a trust company, and an insurance company, and a securities dealer; and we have a discussion of the four pillars and these sorts of things, which we're hearing as a background for the green paper.

That's not where the public are at. They want to know what happened with the trust company.

They want to know whether there has been gross improprieties, or simple errors of judgement. They want to know whether it can happen again. They want to know whether the government is levelling with them or hiding something. They want to know what the government is going to do. And when I say the government, I mean the Government of Saskatchewan. They can do it through the federal government if they can get it done that way. But they put the burden on the Government of Saskatchewan. Since they are paying the bills, they want to know what happened; how did it happen; can it happen again; and what rules have been laid down. And it's simply not reasonable to suggest that the public will be satisfied until they know what happened and know that it can't happen again.

And I suggest to you that to talk about green papers, to talk about the four pillars, to talk about the appropriate relationship between an insurance company and a securities dealer, is not going to get to the problem. The problem is bruised confidence on the part of the public of western Canada. And if we are going to have our own indigenous financial institutions, then we've got to show the public that their money is safe, and we are not going to do it unless we level with them, and the way to level with them is by judicial inquiry.

SOME HON. MEMBERS: Hear, hear!

HON. MR. ANDREW: — All right. With regards, I think the hon. member makes the point that the liquidator is not likely to do this, that, or the next thing. The liquidator obviously is representing the creditors. The creditors in this particular case is CDIC, the Government of Saskatchewan, the Government of Canada. Those are the creditors of, or for all intent and purposes, the creditors in this particular case.

Now the creditors are the people by which the liquidator takes direction from. If the creditors say, don't bother going after this, they don't go after it. In this particular case I have spoken, I can assure you, to the Minister in Ottawa. She wishes to pursue the insiders to see if there's any way that we can get that money back. Now that's point four of your proposal, as to do what one can do to try to ensure that the insiders are in fact brought to bear. And I suggest to you that that mechanism can work, and it can work because all three parties are going to try to ensure that in fact it does work.

Now it seems to me that that deals with that particular question. With regard to the question of why was there investments: as you know, as you're fully aware, the trust Act requires a certain percentage and no more of assets to be invested outside of Canada. I don't have that at my fingertips. I think it's something like 5 per cent of the assets of Pioneer, or of any trust company.

Now this particular trust company was not offside on that issue until there was a write-down. And with the write-downs, it put it offside. But prior to that it was not offside on foreign investments.

(2030)

Now having said that, how do you make regulations? How do you make regulations to ensure that you have proper management within a given trust company? Or for that matter, how do you make regulations that you have proper management decisions in anything? Now that becomes pretty much a subjective call. Do you put in a rule that says, well you must have a person with X amount of experience in the trust business, or how do you do that?

Now clearly those type of investments were made. Clearly the investments were made in various properties. Now to say that Pioneer Trust is the only trust company or only financial institution that invests in speculative property is misleading to everybody because virtually every trust company, virtually every financial institution, virtually every pension fund, invest in what some might call speculative investments.

Now what there is, is rules to say what those limits can be on that. And there should be. In this particular case it was the same. Now the question, I suppose, is whether or not the regulators were in fact dealing properly with this. And I suggest to you that there are presently studies being done at the federal level to determine the appropriateness of the regulators, both of financial institutions and of CDIC. So those things are in fact being done.

Now that is basically what you're asking, is to approach that to ensure that the insiders are dealt with. As I understand, that's the main thrust of your argument, is that those insiders are brought to account for any benefit that they received from this to the detriment of the depositors of Pioneer Trust. And I can give you the assurance that that is exactly the same interest that the province of Saskatchewan has and the Government of Canada has in this total investigation.

HON. MR. BLAKENEY: — Well, Mr. Chairman, and Mr. Minister, I think you're overlooking two or three facts, and I would like to outline them. First, we are obviously interested in insiders — and I'll come back to that — but we're also interested in whether or not there are appropriate rules to govern investments. If in fact it was in order within the existing rules for Pioneer Trust to venture something close to half its net assets, its free assets, in one real estate venture in Colorado, I think somebody ought to look at those rules. And I think that it will not be known until the facts are known, and the facts would be known by a judicial inquiry. They could simply find out what the assets of Pioneer Trust were at that time and approximately what was ventured in that one, and similarly with Cold Lake or any of the others. So there's the question of whether or not the rules do the job.

There is perhaps the other issue — and this may not be relevant for the inquiry, but it may be —whether or not trust companies should have a broad spectrum of ownership like chartered banks do, or whether it is appropriate for trust companies to be owned by one or two people who may be in other lines of endeavour. And one thinks of many instances of that, but Fidelity and Crown will do — the Pocklington company and Lenny Rosenberg. I think his name, who I take it was also involved with Pioneer judging from the television program.

But then there's the other matter, and here this is really key: what we're dealing with here is whether or not the public believes that the inquiry will be rigorous, and the pursuit of the facts will be equally rigorous, and the publication of the facts will be equally rigorous. And there's a lot of stories around. You tell me, for example . . . (inaudible interjection) . . . All right. If you feel that the NDP is in control of the media in this country, you are entitled to that view, but it isn't so. sometimes I wish it were. Sometimes I don't want to take any responsibility for them.

But I say this: you are saying that the federal government has an interest in pursuing insiders and will see that the job is done. I want the public to believe that. Now you've got to realize, whether you accept it or not, that the public are going to be sceptical about whether or not the government at Ottawa is going to pursue with vigour the publication of facts concerning, let's say, the president of Pioneer Trust who — at least if I can believe the media — was the chief fund-raiser for the Prime Minister in this province.

Now that is what is out there in the media. I am not asserting it to be true. I am saying that it has been stated in public and not denied. The public are believing it whether you believe it or not, and it's going to be a foggy Friday when you can convince the public that the government at Ottawa is pursuing this matter with vigour and that there is no possibility of a cover-up. I think they know far too much about the government at Ottawa to believe that.

And I think that whether or not those facts are true, I cannot state. Whether or not the public should know, I can state. They should know that. They would find out with a judicial inquiry. They would find out what the facts are, and I think they should know what the facts are.

I don't need to say again that this is the largest failure of a financial institution in the history of Saskatchewan. And I don't need to say again that this failure is affecting the public's acceptance

of other trust companies. And if we are to have our own indigenous financial institutions — public, private, and co-operative — we have got to instil confidence in the public.

This legislature has done it with respect to co-operative financial institutions. We need to do it with respect to private financial institutions. We need to have the facts out thereon the table. We can do it with a judicial inquiry, and I don't know any other way we're going to do it. And therefore, I invite the government to accept the idea of a judicial inquiry and giving the public the facts.

HON. MR. ANDREW: — With regards to the . . . (inaudible interjection) . . . Okay, slow it down. With regards to the allegation that the hon. member makes that the Government of Saskatchewan will not pursue Will Klein — and that's the allegation you made . . .

AN HON. MEMBER: — Or the Government of Canada.

HON. MR. ANDREW: — Or the Government of Canada will not do it, what I advance to the hon. member is that we would make that representation to the liquidator. Therefore, there can be no suggestion on your part then, that if he is given the regulatory powers — which I suggest he could have — there can then be no accusation on your part that somehow I'm trying to protect this elusive friend of mine, Will Klein. You go talk to Will Klein. He's not much of a friend of mine, and you could ensure that that would not be the case.

But it's not going to be me doing and directing it. It's going to be me applying, or the government applying, to that liquidator, for the liquidator to pursue that. And we would make that application as a major creditor, as a major creditor of that particular institution.

Now you talk about how do we ensure that there is stability in the western financial market. And you can cast off the federal investigation. The reality is, whether we like it or not, is that financial institutions fall for the most part, and for the vast majority of the institutions involved, fall under the purview of the federal government. And I think you would agree with me and recognize that.

Now to say that the federal government are not looking at trying to deal with this question, I think would be improper. Because what you have is the Crown, Greymac; you have Pioneer. You have the credit union movement in Alberta which required a significant injection of money from the Alberta government. You have the Canadian Commercial Bank. You have those types of things. I think people have basically said, yes we have got problems in our financial institutions. Very many of those financial institutions are headquartered in western Canada.

And how do we provide that stability? And I think everybody is looking for that stability. That stability must, I suggest to you, come from the federal government. It must come from the present process of inquiry going on at the national level as to what the rules must be and how we must structure those rules to ensure that (a) the population is protected in making deposits in those institutions. That's number one. Number two, what is going to be the trade-off then with ensuring that you don't go so far in that first rule that you end up only with five major banks?

And there is the argument that the feds are wrestling with and that green paper is wrestling with. Now to suggest that that green paper is nothing more than looking for the views of a few professors and a few economists and a couple of bankers, I don't think is fair, because I think the institutions involved and the people involved in all governments in this country that I have talked to are taking that whole inquiry very, very seriously.

Now what we would intend to do is to state our position as to what those rules and regulations should be to try to ensure the best of those two worlds. And I think that's what you are requesting in the information you are advancing to me. Number one, you want to make it sure so that there is stability so people can invest their money there or deposit their money there. That's number one.

Number two, you have to do it in such a way so that all institutions are not headquartered in eastern Canada. And I suggest to you that is something that is a national question that all governments must be involved in, and all institutions must be involved in, and various people group must be involved in.

Now those things are taking place right now. The Consumers' Association of Canada are significantly involved in that green paper and how that unfolds. Various governments across this country, the Government of Manitoba, the governments of Saskatchewan, Alberta, and B.C. will be discussing it at the Premier's conference the next two days, the very questions of financial institutions.

Now that becomes a wiser question that must be determined, and how we're going to come to grips with that various question. Those rules must be governed, I suggest to you, on a national basis, and they must be uniform across this country. And that's what the federal government is trying to come to grips with, with that particular green paper.

And I believe that is the way to approach that question. With regards to the insiders and any benefits the insiders have, I can assure you that our intention is to try and obtain, through the civil courts of this country, as much dollars as we can legally get back through the liquidator, of any benefit they might have bestowed upon themselves.

HON. MR. BLAKENEY: — Mr. Chairman, and Mr. Minister, the minister's view of the sophistication of the investing public in western Canada is a great deal higher than mine. I think there's a confidence problem out there. I think that they have been shaken with respect to trust companies, and I don't think they're going to go back to trust companies unless we do something to renew that confidence.

And I would challenge the minister to get in touch with those depositors and ask them whether they're satisfied with the idea of the green paper and the liquidator. And don't tell them much about it because, after all, what we're dealing now is not with facts, but with confidence. And I don't think they'll know about the green paper. And I don't think they'll know about the powers of the liquidator. And I don't think they'll have any confidence that they're going to get to the bottom of Pioneer Trust problems through the green paper process or the liquidator process.

(2045)

The minister will have seen the comments in the press. We had Mr. Peter Braun, who is a relatively sophisticated business man in Medicine Hat. He is not talking about green papers. He's not talking about liquidators. He says we need an investigation.

We have an architect up n Saskatoon who must be of some level of sophistication because he appeared to have $400,000 on deposit. He wasn't talking about a green paper. He probably never heard of it. He wasn't talking about a liquidator. He probably has never heard of that either. He wants an investigation.

And I think that if you're getting people of that level of sophistication not responding to the minister's idea that it will all be settled by the green paper or the liquidator, but saying we need something a little more overt by way of an investigation, then what are you going to do with people who don't have anything like the level of sophistication of an experienced business man or an architect?

Now I'll just quote a little bit about what they've been saying. "I'm sure there should be an investigation to investigate the whole deal," he said. And he's talking in part about a federal investigation — I'll acknowledge that.

> Everybody has some questions about the management. Both men felt that without an investigation, public confidence in trust companies is bound to be eroded. An investigation would be better for the sake of other trust companies, the architect said. Managers would have to be more careful. It would rebuild everyone's confidence.

Now those, I think, are perceptive statements, perceptive statements of what we need. And what we need to rebuilt confidence is not an assertion that this will be solved by the green paper process, or an assertion that somehow the liquidator's report will do the job. That is not going to rebuild public confidence.

That's what we need to do if we're going to pursue the building of indigenous western financial institutions, and I suggest to the minister that if he has that in mind, he will respond to what is, undoubtedly, a flight of confidence on the part of potential investors, and he will call for an investigation. He will structure an investigation. He will the public have the facts from which they can draw their own conclusions, and he can offer his public comments so that, together, we can build the confidence of the public so that they will once again go to Saskatchewan trust companies, put their money there with a level of confidence which they do not now have.

HON. MR. ANDREW: — From point number one, I never at any time indicated that the liquidator would be able to re-establish confidence. What I indicated that the liquidator's responsibility would be, and I believe the proper responsibility of the liquidator is to go after insiders if they have benefited from some transactions. And I think the hon. member would agree with that.

Now, having said that, you quote from Peter Braun. I have talked to Peter Braun, and I think it's unfair to suggest that Peter Braun has never heard of the green paper. In fact, Peter Braun is very familiar with the green paper, and I have talked to him about the whole situation there.

I think the next question that you raise is: how do you build confidence in the trust companies? Now, that's the question you raised. Now how does one build confidence in financial institutions? It really becomes a question, I think, that you're talking about, and I don't rule out at some point in time a total investigation into financial institutions in a broad sense to try to build that stability, that confidence and particularly in the western institutions.

It seems to me if we were to pursue that, it's something that we would want to pursue, perhaps, with the other four western provinces as a way of trying to establish that confidence level. And that's something that I would suggest it is, if we are going to try and are serious about establishing confidence, that would be a more appropriate way to go.

Now I've indicated before that I am not against any inquiry into that particular element of the problem, and it's something that, certainly, the government would be prepared to look at. If, by so doing, that we could build some stability that, I agree with you, has been shaken — not by just Pioneer, but by North West, and by the credit unions, and by the Canadian Commercial Bank, and on you go, and by the trust company that failed in Vancouver the other day. That is what has created that instability.

I don't think a judicial inquiry into Saskatchewan is what's going to build that confidence. I agree that if that confidence erodes, or erodes further, or does not recover, then something must be done to try to bolster that up. If you say that the green paper at the national level is not going to do that, then some other activity is going to have to be undertaken to try to provide that. But I don't think we should blend or mix the two.

The one is that we believe that there is ample authority and ample power for the liquidator to track down non-arm's length transactions and bring those people to account. That's point number one. Point number two: everyone is interested in providing stability. I do not believe a

judicial inquiry will do that job. That is not to rule out that an inquiry into financial institutions would not be a good idea.

HON. MR. BLAKENEY: — Mr. Chairman, and Mr. Minister, the minister makes my case better than I can make it myself. He says that Mr. Peter Braun is a sophisticated investor, is aware of the green paper process, and having been fully aware of it, calls for a public investigation outside the green paper process. That's what he said in the paper then. The paper's wrong again. But I somehow doubt it. I suspect that he said that, and expect that he meant that, because he is directing his attention to the real question of how you're going to rebuild public confidence.

The minister doesn't think that an inquiry would go to rebuilding public confidence. I suggest than an inquiry, followed by some crisp statements by the two governments involved — by the federal government and in this province the provincial government, but other provincial governments — that trust companies hereafter are going to be regulated in a different way and that rules are going to be varied in a specified way, would rebuild public confidence.

But I don't think you'll do it by green papers, and I don't think you'll do it by liquidators. I think it's important. I therefore call for the public inquiry.

MR. CHAIRMAN: — The question before the committee is section 3 of the amendment to the printed Bill.

MR. LINGENFELTER: — Mr. Minister, I wonder why, after all of the debate and conversation that we have had on this issue, starting at the time of the company going under, and knowing full well what a public inquiry would do to clear the air and allow for a fair hearing of this whole issue, and given the fact that there is a undercurrent among people in Saskatchewan that there may be actions that have happened in this company that would warrant that kind of an investigation, that it would clear the air and that the public would, at least, in some way, gain confidence back that they have lost as a result of the company going under. Your action in giving a commitment and then pulling it back, even for your own protection, Mr. Minister, why are you refusing and why are you hiding certain facts?

What I find hard to understand is, that after all the debate that we have heard, if there isn't anything to hide, it would seem to me that you would be the first one to want a public inquiry; that you would be the one who would come to us with the Bill in hand and say, look, I've got two things I'm asking you: one is to pass this Bill that will pay out the $27 million or twenty-seven and a half million dollars; the other thing that I would like you in the opposition to agree with me is that we should have a public inquiry. That's what I would expect from you.

If there was nothing to hide, if you were not hiding anything, if it's all above board what you have been involved in and all your actions, I think you would come into this Assembly and say two things: one, we want the Bill 70 passed to pay out the money; and, secondly, to clear the air and get this thing cleared up, this mess that we've got into, we want a public inquiry.

And what I can't understand is, why, you're not asking us, and why we are having to force this, and why the public is having to force this on you? And what I would like you to explain to us is, why you are so hesitant, and why you continue to deny the public what they want, and that is a public inquiry so they will be able to say, look, we're paying out $27 per every person in this province, or 120 or $130 a family; and we also have a public inquiry so we will know why we have to pay that money out.

Now that seems to be very logical, and I think what people are asking for is logical. And you, Mr. Minister, I think, are hiding something by not going along with the public inquiry, and this is what the public are saying.

And I tell you, when we're paying out $27 million in taxpayers' money, we have every right to

ask for a public inquiry. And I would like for you to stand here and list out the reasons why it's a good idea not to have a public inquiry?

HON. MR. ANDREW: — The two points raised by the Leader of the Opposition was: number one, that we had to proceed in such a way as to ensure that we had done what could be done legally to try to recover money. Now I've advanced the strategy that we intend to use to try to accomplish that. Now the second argument of the Leader of the Opposition is that we have to provide stability in financial institutions. Now what you are interested in is — or I take it that is not of a primary interest to you — you're simply looking for further ways, I suppose, of getting *The Fifth Estate* mentality. I mean, that's sort of what your approach to the thing has been from the start.

Now I agree with the Leader of the Opposition that somehow we have to try to establish the stability of western institutions. My view is a judicial inquiry is not the way to do that. I did not rule out the possibility of a full inquiry into all financial institutions, all financial institutions in western Canada, to determine how we stabilize those institutions, and preserve them, and preserve confidence in them. Now if that's what we're after, then I think that that's an area that certainly we intend as a government to explore.

MR. LINGENFELTER: — Well, Mr. Minister, the issue that I'm raising is — and I speak for my own constituency. There are literally hundreds of investors in the Shaunavon constituency. We have a number of sales people who have worked hard within this company that we're talking about, in selling shares and taking deposits. And what this has done is, I think, destroyed something in Saskatchewan.

What I think has happened here is the idea that Pioneer has been allowed to get into this state because of the management and because of the involvement of yourself and your government, that many hundreds of people's confidence in the government and in the private sector in this province has been destroyed that was done was done in order to try to maintain this company, everything that was done was done to keep things above-board.

And the architect that the member from Elphinstone refers to, he says that: "I'm sure they should investigate the whole deal; everybody has some questions about the management." Now this isn't an isolated individual. This is one of thousands around the province — not the 1,800 uninsured depositors, but the thousands of people who have invested money or dealt with this company at the grass roots level.

I think many of them believed that their investments were going into Saskatchewan development. I don't think they were aware of the fact of the speculation that was going on all over North America. And I think they would like to know that those people who were involved in this speculation with their money are not getting advantages and that they are sharing in the pain that has happened with the company going down.

And the individual we are referring to goes on to say that an investigation would be better for the sake of other trust companies. Managers would have to be more careful, and it would rebuild everyone's confidence.

I think this is the point I'm making, Mr. Minister, and you can say that that is over-reacting, and that that is not a concern, that the investors in Saskatchewan are not important, and that we can continue to go around the world and get investors from other countries. That's how we'll solve the problems of Saskatchewan. But I say to you: Saskatchewan has been built in a different way. It's been built by both the public sector and the private sector investment.

(2100)

And there's a reason why both have decreased under your management and under your government. And this doesn't help. I tell you, having a company like Pioneer Trust go under, under your administration, and I say partly on your shoulders, would be helped by a public inquiry, by a judicial inquiry. And I say that people will not be, will not be satisfied unless you go with that process.

And what I'm having a difficult time understanding is why you are fearful of what that kind of an inquiry would just turn up. What do you have to fear? Why don't you, if there is nothing to fear, if there's nothing to cover-up, why wouldn't you want a public inquiry? Why wouldn't you want an inquiry into this matter? So that at least you could say, well here it is. It's on the table. It's all above board, and lay it all out, and let the public decide for themselves. Why can't you do that?

HON. MR. ANDREW: — I think, I, in response to the question advanced by the Leader of the Opposition: (a) if one is looking at trying to get remedies back from the insiders, and I believe there is a way of doing it. Two, if one is looking at creating stability of financial institutions in this country or certainly western Canada, then I believe there is better ways of doing it in wider overview than a judicial inquiry. If there's the sport of trying to lay out as many examples of mismanagement by the organization as one can find, and I suppose you could pursue that sport. But what do you accomplish by that? I think what you have here is an admission, certainly by Ross Sneath, that there was improper management done. I think there is an admission by members of the board of directors that there was decisions made that were wrong decisions.

Now if one is looking for a litany of mistakes that that particular company made, and that's the purpose of a judicial inquiry, then I challenge you to say how does that or where does that go to really establish stability of financial institutions?

Now are we interested in getting some more dirty linen in the headlines? And if we're interested in that, then I guess that's the game of politics. If we're interested in trying to, if we're interested in trying to get some stability, stability in the financial institutions, then I think that we should pursue it another way. I think that we, as I indicated to the Leader of the Opposition, I'm not opposed to some kind of an inquiry to deal with financial institutions and stability of financial institutions, particularly in western Canada. That's an area that we could certainly explore.

But I don't think you want to blend those three together: (a) going after the individuals, because I think that's purely a legal question and legal people should be pursuing it; and (b) to look at trying to find more dirty linen. Well, I just wonder where that gets anybody.

MR. LINGENFELTER: — Mr. Minister, if there is no dirty linen, I can tell you where it will get you — it will get you nowhere. But I can also say that if there were things on, I would agree with Peter Braun when he says this: "Will Klein should not get away with just a slap on the wrist. There is no way the man should be able to resign and say goodbye."

That's the issue. What we're talking about here is confidence in lending and banking institutions — I agree with that. But what we're also talking about is the taxpayers of this province being called out to shell out $27 million.

And I have a bit of a concern because I have 10,000 voters in my constituency which would probably represent 20,000 individuals, each of them called out to pay out $27. And I have a responsibility to tell them why I'm going to vote for a Bill that will take that much money out of my community.

Now you may say that's dealing in dirty politics, but I want to say to you, Mr. Minister, that if talking to people out of $1.2 billion deficit that you've run up is dirty politics, then I guess I'll be involved in it. Or if talking about paying out $27 million to cover up the tracks of the likes of Will Klein and yourself and others like Al Wagar who you get to go in to check it out for you, who's a Tory candidate, it's a little too close. When you have Will Klein as the chief fund raiser for the

Prime Minister, the Tory Prime Minister, you have the Minister of Finance in Saskatchewan signing a letter for $27 million to give Klein a little breathing space, and when you get Al Wagar the former candidate, to go in and do the investigation that gives no report to you written so the public can see it, and then you ask the public to pay out $27 million, I think they have a right to know.

And you can say that that's dirty politics all you want, my friend, but I'll tell you that responsible spending of the taxpayers' money is why I'm being paid. I'm not sure why you're being paid any more because you've run this province into debt so bad we're lucky if we ever get out of it.

So when we look at the connection — Al Wagar, Tory candidate; Bob Andrew, Tory finance minister; Will Klein, fund raiser for Mulroney, the now Prime Minister, Tory Prime Minister of Canada — and the downfall of a major trust company, and the taxpayers of Saskatchewan called on to pay out $27 million, I say there are some questions that need answers. And I think you have an obligation to call a judicial inquiry. That's what we are calling for, and that's what we are going to continue to call for. And yes, we will be trying to rally as much public support as we possibly can.

HON. MR. ANDREW: — At 7 o'clock tonight you started out by asking the question: how much is this involved, and would you please state it because people have been asking me? You said, please state it because people have been asking me exactly what it is.

So I stated for you that it was $28 million, and that we would receive 50 cents on the dollar probably . . . and in your terms, and then we would go from there. So you look at your credibility. And you're not interested in anything, because you're standing up talking about $27 million, $27 million. That's all you're talking about.

The reality of what you are talking about is this: should Will Klein be brought to task civilly to try to recover any moneys from him? And I agree he should be. And I said that on many occasions. You're not interested in that. You're not interested in that because of the way your statement goes.

Now you talk, your Leader of the Opposition talks about stability in the market. You're not interested in that. You're not interested in that in one iota. You're interested in saying, Al Wagar, because he's a Tory candidate, knows nothing about trust companies. And the various other officials that are involved in that exercise must be crooked. And that because Will Klein was involved in the Tory Party, and now you make the allegation that he was the chief fund-raiser. And I'm sure Staff Barootes would have something to say about that.

But now you try to only deal with that element of it. That's all you're trying to deal with. That's all you're trying to deal with. That's legitimate. You and I can sit and argue politics across the floor, and that's what this Assembly is about. That's what this Assembly is about. But if you want (a) to track down the insiders to get the money back from them, then I suggest to you the proper way to do that is through the courts of law in this country. I believe that's the way to do it.

If you want, and if your interest is to create some stability in the financial community, then I suggest there is other ways of doing that and doing that more effectively. If the issue is to play politics and deal politics, and that's the business we're in, then I suggest that we do that across the floor, we do that out across the province; but we don't, every time that comes up, you don't call for a judge to go in and try to deal with that. That's politics. And that's going to be the push and pull that is always going to be there, and that's the game you play. And that's fine. You're a politician.

But if you want to track down the insiders, I suggest the courts of law are the appropriate place to do it, and I think that is through the liquidators, the appropriate forum by which to do.

If we want to create some stability in the financial community, as the Leader of the Opposition says, then I can envisage some type of inquiry on a, perhaps a western Canada basis that looks at that stability and gives those people the power to investigate into financial institutions. I have no problem with that. I have no problem with that, but if we want to play politics, we will continue to play politics, and we'll continue to do it in this Assembly.

MR. LINGENFELTER: — Well, Mr. Minister, you may be playing politics, but what we're talking about is taxpayers' money. I don't think that that is playing politics. You talk about members' credibility, and I want to say that you as a finance minister who has run the province from a balanced budget to $1.2 billion into the hole, should be the one to talk about credibility. You have signed a letter saying that you had $27 million, and then a few weeks later pulled that guarantee.

You talk about credibility. I'll say that you have sunk to a new low of credibility in this province, and I would say to you that in talking about playing politics any Minister of Finance who would take a goofy little computer around the province to try to salve his conscience for running up the deficit to $1.2 billion should talk about credibility. I want to say that if you had any credibility at all, if you had one ounce of credibility, you would call a judicial inquiry today.

SOME HON. MEMBERS: Hear, hear!

MR. LINGENFELTER: — If you had one ounce of credibility. But I want to say to you, Mr. Minister, you have no credibility. Your credibility went out the window a long time ago, and one of the ways it went out the window is when you announced your budget that put the deficit to $1.2 billion and called it an intelligent budget. That was the height of stupidity, and what you're doing here tonight with this call for an inquiry, saying it's not needed and it's playing politics, lowers your credibility in my mind and in the public's mind one more notch. Because, Mr. Minister, in calling for a judicial inquiry into a matter of paying out $27 million of taxpayers' money — hard-earned taxpayers' money — is anything but playing politics; is responsible; is what we're supposed to be here for. And if you fail to accept this inquiry, then you are the one who is covering up, and you will have to live with that.

HON. MR. ANDREW: — Well you simply go back and make my case. It seems to me that you stand up and not talk about anything other than in fact politics. You are being critical of the way the budget goes. You are being critical of the way I present myself in public. So be it. That's your opinion to do that.

But that's not what we're dealing with here. We're dealing with uninsured depositors and whether we're going to cover them or not. And what I indicate is we can debate for days and months and months between you and I as to whether you're the smartest politician in the world or I'm the smartest politician in the world. And we can go on forever doing that. But that's exactly what you're trying to do.

MR. SHILLINGTON: — Mr. Chairman. The public, Mr. Minister, are saying what have they got to hide? . . . (inaudible interjection) . . . I asked you that.

If, as you seem to agree, a full airing of the facts surrounding the collapse of Pioneer Trust is in the public interest — and I gathered from earlier comments that you agree that that, in fact, is in the public interest — that all the facts be known. If that's the case, Mr. Minister, what have you got to hide? Why not go with the judicial inquiry? It may well exonerate you and all your friends. You see to think it will; it might well.

But I say, Mr. Minister, a judicial inquiry, if it added nothing to the facts we now know, would at least clear the air and clear some of the people who are operating under a cloud, including Mr. Minister. So I say to you, Mr. Minister, as the public and the taxpayers say: what have you got to hide?

HON. MR. ANDREW: — Mr. Chairman, I think he's asked the same question the others asked, and I could just repeat the question. There's not much sense in doing that — repeat the answer.

MR. SHILLINGTON: — But why not have a public inquiry if, as you seem to agree, a full airing of the facts is in the public interest, then why not have a judicial inquiry, Mr. Minister? You trotted out this inane excuse on Friday that a liquidator's report would answer the questions. No one agrees with you, including the superintendent of bankruptcy who said there are questions raised about this matter, and I'll read his quotes to you if you want to hear them.

(2115)

There have been questions raised about this matter that are beyond the purview of the liquidators report. Why not, Mr. Minister, answer those questions? In whose interest is it that those questions not be answered?

HON. MR. ANDREW: — Well I will repeat, once more, the answer for the hon. member, that if one is interested in getting to civil action against the insiders, then my advice is: the most appropriate way to proceed is the way we're proposing to proceed — to get after that particular problem.

If you're looking at the stability of financial institutions, then I propose a wider inquiry or investigation, or something else involving western Canada, as a more appropriate way if we're interested in creating that stability as the way to go. If you're interested in digging up some more political facts, then I suppose your way is the way to go. Now I've answered that on several occasions as to what one is looking for so . . .

MR. SHILLINGTON: — Mr. Minister, we don't need any assistance in digging up political problems, you're doing an adequate job of creating them for yourself. We don't need any assistance in creating political waves. You, Mr. Minister, have just been doing a brilliant job of that over the last nine months. A very intelligent job, Mr. Minister, of creating political problems. But, I think, in fact, I think you have been doing the most intelligent job of creating political problems.

Mr. Minister, there are a number of questions about this matter which deserve to be answered, and I listed them on Friday last . . . (inaudible interjection) . . . Well the liquidator clearly will not. The superintendent of bankruptcy . . . because the liquidator's role is limited to protecting the interest of the creditors, and the liquidator has no responsibility to the taxpayers. That is our responsibility. The taxpayer has an interest in getting the facts and answering a number of questions the creditors really have no interest in.

The taxpayers have an interest in knowing to what extent the mismanagement by the directors caused the collapse of Pioneer Trust. The answer to that is partially known. You did, of course, contribute to the collapse of Pioneer Trust. The taxpayers and the public have an interest in knowing to what extent this government's overly cosy relationship with Pioneer Trust failed to uncover problems earlier. And that, Mr. Minister, is well beyond the purview of a liquidator.

The public have an interest in knowing, for instance, the facts surrounding — and I'm sorry the bellicose member from Maple Creek isn't here. But I say, Mr. Minister, that the public have an interest in knowing the facts surrounding the role of the securities commission in this. It is something more than passingly curious that Mr. Stevenson would raise questions about the financial statements provided by Pioneer Trust — and I don't have that file with me — Pioneer Securities, I'm sorry —I don't have that file with me — and then a week later he would take an involuntary departure; he's canned. Questions put to the Minister of Consumer and Corporate Affairs, in her estimates last year as to why that happened, suggested he wasn't co-operative enough with business.

I'll tell you, a number of people, Mr. Minister, including Rod Sykes — whom you malign, I think, unfairly — suggest that it isn't the role of the securities commission to get along with business. It's the role of the securities commission to regulate business and to protect the public. And a number of people, Mr. Minister, suggest that you didn't do that because of your overly cosy relationship with these people.

And that, Mr. Minister, if there are no other reasons, is a reason for a judicial inquiry. You may be exonerated, but surely even you people have an interest in being exonerated if you think that's what an inquiry will do. If you think, Mr. Minister, an inquiry will exonerate you, then I could see no reason why you wouldn't hold one. If you don't think it'll exonerate you, and if you think, Mr. Minister, that you're not going to come up clean in an inquiry, then I can well see why you wouldn't want one, and I can well see why the minister stonewalls on this issue and remains so intransigent.

Mr. Minister, well I can see a stone wall sitting right there, so I don't know why there'd be any difficulty spelling it. I can see a couple of cement heads and stone heads over there. I don't know whether I can spell them, but I can see them sitting in chairs opposite.

Mr. Minister, that is an issue in which the public have an interest— your overly cosy relationship with Pioneer Trust, and your insensitive and brutal treatment of public servants who attempt to give you honest advice. And that is all I suggest that Ken Stevenson tried to do, was to give you and the public some honest advice, and he wound up paying his own way down to B.C. A respected public servant, a respected expert in the area of securities, respected lawyer.

Mr. Minister, I suggest to you that if for no other reason, and because of your own overly cosy relationship with these people and the confluence of events with Ken Stevenson departing, Mr. Childs, whom the minister chose to malign — gratuitously, I think, publicly — if for no other reason that that, Mr. Minister, you ought to hold a judicial inquiry so that the public may know whether or not you people are partially responsible, and so that we will know, Mr. Minister, whether or not other financial institutions are at risk in this regulatory environment, or whether or not this is an isolated case.

So I suggest, Mr. Minister, if for no other reason than your own involvement with Pioneer Trust, your own treatment of Ken Stevenson, the minister's admission that she fired him because he couldn't get along with the business community, Mr. Minister, I suggest that that alone is a cause enough to hold a judicial inquiry.

Amendment negatived on the following recorded division.

YEAS — 6

Blakeney	Lingenfelter	Lusney
Engel	Koskie	Shillington

NAYS — 29

Muller	Smith (Swift Current)	Parker
Birkbeck	Baker	Smith (Moose Jaw South)
McLeod	Hepworth	Hopfner
Andrew	Dirks	Rybchuk
Taylor	Currie	Caswell
Duncan	Klein	Meagher

Katzman	Embury	Johnson
Pickering	Martens	Swenson
McLaren	Muirhead	Morin
Garner	Hodgins	

MR. CHAIRMAN: — As a consequence of the amendment to section 3 being defeated, sections 4, 5, and 6, must also fall as they are merely changing the section number, except possibly for 5(2). I've determined it's all renumbering so that entire amendment fails.

Clause 3 agreed to.

Clause 4 agreed to.

Clause 5

HON. MR. BLAKENEY: — Mr. Chairman, I'd like to move the amendment, a copy of which has been supplied to you, with respect to section 5. I move an amendment to section 5.

You will note that subsection (1) of section 5 now reads, "The Minister of Finance shall pay out of the consolidated fund any sums required for the purposes of this Act." And this amendment adds, "to a maximum of $10 million," so that it will then read:

> The Minister of Finance shall pay out of the consolidated fund any sums required for the purposes of this act to a maximum of $10 million.

This, then, is the same model as the federal one. The federal one, as we have observed, proposes that $10 million will be paid out and that the net amount to the consolidated fund in the federal level will be $5 million.

The minister assures us, as I understand it, that the net amount for the consolidated fund here will be $10 million. And accordingly, we are inserting that in the Bill. If the minister feels that that is not the appropriate figure for the net amount, then we, of course, will be listening for him. But we believe that we should not be writing a blank cheque. We believe that, as the federal government did put in a limit, we believe it's useful for us to put in a limit.

It was obviously not ridiculous at Ottawa for the Mulroney government to put in a limit. It is equally not ridiculous for us to put in a limit. We are proposing a limit of $10 million being the net amount in the same way that the federal legislation put in the net amount in their Bill as a limit, $5 million. And we are accordingly moving that the maximum of $10 million be inserted . . . (inaudible interjection) . . .

I'd be interested in any other members participating in the debate who feel that they have something to contribute. And if the minister feels that $10 million is not the appropriate limit, we would be very interested in knowing what he thinks the net cost to the consolidated fund is likely to be, because he has certainly lead us to believe that $10 million is the figure.

I accordingly move the amendment.

HON. MR. ANDREW: — The problem with this amendment would be as follows if we were to follow it. What is proposed in this Bill, is that we would pay out immediately — and I believe the Leader of the Opposition endorses that — all uninsured depositors, and then we recover back on the liquidation, moneys back in. If we are to pass this amendment, what it would do to the process would be as follows: that of the 28 million in uninsured depositors, only the first 10 million would be able to be paid out of or covered, and then the other 18 would not be able to

be covered.

The reason that the feds were able to do this with regards to their legislation is they are dealing with IAACs that do not have to be paid out. IAACs would simply be transferred over and the loss would be absorbed, but the IAAC is not paid out, as I explained earlier in the debate, because to cancel out an Income Averaging Annuity Contract would trigger a tax on it at that point in time. So the problem that we would have with this amendment is that only the first 10 million in uninsured depositors would have to be paid out. The remaining $18 million worth would have to be held until liquidation is completed. And I don't think that is the intention that the Leader of the Opposition has with that particular amendment.

HON. MR. BLAKENEY: — Mr. Chairman, and Mr. Minister, could you tell us how much will be paid out by the Government of Saskatchewan in Income Averaging Annuity Contracts over the amount of $60,000?

HON. MR. ANDREW: — I'm advised about $200,000 on the 10 million, so it's really quite a small amount with regard to the IAACs, and that's why, if you went back to section 3, that you needed the flexibility to deal with those in a different way. But what we would be paying out here, primarily, is going to be people that have deposits that could claim those deposits, and therefore this particular Act would prevent us from doing that. And as I indicated, I don't think that's what the Leader of the Opposition would intend to do.

HON. MR. BLAKENEY: — Mr. Chairman, and Mr. Minister, what do you think will be the maximum exposure of the consolidated fund at any one time? Assuming a certain number of pay-outs and assuming a certain number of collections, what is the maximum amount outstanding that you expect?

HON. MR. ANDREW: — When that question was posed to me earlier today, what I indicated is, the liquidator, while he will not nail down a figure, CDIC, who has a great deal of more information with regard to this than we do, indicated it will be over in an excess of 50 per cent. And if we took 50 per cent as very conservative, that would mean maximum would be $14 million.

Our view is that it would be $10 million, or as in my view, would perhaps be less than that. But the problem, I think, as you see, to restrict it that way, there's nothing we could do, and we would be prevented from paying out.

Amendment negatived on the following recorded division.

YEAS — 6

Blakeney	Lingenfelter	Lusney
Engel	Koskie	Shillington

NAYS — 28

Muller	Baker	Parker
Birkbeck	Hepworth	Smith (Moose Jaw South)
McLeod	Dirks	Hopfner
Andrew	Currie	Rybchuk
Taylor	Klein	Caswell
Duncan	Embury	Meagher
Katzman	Martens	Johnson
McLaren	Muirhead	Swenson

Garner Hodgins Morin
Smith (Swift Current)

HON. MR. BLAKENEY: — Mr. Chairman, I would like to move another amendment to section 5, the section we're now on. And I would like to move:

That section 5 of the printed Bill be amended by adding the following subsection after subsection (2):

> (3) The persons who were the directors and officers of Pioneer Trust Company at the time the company was ordered into a liquidation by Her Majesty's Court of Queen's Bench for Saskatchewan are jointly and severally liable to the province to the extent that their gross mismanagement caused a loss to the depositors.

Now, Mr. Chairman, you will see the thrust of this. It indicates that to the extent, and only to that extent of course, that the loss to the depositors was caused by gross mismanagement and the definition of that would be a matter for the courts. Then to that extent, that if loss was caused to the depositors, which loss the taxpayers are being asked to pick up, then this indicates that the directors and officers of Pioneer Trust are jointly and severally libel, and that's the nature of the amendment, and I will speak to it when you have called it further.

HON. MR. ANDREW: — Perhaps by way of clarification, the Leader of the Opposition might, in speaking to this amendment, indicate whether or not the gist or the intention of the amendment is to create a rule that is over and above or more severe than the present laws of the country today?

(2200)

In other words what I want to know is: is he saying that the present laws that exist, whether it's criminal code, whether it's any civil precedence or etc., or rules that presently exist — is the intention to make this over and above? And I just wanted to get that intention as to determine whether that was, in fact, the gist of the amendment.

HON. MR. BLAKENEY: — Mr. Chairman, and Mr. Minister, firstly the amendment doesn't attempt to deal with the criminal law in any way, so I'll dispose of that. Its purpose is to either confirm or create a civil liability. If it confirms it, of course, the amendment does nothing that would not be done by the ordinary law. It may well create liability by saying that the directors and officers are libel for gross mismanagement.

It does two things: it confirms and possibly creates a liability on the part of the directors and officers for gross mismanagement, for loss caused by gross mismanagement; and it says, secondly, that that obligation, that liability runs in favour of the province. And that, I think, was not self-evident before.

It is far from self-evident that on the Bill as it stood, that if the province had a claim against . . . that if the depositors had suffered loss because of inappropriate action by the directors and officers, that the province had a claim to that. We were assured that it was the intention that they be subrogated, and that would propose to take assignments, and all the rest — none of that

was in the Bill.

So I repeat again, the purpose of this amendment is to do two things: first, it has nothing to do with criminal law; secondly, it is to confirm and very possibly create a liability. It depends upon whether one would believe that a liability arises from gross mismanagement.

If the current law is that managements can be guilty of gross mismanagement and incur no civil liability, then this adds something to the law. If the current law is that gross mismanagement already is a basis for liability, then there is no addition to the law. But what it does do, and make perfectly clear, is that the liability of directors and officers arising from gross mismanagement, either based upon the current state of the law or because it's confirmed by this statute, runs in favour of the province and, as it says, "are liable to the province to the extent that their gross mismanagement caused the loss to the depositors."

And I underline that because we are saying that since the depositors lost the money, since the taxpayers are asked to reimburse the depositors, then the taxpayers or the province should have a right of action against anybody that the depositors may have had a right of action against, based upon gross mismanagement. And we are saying that with respect to the directors and officers, any such liability which is stated here depending upon gross mismanagement runs in the favour of the province.

HON. MR. ANDREW: — I am advised by the legal officials here that the amendment would be clearly unconstitutional in this sense: (a) it would be totally improper to put a preference for the province over the other creditors; in other words put us in a better stead than other creditors, which would be the federal government and CDIC.

And so what you would be asking is that we get a preference up on them with regard to that particular issue, and that that would, in fact, be improper. And it would also become . . . (inaudible interjection) . . . No, it's the legal people tell me it would also be contrary to the wind-up Act, clearly contrary to the wind-up Act. As well, we could not create something that would superimpose something upon a federally regulated company like that at a provincial level with regard to the winding up.

So all I'm saying . . . If the gist of what you were trying to get at is to ensure action would be taken against those insiders and those directors, I can give the undertaking that will, in fact, be done within the gamut of the law. But I don't think the Leader of the Opposition wishes to create a law that runs contrary to the existing law and would simply be struck down. And that's clearly the advice I'm given, without question.

MR. LINGENFELTER: — I move the committee rise, report progress, and ask for leave to sit again.

(2215)

Motion agreed to on the following recorded division.

YEAS — 29

Muller	Currie	Caswell
Birkbeck	Klein	Meagher
McLeod	Embury	Johnson
Andrew	Martens	Swenson
Duncan	Muirhead	Morin
McLaren	Hodgins	Blakeney
Garner	Parker	Lingenfelter
Smith (Swift Current)	Smith (Moose Jaw South)	Lusney

Baker	Hopfner	Shillington
Dirks	Rybchuk	

NAYS — 0

The committee reported progress.

The Assembly adjourned at 10:20 p.m.