

the HERALD Outlook

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Stockbrokers take steps to protect investors

TORONTO - Stockbrokers are taking steps to make your money safer in their hands.

Banks and trust companies have federal deposit insurance. The Canada Deposit Insurance Corp. covers deposits of up to \$60,000 a person at each member financial institution. But this protection does not extend to money on deposit with an investment dealer.

In troubled times, people worry about what might happen if another stockbrokerage firm were to fail. So the investment industry is setting up a \$70-million fund to protect investors from fraud or failure of a member dealer.

When Osler Inc. failed in 1987, dealers used the National Contingency Fund to bail investors out. At the time, the fund had a mere \$16 million in the bank. Member firms had to make up the difference. In the end, the industry paid out \$29.8 million in claims against Osler.

Osler was not a big dealer. If a larger firm were to go under, or more than one small firm, the industry would be hard-pressed to come up with the cash. Under the new plan, the fund will grow as time goes by - if all goes well.

GOOD MOVE

By 1993, dealers hope it will have grown to \$100 million, half in cash and half as a line of credit. Some of the features of the new fund are:

- A \$250,000 limit on losses for each client account.
- A \$60,000 limit on cash balances in a client's account.
- A six-month time limit on claims.

- An early-warning system in which dealers report their financial situation monthly.

- No coverage for insiders.

Don Leslie, president of the Canadian Investor Protection Fund, estimates that member firms hold \$3.5 billion in clients' cash and \$70 billion to \$80 billion in securities.

This raises the question: is \$70 million enough?

Dianne Maley

Your Business
Thomson News Service



It's a tricky problem for dealers. The federal government's backing of bank accounts is generous - too generous, some would say. Critics of deposit insurance argue that it allows people to be reckless with their money at the taxpayer's expense.

TOO GENEROUS?

Indeed, the U.S. savings and loan crisis can be attributed in part to generous deposit insurance. Americans are protected for up to \$100,000 at any one financial institution. In the end, the bailout could end up costing American taxpayers as much as \$500 billion (U.S.).

Investment dealers cannot draw on the taxpayer when investors get careless. This could work to their customers' advantage. Dealers are a self-policing group. If they know wrongdoing or bankruptcy by other dealers will cost them dearly, they will police each other more carefully.

In the case of financial failure, investors need not be too concerned, thanks to the new fund. But wrongdoing is trickier. Suppose a failing dealer uses clients' money for its own purposes. It could borrow against clients' treasury bills, for example.

In this case, the limit of \$250,000 an account may not seem so generous. Still, investors will be better off under the new plan.



Canadian municipal infrastructure in bad need of an overhaul

Ottawa - Imagine. You're vacationing in Quebec, making a leisurely tour along the St. Lawrence River, and you grind to a halt at a crossroads.

Passing before you is a convoy of 15,000 garbage trucks. You are mystified by the procession but, worse, horrified to see each truck drive down to the riverbank and dump its contents into the swirling waters.

It's an environmental outrage, right? In your shock, you call someone in authority to register indignation. To your dismay, the placid voice on the phone informs you that this is nothing unusual, but a daily occurrence.

This dumping doesn't happen that way, but it represents the kind of despoilation that occurs each day in Canada because municipal infrastructures are either inadequate or have deteriorated badly over the years.

Sewage treatment plants, sewer systems and waterworks are wanting. Roads, bridges and sidewalks need repair. The Federation of Canadian Municipalities warns public health and safety, the environment and economic development are at risk because investments have not been made in needed facilities.

The garbage-trucks case was cited by the Urban Community of Quebec and repeated in a recent Liberal party task force report on municipal infrastructure. The 15,000 trucks are equivalent to the 500 million litres of untreated water and 50 metric tons of raw sewage that are, in fact, dumped into the St. Lawrence each day.

NATIONAL PROBLEM

The issue of declining or inadequate facilities is a national one. Metro Toronto's desperate search for a community willing to take its garbage in exchange for cash is a symptom. Recently, some towns in the Ottawa Valley had to warn residents not to swim in nearby rivers because heavy rains had overwhelmed municipal sewage-treatment capacity.

More than eight million Canadians live in communities without sewage treatment. About 140 of Ontario's 370 sewage-treatment plants are below provincial standards.

In Newfoundland, more than

Vic Parsons
Ottawa Bureau
Thomson News Service



48,000 homes do not have adequate water and sewer service. The province estimates it would cost about \$4 billion to provide basic service to these homes and upgrade and replace existing services.

Northern Ontario and New Brunswick complain that the Trans-Canada Highway and other roads are in serious need of repair. Coastal towns in British Columbia are concerned about the impact of sewage on the local fishing industry.

These fears, incidentally, cut across political lines. Prominent members of all parties have championed the federation's call for a three-pronged financial attack on the problem by all levels of government.

POLITICIANS INVOLVED

When the federation took up the challenge in 1985, the chairman of the task force was Michael Harcourt, then Vancouver's mayor but now leader of B.C.'s New Democratic Party. Other members were Mel Couvelier, then mayor of Saanich and now finance

minister in B.C.'s Social Credit government, and George Rideout, formerly mayor of Moncton and now a Liberal MP. In 1988, when the federation urged the federal government to get involved in solving "a national problem," the group's president was Jean Corbeil, now labor minister in Brian Mulroney's cabinet.

Then, the federation estimated it would cost about \$15 billion over five years to upgrade sewers, roads and other facilities. (Inflation and continuing decline has now pushed this figure up to about \$18 billion.)

About one-third of this money should come from the federal government, the federation suggested, with the remaining amount split between the provinces and municipalities.

The work would be a stimulus to the economy, the federation argued. It could create more than 60,000 jobs a year, and the impact on Ottawa's deficit - after taking into account increased tax revenues from individuals and companies - would be only about \$416 million.

But there's little likelihood Ottawa will budge from previous refusals to participate. The federal deficit is still a preoccupation and interest rates are high, which dampens enthusiasm for spending.

Moreover, relatively low unemployment rates are not putting any pressure on Ottawa to come up with make-work public projects. For now, it seems, our towns and cities will have to make do with what they've got.

Write us a letter!

The Herald wants to hear from you. If you have an opinion you want to express or a comment to make, send us a letter or drop by the office. Our address is 45 Guelph St., Georgetown, Ont., L7G 3Z6.

All letters must be signed. Please include your address and telephone number for verification.

The Herald reserves the right to edit letters due to space limitations or libel.

Poets' Corner

The Old Oil Lamp

Long ago, at home by the old
lamplight

My mother would read, to her
family's delight

As the story she read, you
would picture as said

We listened, so eagerly, till
time for bed

We sat by the stove, on a cold,
cold night

Fields were covered with snow,
drifting white

Outside, the cold winds, it did
sting

We sat there cuddled, like a
king

Many years the storms they
have swept

Yet we have many fond
memories left

I think of my Mother, she would
read it twice

My brother and sister, sat quiet
as mice

Those great stories, I'll never
forget

Not only stories, adventures
did get

Life was hard living, you got in
a rut

Water was carried, firewood
was cut

Fingers and toes, were often
froze

We didn't have the warmest
clothes

Though we did love, together
did cling

In life to us, success it did bring
To be left without any king of
light

A lamp at night, sure was a
welcome sight.

By Albert Brooks,
R. R. 1, Limehouse, Ont.

MORNING PEOPLE

Morning people chatter
They greet the crack of dawn

They are bright and chipper
They should be quartered and
drawn

By Patricia Hretchka
Georgetown

FOOD FOR THOUGHT

Watch what you eat
The doctors say

Don't eat meat
Not today

Don't touch butter
Watch out for fats

Too much sugar
Kills lots of rats

If you do just what they say
You won't live forever

But it could feel that way

By Patricia Hretchka
Georgetown