

Supply—Defence Production

crown in Polymer is therefore \$38 million. However, the fixed assets of Polymer, representing land, plant, equipment and other assets, at cost, are estimated to be \$68,404,000, the additional \$30,404,000 having been provided from the earnings of Polymer. The latter expenditures have been made in order to bring the plant into balance with peacetime markets for its products and, more recently, to expand the over-all output of rubber by about forty per cent. These payments have been made possible by the fact that, over the years, the company's depreciation reserve has been built up to \$29,700,000 and, in addition, surplus earnings have amounted to about \$19,400,000. The earnings for the current year do not fully reflect the earning power of the last major plant expansion, which was completed at the last year-end; nevertheless, the earnings for the year 1951-52 will be in the order of \$9 million after depreciation.

Following ordinary business practice, the time has come to set up a capital structure consistent with the government's investment and consistent with the earning power of the property. The proposal is to transfer ownership of the Polymer assets from the crown to the Polymer Corporation in exchange for two million shares of common stock, which will represent \$30 million of fixed assets, and also to deliver to Her Majesty \$8 million of four per cent serial debentures maturing at the rate of \$1,000,000 per annum, commencing March 31, 1953, with provision that the debentures may be retired in advance of the due date should the directors so decide. It will then be the policy of the Polymer Corporation to declare dividends to Her Majesty on the stock of the company as earnings from year to year will permit.

In the administration of the Polymer Corporation we have, as far as possible, followed normal commercial practice. The company maintains its records in the same form as well conducted commercial companies. It values its inventories and other current assets on the basis of good commercial practice. It charges normal amounts of depreciation into its operations at rates authorized by the tax authorities. It is, in fact, a commercial plant operating in a commercial community, with very close relationships between it and the other large corporations that combine to make Sarnia one of our great centres of chemical manufacture.

No change is contemplated in beneficial ownership of the assets or in the policies and management of the corporation, but I believe that a recasting of the financial structure of the company will, as I said at the outset,

provide a clearer picture of the crown's investment in this enterprise. It will also provide those charged with the direction of the company with a better background against which to assess and compare the operations of the company with similar operations. For example, the present advances are non-interest-bearing, but it is proposed that a part of the crown's investment will in future be represented by interest-bearing debentures with serial maturities. It is planned to have the balance of the crown's investment represented by capital stock, and it is the government's intention, so long as satisfactory profits continue to be made, that the company shall pay regular dividends on its stock. Interest, dividend, and sinking fund requirements will thus have to be taken into account by the management in their policy decisions affecting sales price of the product, proposals for capital expansion, or any other corporate matter that is normally considered in the light of these factors.

The whole situation may be summed up by saying that the proposed rearrangement of the financial structure makes no change in the beneficial ownership of the enterprise, and does not diminish in any way the practical control of the government over the corporation's operations. It does, however, provide those charged with the management, as well as the owners of the enterprise, with yardsticks by which the efficiency and success of the operation may be considered.

Mr. Murphy: Mr. Chairman, I do not intend to be very long dealing with this matter. I am sure the committee was gratified, as I was, representing the riding that I do, at the success of this crown company. I think much of this success is due to the excellent management and the co-operation which that management has had from labour in Sarnia and the surrounding area. True enough we were fortunate—when I say "we" I mean Polymer—in enjoying a rising market.

I can hardly make up my mind at the moment, but personally I cannot see any objection to this procedure under this item. Having just heard the minister's statement it was rather hard for one sitting here to analyse it as it was being read. I wonder if the right hon. minister would comment upon the figures he has just quoted. As I understand, he is bringing us more up to date than is indicated by the 1951 statement.

Mr. Howe: Yes.

Mr. Murphy: There are some observations I should like to make about this successful company. It is true enough that the company had hard sledding when they started and I am the first to admit that construction