

Supply—Defence Production

\$160,000 per month. I would like to have an explanation of that. I should also like to direct the minister's attention to the remarks the Auditor General made with regard to sales of this type. At page 204 of his report, chapter 261, the Auditor General says:

Defence Production Revolving Fund. Section 16 of the Defence Production Act, R.S., c. 62, established the Defence Production revolving fund for the purpose of acquiring, storing, maintaining and transporting stocks of materials or defence supplies—

Further down the report continues:

Also included in the year-end balance were loans of \$10 million to manufacturers to assist them in the acquisition of capital equipment. These loans, which in our opinion were made contrary to section 16(2)(c) of the Defence Production Act, are commented on in paragraph 65 of this report.

I should like to know something about that and also under what heading this plant came. I do not see the Haley plant listed in the preface of the report. The minister might advise us whether this comes under Canadian Arsenals Limited. Would he advise us whether this company has ever shown a profit since 1951 and, if so, under what heading this was accredited. I should like the minister to advise us under what type of agreement with the government this company operated, and whether a financial statement was made available to the Auditor General. Perhaps the minister would explain whether there are other firms with like government agreements operating on a similar basis to that under which this company was operating from 1951 to 1967. Then he might advise whether the entire output of this plant was purchased by government agencies or through government contracts. I should like to know what type of agreement was made in respect of any loss to be paid for by the taxpayers, and whether if there should be a profit it would be credited to the taxpayers.

Before I proceed any further I should like the minister to give us the information concerning the assessed value of the property and the total amount the taxpayers of Canada received from the sale of this property.

Mr. Drury: Mr. Chairman, I shall try to outline the history of this particular operation. The hon. member for Swift Current-Maple Creek has asked a great many precise questions. As is apparent from the news release which he read, this company was organized at the time of the Korean conflict in order to provide a source of magnesium castings for Canadian users, particularly Avro

in connection with the Avro-CF-100 production. The company was founded and equipped by the crown in 1951 to meet the needs of the CF-100 engine production. Light Alloys Limited, a subsidiary of Dominion Magnesium Limited, undertook operation and management of the plant until 1962 when, due to a declining defence workload, they terminated the management agreement.

In 1962 Dominion Magnesium Limited, which had been operating on crown owned property under a management arrangement, was terminated by the government. Following the decision to continue operation of the facility, in 1962 Fleet Manufacturing Limited undertook the management and formed a new company, Haley Industries Limited, which they operated until early 1963. This agreement was terminated in 1963 at the request of the crown and further authority was obtained to continue operations under a D.D.P. administrator to the end of 1963, pending the sale or transfer to commercial interests. Because of our inability to find a satisfactory buyer when the decision to continue operation was taken Heroux Machine Parts Limited undertook management of the facility in February 1964, including a purchase option. The company did not take up the option and in early 1967 decided to withdraw from the management agreement. Bartaco Industries Limited purchased the facility and undertook control in December 1967.

This is the story of the facility for the production of magnesium castings which we were able to have constructed and subsequently kept in operation by private interests. The plant was operated under a management contract until the managers withdrew and another manager was found. Finally a D.D.P. administrator was appointed. Because of the difficulty of finding satisfactory markets we persuaded Heroux Machine Parts Limited, which had possibilities of marketing these castings in Canada and in the United States, to undertake a management contract. They declined to take up the purchase option and withdrew from the management contract. We solicited some 28 companies as prospective purchasers. I have a list of them here. They included both large and small companies, both Canadian and United States owned, and some United Kingdom owned. The only firm which we found to be interested in this was Bartaco Industries Limited. Their conditions of purchase were as outlined in the supplementary estimates namely that the crown