

Supply—Defence Production

Mr. Abbott: All the good ones.

Mr. Fulton: I want to revert for just a moment, but not pursue it too far, to the suggestion made by the hon. member for Annapolis-Kings to the effect that it would be better to do this by way of a statute so that we might have the agreement appended as a schedule to the statute and would have a chance to discuss the agreement itself rather than the somewhat, as they must be, incomplete details appearing under an item in the estimates. But since we have to discuss them on that basis, I should like to ask the minister—either the Minister of Trade and Commerce or the Minister of Finance—why it was decided in this case to use the \$8 million in debentures. My understanding is that debentures are usual and in fact useful in private corporations where it is the desire to make a distribution of capital which is quite often carried out by redeeming debentures. Tax implications arise there which make the debenture system a handy one to use. But since there can be no tax implications as between a crown corporation and the income tax branch or the Department of National Revenue in this case, I wonder why they are going through the formalities necessary with respect to the issue of debentures. Can the minister tell me why that is being done?

Mr. Howe: Yes.

Mr. Fulton: Why is it not left in common shares?

Mr. Howe: The whole situation was examined to see what the share equity should be and it was thought that, year in and year out, in good times and in bad, the company could readily pay a dividend on \$30 million of equity. It was felt that provision should be made for some further reductions, if only to keep the depreciation account in line. It was a matter of judgment as to what the common stock equity should be. We could have said \$38 million of common stock, but we said \$30 million of common stock and made provision for serial debentures for the balance now standing in the books of the government.

Mr. Fulton: It is the intention to redeem these debentures and to retire that capital?

Mr. Howe: That is right.

Mr. Fulton: Is there any indication that can be given of how you will do that? Will that be all done in a year?

Mr. Howe: The serial bonds mature, \$1 million each year.

[Mr. Knowles.]

Mr. Murphy: The minister made one statement, and I am just wondering if it was correct. I should like to have the record straight. In answer to a question by an hon. member regarding the expansion of Polymer, I think the minister said that if any further expansion were necessary it would be taken out of depreciation. I just do not understand that; I cannot reconcile making an expansion out of depreciation—

Mr. Howe: I think my hon. friend will find that most expansions are made out of depreciation account. It is perfectly proper to reinvest your depreciation account in capital assets. Some \$30 million of expansion has been made and paid for out of Polymer funds; and largely paid for out of depreciation account. The depreciation account represents cash in the company, and if that cash is sufficient it is probable that future expansion could be paid for from the depreciation account.

Mr. Nickle: Will the minister explain what effect, if any, this item of \$38 million will have on the budget surplus of this year?

Mr. Abbott: I will answer that—none.

Mr. Macdonnell (Greenwood): Like other hon. members who have spoken, I look upon this as a sensible business arrangement, but there are just one or two questions that I should like to ask. First, there is this matter of procedure which was raised by the hon. member for Annapolis-Kings. I do not want to split hairs, but it does seem to me, notwithstanding what the minister said, that it was a very usual procedure—he may be quite right in that—it is a proceeding that is in one way questionable. Here we have not merely no statute—and I must say, since this is a re-arrangement of capital in the way explained, we hope the government will hold shares instead of physical assets. I would not press that point, but it does seem to me that we have here two things. Not only have we not a statute, but we have not even an agreement as to how the matter is to be carried out. We have a description if it, and I must admit that the items in the description seem quite natural, but it does seem to me when we are asked to pass this item, which in a sense is legislation, without even having before us the document which is going to be the result of it, we should have the agreement. I think that is necessary. The minister said that the agreement would not be signed until there was the authority. Well, that sounds all right, but we have nothing before us yet. If you had an agreement going before a board of directors for authorization, they would not want to authorize an agreement just with certain general explanations.