

Supply—Defence Production

immigrants to enable them to establish themselves, and, while establishing themselves, to repay the loans.

Mr. Abbott: That is a perfectly valid question, Mr. Chairman. I am not in position to give that information immediately, but if the committee would be good enough to let the item stand I could have the Minister of Citizenship and Immigration come in a little later and give the answer.

Mr. Macdonnell (Greenwood): Will the minister consider this question? I am not quite clear as to the legislative authority, and perhaps the minister will explain that later.

Mr. Abbott: The legislative authority is under the item in the estimates. Since the item is to stand until the Minister of Citizenship and Immigration returns, perhaps he can deal with any question that hon. members may have.

Item stands.

DEPARTMENT OF DEFENCE PRODUCTION

Loans, Investments and Advances—

654. To authorize execution and performance of an agreement between Her Majesty and Polymer Corporation Limited by way of amendment to existing agreements between them: (a) to provide for the vesting in the name of the corporation of the title to real property, plant, business and other assets (subject to liabilities) heretofore operated by the corporation on behalf of Her Majesty; (b) to authorize the corporation to administer the said property, plant, business and other assets on behalf of Her Majesty, as between Her Majesty and the corporation, as if the corporation was the beneficial owner thereof; (c) to authorize acceptance by Her Majesty for the said property, plant, business, and other assets, and by way of accounting for and in satisfaction of all existing advances made by Her Majesty to the corporation of 1,999,966 shares of capital stock of the corporation, of debentures of the corporation of a principal amount of \$8 million and the payment of \$3 million in cash during April, 1951; and (d) to authorize accounting arrangements to be established by the corporation as if, as between Her Majesty and the corporation, the corporation were not an agent of Her Majesty, \$37,999,966.

Mr. Murphy: This seems to be an innovation, and since the minister is in his seat, perhaps he would give us an explanation.

Mr. Howe: I shall be glad to make a statement, and after I have made the statement perhaps I may answer the hon. member's question.

Mr. Murphy: That will be all right.

Mr. Howe: The purpose of this vote is to authorize a rearrangement of the financial structure of the government-owned Polymer Corporation. At the moment, the Polymer Corporation is an operating company only, and the assets operated by that corporation are separately owned by Her Majesty the Queen in right of Canada rather than by

[Mr. Diefenbaker.]

Polymer. The present share capital of the Polymer Corporation is represented by thirty-four shares. Now that Polymer Corporation has demonstrated a substantial earning power, which will enable it to pay annual dividends to the crown, it seems desirable to provide a capital structure for the company which will serve as a proper background for the consideration of owner-customer-labour relationships as they affect policy decisions by the management and directors and by the crown as owner of the company.

It will be remembered that construction of the Polymer plant was undertaken in 1942, when the entry of Japan into the war threatened to cut off Canada's supply of natural rubber. The plant was rushed to completion under the stress of wartime conditions, and was brought into production in 1944. It is the only completely integrated rubber plant on the North American continent. Its operation has been financially successful since the inception of its operation. During the war it supplied the synthetic rubber required for Canada's military effort, as well as for its civilian requirements, and the rubber manufactured by Polymer saved a situation which without it might well have been disastrous.

Since the close of hostilities, the plant has continued in operation, notwithstanding the fact that for a considerable time the Canadian market for synthetic rubber contracted sharply. An effort was made to sell the various products entering into the production of rubber in a way that would provide raw material for complementary Canadian industries. The products then made available to industry have formed basic raw material for those privately-owned plants subsequently built in the Sarnia area which have transformed that area into the so-called chemical valley of Canada.

In addition, export markets for synthetic rubber were opened up in Europe and in the United States and, by means of intensive research, new types of rubber were developed which have made the synthetic product more competitive with natural rubber. These activities have made it possible to operate Polymer continuously at, or close to, full capacity. Polymer has now developed an annual sales volume of some \$48 million, and has been able to earn substantial profits from the moderate and stable prices that it charges for its products.

To build and operate the plant, the crown has advanced moneys from time to time, and at 31st March, 1947, such advances stood at \$42,886,298. Of this amount, \$4,886,298 has been repaid by Polymer as a reduction of capital. The present investment of the