

defending the supplementary estimates. Those supplementary estimates included a figure of \$1.3 billion as a guaranteed loan figure for Canadair. This had increased from the original estimate, of only two years before, of a guaranteed loan of \$150 million. I asked Mr. Johnston how a jump of such magnitude had occurred and whether Canadair could explain the fact that this figure had jumped from \$150 million to \$1.3 billion in that short period of time. We were informed by the minister that this was not, indeed, the quantum jump that it appeared to be, but that, in fact, it had been increased from time to time over the intervening couple of years by comfort letters issued to the company, signed by the Minister of Finance, with the authorization of Cabinet, without reference to Parliament, the Financial Administration Act, Treasury Board, or anyone else.

**Senator Frith:** If they are not called on that, they must bring it into the estimates; it is not borrowing.

**Senator Doody:** It is not reported in the public accounts and is not demonstrated.

**Senator Frith:** It has nothing to do with borrowing authority.

**Senator Doody:** It adds to the public debt of Canada. I am saying that the evidence indicates they have found a way to get around the Financial Administration Act by not referring to Parliament. That is what they are doing with a guaranteed debt to outside companies. It seems to me that, if they can get away with it in that area, they would like to get away with it in this area as well. The fact that this bill is introduced in this chamber one afternoon and is expected to be passed the following day demonstrates to me that that is exactly what they would like to do. If they did not have to refer the matter to Parliament at all, they would be very satisfied with that system.

As it is, it is necessary to make at least this cursory presentation to the Senate and say, "Pass this this afternoon! We want to get it through committee tomorrow because the government needs this additional \$6.6 billion."

● (1640)

Some honourable senators are shaking their heads about these comfort letters. They are amazing phenomena. The Honourable Donald Johnston appeared before the National Finance Committee a day or so ago with some further information about these mysterious comfort letters which nobody had heard of before. It appears that the minister is familiar with at least two such letters, one of which was issued to Canadair.

Canadair had borrowed some \$822 million to the end of 1981, of which \$150 million had been authorized by the Parliament of Canada through a loan guarantee. The difference between the \$150 million and the \$822 million had been arranged through comfort letters issued by the Minister of Finance, with no reference to the Parliament of Canada.

If the Parliament of Canada is not to have control of the public purse, then dismiss it, send it home, and forget this farce completely, because control of the public purse is by far

the most important function of the parliamentary system, as is avowed.

de Havilland Aircraft of Canada has borrowed \$70 million on the basis of a comfort letter issued on December 4, 1976, by the Minister of Industry, Trade and Commerce, for the production of the Dash-7 aircraft. The letter of comfort, with an expiry date of December 31, 1980, was extended to September 1981, at which time it was no longer required. Appropriation Act No. 4 of 1980-81 authorized the guarantee of loans to de Havilland to a limit of \$450 million. Therefore, from December 24, 1976, until the Loan Guarantee Act of 1980-81, de Havilland Aircraft was operating on a line of credit which was authorized by comfort letters issued by the minister without reference, once again, to the Parliament of Canada.

The Honourable Mr. Johnston, in his testimony before us, announced the fact that he felt that the issuance of the comfort letters was inappropriate. He felt that that was not the right way to go about the financing of companies, and that the public purse should not be handled in that manner. He has undertaken to obtain for us a list of outstanding comfort letters, indicating the dates and the amounts. I look forward to seeing that list in order to determine just exactly how much use or abuse of this particular system has taken place over the years.

This is a matter entirely different from the issuing of Governor General's warrants when Parliament is not sitting. There was a whole set of rules and regulations for the issuance of Governor General's warrants—Parliament must not be sitting, the government must report the warrants within three days after the commencement of the sitting of Parliament, and so on. At least, these are the rules applying to the provincial legislatures, and I assume that those applying to the national legislature are much the same.

In any event, I must say, honourable senators, that I was shocked when I discovered this situation. It is, in my estimation, at least, a complete violation of the Financial Administration Act and should be brought to the attention of the public.

Regarding this borrowing bill, I think that if the Financial Administration Act were not in place, it is quite likely that the government would find some other means of borrowing money, also without reference to Parliament. We could ask the honourable Senator Frith what this particular \$6.6 billion is to be used for, but I do not suppose that would be very productive, because there are so many uses to which it could be put that the \$6.6 billion is obviously not enough to handle them all. For example, the buying of a chain of service stations across Canada would account for quite a large sum of the Canadian debt; the one-billion-four-hundred-fifty-million-dollar purchase price for Petrofina—that grand bunch of Canadian dollars shipped out of the country—is surely a contributor to the resultant mess that the economy is now in.

The mindless and uncontrolled financial and energy policies of this government are reflected in the terrible state of affairs that we now have before us. The numbers—and I suppose that honourable senators are tired of listening to the numbers—