

Mr. CAMERON (*High Park*): They may be better security than they otherwise would, but usually the person who holds the security is the first charge on the funds which are available to discharge that liability. If you do not buy them in the same proportion the one who has the most, assuming there is a big loss, will take the biggest loss.

Mr. BRYCE: It was agreed between the government of Quebec and the Government of Canada that we would buy the bonds through this period.

There was a possibility, of course, and I am not sure that it was not envisaged originally that it would be followed, that we would issue the bonds as a guaranteed obligation of the province and the government of Canada. This matter arose before I was back in the Department of Finance.

We came to the conclusion, however, that the whole operation would be cheaper if we did not try to market these guaranteed bonds. They do not fit into any of the well recognized categories. They are jointly guaranteed by the province of Quebec and ourselves—

Mr. CAMERON (*High Park*): No one here would want to buy them on basis of the evidence so far.

Mr. BRYCE: There is no doubt that they are guaranteed by Canada as well as by Quebec, and the guarantee is quite clear. Guaranteed issues normally sell at a somewhat higher yield than directors use, and we thought we would ultimately get the money more cheaply by doing it this way.

Mr. SCHREYER: Mr. Chairman, my question is actually to that point. I take it that Mr. Henderson is questioning rather more the legal aspect than the financial one. If the Dominion of Canada is to guarantee these issues, at least in part, I do not see anything too much wrong with it proceeding to purchase the issue.

The CHAIRMAN: You have one more question Mr. Schreyer?

Mr. SCHREYER: It is clear in the report where the authority comes from for the Dominion of Canada to guarantee the issuing of these securities.

What specific authority is there at the present time for the taking up, or the purchasing, of these securities by the Dominion government?

Mr. HENDERSON: By parliament, Mr. Schreyer. The estimates item referred to was passed subsequent to this report being issued.

I questioned whether Parliament originally intended that Canada should purchase securities of the corporation, but at the time the report was issued this particular supplementary estimate had not been passed. It has since been passed in the amount of \$80 million of which, as I said, the corporation has been given \$22 million in exchange for notes which it has issued, guaranteed, as Mr. Bryce explained, by the province and by Canada, and then Canada has bought them. They have been made payable to the Receiver General of Canada. I am not questioning any aspects of that.

I wondered, when I wrote the report, whether Parliament originally intended that Canada should purchase securities of the corporation. That was my opinion, and it is still my opinion, notwithstanding the fact that, shortly before the Easter recess, I think, very late at night, you passed the \$80 million in a hurry.