shareholders, they must manage their shareholdings. It only makes good commercial common sense.

What lessons can be learned from the private sector in such cases? On the positive side, we learn the importance of major shareholder presence in a company, making its weight felt keenly. It is an investment to protect and, in most cases, it does so. On the negative side, we learn the lessons offered when this does not happen. For example, in the case of Massey-Ferguson, the key shareholder stepped back from its responsibility as the major shareholder. We all know the outcome.

When anyone—a person, a private company or a government—is the key shareholder in a company, he must make his presence felt as a shareholder. That is fundamental. That is perhaps the major benefit which we can derive from CDIC. CDIC is a vehicle through which the Government can manage its commercial investments. It is designed to be a holding company in the best traditions of private sector holding companies; constantly reviewing the activities of its subsidiaries, developing and articulating the views of the shareholder, making sure that management knows what the shareholder expects and replacing management when performance is inadequate.

CDIC is doing that job and doing it well. The progress made by Canadair over the past year is one example of CDIC's value to government and to the country. We could imagine how much worse it would have been if we had not taken it over. Let me remind the House of what has happened with Canadair Ltd. since CDIC took over responsibility for that company.

What kind of problems did CDIC find? I will list them: First, a failure by management realistically to identify and address the business problems of Canadair. Second, inadequate disclosure by management of corporate information to Parliament, government and the board to allow for meaningful awareness and resolution of corporate difficulties. Third, the over-aggressive use of an accounting method that failed to reveal the full extent of the company's true financial difficulties. Fourth, a Challenger production rate in excess of market demand, with consequent excessive and costly inventory build-up. Fifth, outstanding delivery commitments of Challenger aircraft at prices less than the cost of parts and labour. That is a horror story. Sixth, marketing projections which were excessively optimistic and which were not subject to critical review. Seventh, a Middle East distributor agreement that was not in Canadair's best interests. Eighth, a corporate structure that lacked clear lines of accountability. Ninth, a level of production and managerial employees whose numbers were excessive in relation to the production and sales rates which the company could reasonably expect to achieve in the foreseeable future. Finally, tenth, a board of directors that did not adequately participate in the key decisions of the company. There are probably many more. We could almost go on *ad infinitum* with a company of this nature.

What did CDIC do about these problems? The most recent step was a complete re-organization of Canadair Inc., which is the U.S. marketing division of Canadair Ltd. Canadair Inc. has been cut in size and cost, but it will be more sales effective. Two new executives have been appointed to run Canadair Inc. They are key people who came from Gulfstream Aerospace Corporation, which is one of Canadair's main competitors. But, that is only the latest of many steps.

I would like to list some of the other steps which CDIC has taken to put Canadair on a sound footing. First, personnel changes have been made to strengthen the management group. The President of the company was replaced and four senior officers have departed. Second, there is a commitment to full and timely disclosure which includes an audited annual report and unaudited quarterly reports. Parliament has been provided with audited financial reports for 1982 and 1983, along with extensive financial data for ealier years. Those reports, together with the accompanying notes and commentaries, were designed to meet the reporting and disclosure roles applicable to companies whose securities are traded on Canadian stock exchanges. Third is the adoption of conservative accounting practices. Canadair used an overly-aggressive form of program accounting in recording certain costs and revenues for the purposes of Canadair's audited financial statements for 1981 and for prior years. Canadair's 1982 and 1983 audited statements were, therefore, prepared on the basis of a conservative, more traditional form of program accounting. In CDIC's opinion, those financial statements presented a more realistic view of Canadair's assets and liabilities.

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Fourth, the strengthening of financial controls through the reinstatement of the office and function of internal auditor. The function had been eliminated in 1982. Fifth, the establishment of a lower Challenger production rate. In February, 1983, Canadair was producing Challengers at the rate of 30 aircraft per year. CDIC and Canadair's management concurred in reducing that rate to 24 aircraft per year. In July 1983, the Challenger production rate was again reduced, to 16 Challengers per year. In December 1983, steps were taken to permit production of 19 Challengers in 1984. The foregoing changes in production rate were made as a result of CDIC's assessment of the probable rate of Challenger sales in 1983 and 1984. To date, that assessment appears to be valid. By December 31, 1983, Canadair had delivered all but one of the Challengers built in 1983. No Challenger sales were lost in 1983 by reason of the unavailability of aircraft. The production rate reductions resulted in cash savings to Canadair in 1983 of $37 million and will result in further cash savings of $141 million in 1984. I am sure that is most heartening for Members of the Opposition. Of course, it is heartening for Members of Government as well.

Sixth, the enforcement of sound sales practices. All new Challenger orders are being signed at a price which recovers all costs, except interest on past debts and which, on the basis of 15 deliveries a year, results in a profit before interest for the program. With the recent capital restructuring of the company, Canadair's debt burden will be removed and the Challenger, at 15 sales per year at current prices, will yield a profit.