

Oral Questions

the minister's previous statement and a mockery of any commitment to restraint.

Did the Deputy Prime Minister seek, and get, the approval of the President of the Treasury Board to grossly exceed his commitment to hold expenditures this year to less than the total growth of the gross national product, which is clearly impossible in view of this new commitment of the taxpayers' money?

Mr. MacEachen: Mr. Speaker, the hon. member should realize that all the questions which he put together in his last intervention are totally without foundation, because this does not represent in any way a demand on government resources. It is totally a commercial transaction, financed outside government expenditures by commercial transactions by the private banks of Canada. That is the private sector, in my view.

* * *

THE CANADIAN ECONOMY**EVALUATION OF PACIFIC PETROLEUMS SHARES PURCHASED BY PETRO-CANADA**

Mr. Sinclair Stevens (York-Simcoe): Mr. Speaker, my question is to the Minister of Finance, who is the chief financial minister in this cabinet. As his deputy sits on the board of Petro-Canada, will he tell the House how they arrived at the evaluation of \$65 per share for Pacific Petroleum shares, bearing in mind that that is 17 times the diluted earnings for that company, compared to other companies selling at roughly eight times earnings and it compares to the price of \$10 originally paid by Phillips for the stock?

Hon. Jean Chrétien (Minister of Finance): Mr. Speaker, I do not think I can add to what has been said by the Deputy Prime Minister. This transaction was made by Petro-Canada in order to strengthen the participation of this company in an area where most of the industry is foreign-controlled. The commercial transaction has been carried out according to the rules of the market. It was approved by the board of Petro-Canada. It was a good transaction.

Mr. Stevens: Nobody doubts it was a good transaction for Phillips. My question for the minister is this: The minister states that this is a period of restraint. He has admitted to the House that he will need \$11.8 billion for financial requirements in the current year, and another \$9.7 billion for the 1980 fiscal year. How can the Minister of Finance justify, in the name of restraint, an expenditure by this 100 per cent Crown-owned company of \$671 million, bearing in mind that it will not produce one extra barrel of oil or one job in this country?

Mr. Chrétien: Mr. Speaker, I just want to say that it is a commercial transaction and Petro-Canada pledged the assets they have gained in making the transaction. This was analysed by those who were loaning the money. They found that the assets being given against the borrowing were very good

[Mr. Andre.]

indeed, so they went along with the transaction. I believe it is a very good transaction for Canada. It will help Canadians to participate in the resources of Canada. I will not apologize for that.

Mr. Stevens: The Minister of Finance knows that on behalf of the people of Canada, this government has invested half a billion dollars in the capital of that corporation. Will the minister advise whether it is true that, as well as any Pacific Petroleum stock pledging, the Crown assets of Petro-Canada have also been pledged?

Mr. Chrétien: Mr. Speaker, I just said that, as a commercial transaction, it is a very valid one. We have acquired a lot of assets in the oil and gas business and other activities in Canada. It is good that Canada is taking some aggressive action here. When this House voted on having a Crown company in that business for Canadians, we said we wanted to have a good one. I repeat, it was a good commercial transaction and I am pleased with it.

REPORTED PROPOSED ACQUISITION BY BANK OF MONTREAL OF NEW YORK CITY BANK BRANCHES

Mr. Edward Broadbent (Oshawa-Whitby): Mr. Speaker, only an Alberta Tory and a Bay Street banker would make this government look progressive.

I have a question for the Minister of Finance. Will the minister advise whether his department has been informed by the Bank of Montreal regarding its intention to acquire 89 New York city area bank branches, at a cost of over \$1 billion in investment? If so, what has been the government's response?

● (1422)

[Translation]

Hon. Jean Chrétien (Minister of Finance): Mr. Speaker, I did not have the opportunity to look into that transaction. The Bank of Montreal, as all other banks in Canada, operates of course under the Canadian Bank Act. I was not notified that there were some unusual aspects in that transaction. I will surely inquire about the matter and report to the hon. member.

[English]

Mr. Broadbent: Considering that the \$1 billion required for this takeover would create thousands of jobs at home if it were invested here, will the minister tell us whether he is concerned about this outflow of Canadian capital and, if so, what he is prepared to do about it?

Mr. Chrétien: I think Canadian institutions should have the possibility of expanding, and not only in Canada. If Canadian institutions which can provide good business direction and give leadership wish to expand, we should welcome such efforts which prove that Canadian business is not restricted to Canada but can get into other areas where it can do a good job. This is something which can be looked at positively, rather than negatively as the hon. member does all the time.