

Sale of Polymer

an capital and managed by skilled, experienced Canadian entrepreneurs to help make possible fuller Canadian participation in the growth and the development of Canada. Such an institution is able to work closely with other members of the Canadian business and financial community and provide Canadian entrepreneurship with the access to more substantial concentrations of Canadian capital required to ensure a greater, and I emphasize this, Canadian presence in the growth of our economy.

The purposes of the Canada Development Corporation as set out in the act are essentially twofold: First, to help develop and maintain strong Canadian controlled and Canadian managed corporations in the private sector of the economy and, secondly, to give Canadians greater opportunities to invest and participate in the economic development of Canada.

I should like to draw particular attention to the second major purpose; that is, that the corporation should be owned by the Canadian public with as wide a distribution of its shares as possible. It was intended, and it is our expectation, that the CDC will be an attractive investment for Canadians, allowing them to participate directly and share in the profits from the growth of Canadian industry and the development of new industries which are owned and controlled by Canadians. The CDC, therefore, is uniquely Canadian with its voting shares held only by Canadian citizens and residents. Of course, before it can offer shares to the public the CDC should have a strong investment portfolio on which to base the offering. It is now in the process of putting together such a portfolio.

Although the Canada Development Corporation is only a little over one year old it has moved dynamically to meet its objectives. Its board of directors has selected six areas for initial investment. These are: The petrochemical industry and related activities; the petroleum and natural gas industry; northern pipelines and related Arctic transportation; the mining, smelting and refining industry; pharmaceuticals, medical equipment and other manufactured products relating to health care; and the venture capital industry.

The CDC has also established a corporate approach to the development of these areas. It plans and has begun to make its investments in these areas through vehicle companies which will have their own skilled staffs and specialized operating management. This will enable the CDC to keep a small, flexible and creative central staff to direct the general policy of the vehicle companies and to encourage them to remain innovative and growth oriented.

In the venture capital field, recognizing the importance of innovation and small businesses to the Canadian economy, the CDC has invested in a venture capital firm in Toronto, has acted as the catalyst and invested in the formation of a new venture capital firm in Vancouver and will soon be announcing the establishment of another such firm in Montreal.

In the pharmaceuticals and health care field, it has purchased Connaught Laboratories, along with a couple of smaller companies, to form the base for a major Canadian owned and controlled presence in this sector.

[Mr. Drury.]

• (1620)

The CDC is also a participant in the Arctic gas study group which is exploring the construction of a gas pipeline through the MacKenzie River Delta. It is putting itself in a position to play a major ownership role in the development of such a line should it be found to be feasible and desirable from a Canadian point of view.

Finally, and most important for this debate, it has purchased Polymer from the government as the vehicle company on which to build its investments in the petrochemicals industry and related activities. Polymer Corporation was established as a Crown corporation in February 1942 to meet the threat of a rubber shortage during the war. After 1945, it was transformed from a wartime operation, fulfilling an urgent and strategic need, to a company operating on a normal profit-oriented commercial basis. To meet these objectives, the corporation developed export markets for its rubber and diversified somewhat its operation. By the latter part of the 1960's, following the rebuilding of Europe and Asia after the Second World War, in a highly competitive market and with declining international rubber prices, its rate of return increased to unsatisfactory levels.

Consequently in 1969, the company diversified into completely new fields: computer time-sharing, housing and the plastics business. Much has been said about the profitability of Polymer and for a number of years it was a very profitable company. However, in 1971, after a number of years of unspectacular performance, its profit was less than \$500,000, which as a return on shareholders' equity was only .4 per cent. Polymer was sold to the CDC on July 31, 1972 under Section 39(1) of the CDC Act. This section reads as follow:

The Governor in Council may sell or cause to be sold to the company, at such fair and reasonable price as may be agreed upon by the Governor in Council and the company, the whole or any part of the capital stock of any or all of the following:

- (a) Polymer Corporation Limited;
- (b) Eldorado Nuclear Limited;
- (c) Panarctic Oils Ltd.; and

(d) Northern Transportation Company Limited but subject, in the case of the capital stock of Panarctic Oils Ltd., to any agreements relating to the sale of capital stock held by the Crown.

Clear legal authority obviously existed, and there can be no question as to its legality. In accordance with the CDC Act which refers to a "fair and reasonable price", the government sought an independent assessment of Polymer. Wood Gundy made such an independent appraisal based on purely economic and financial factors. The Wood Gundy report suggested a range of values which was found to be in line with internal appraisals prepared in the Department of Finance and the Department of Supply and Services. On the basis of these valuations, the government entered negotiations with the CDC and a price was struck.

Mr. Nielsen: What did Wood Gundy say the price should be?

Mr. Drury: The Minister of Supply and Services (Mr. Goyer) will be saying more about this later in the debate. But I think we were successful in obtaining a fair and reasonable price.