

pragmatic basis in terms of what best serves the Canadian interest. The Canadian economy cries out at this particular point in time for a sense of direction. That sense of direction can, in large part, be provided by the government of the day. One of the things that would help do that would be to flesh out the government's energy policy and to heed the recommendations of the energy committee's report.

Hon. William M. Kelly: Honourable senators, I want to respond with a few words. I will not cover the matters covered by the chairman in the order in which he covered them, but I hope to cover them.

Before I get into details, however, I wish to associate myself with the chairman's comments of appreciation for the work of the staff and the witnesses. The witnesses were of a high quality. They were recommended by the chairman. They were well chosen and very balanced. The committee did a thorough, competent and thoughtful job. It was well-balanced.

I am glad that Senator Frith is back in the chamber, because I wanted him to hear this comment particularly. In my view, the work of the committee was carried on in the best traditions of senate committees—that is, in a totally non-partisan basis, the way that he knows I feel all activities in this chamber should be carried on.

Hon Royce Frith (Deputy Leader of the Opposition): I hope that you bring a motion some day to state that we break down the entire party system in here and see what everyone says, including those here.

Senator Kelly: The vote in the committee was five to four. The fact that the five happened to be, incidentally, Liberals, and the four, incidentally, happened to be Conservatives should not be construed as being a partisan decision, because it was not. That was a total coincidence, and I want Senator Frith to know that.

Senator Frith: I will try very hard to do that so as not to construe it.

Senator Kelly: I am grateful that Senator Frith returned in time to hear my testimony on that fact.

I was part of the minority opinion contained at the bottom of the Senate report, and I wish to discuss some of the views that were not contained to any great extent in the report itself.

● (1430)

I apologize to the chairman for asking his indulgence in permitting me to do that. I should like to comment, first, on several points of detail that were discussed in the committee. Not too many were contained in the report, because we anticipated that we would be able to debate these things before the full chamber.

At the time we had the discussions many of the committee members were concerned that the privatization of Petro-Canada was, as some said, an irreversible step in dismantling a past and possibly future instrument for the implementation of government policy. Honourable senators, it should be pointed out that Petro-Canada has not been used as an instrument of public policy since 1985. It would be a tremendous misalloca-

[Senator Hays]

tion of resources to hold on to a corporation that has been dormant as a public policy instrument on the off-chance that it may be reactivated at some point in some uncertain future. Furthermore, the privatization of Petro-Canada has no impact on the other regulatory, fiscal and public enterprise tools the government retains in its arsenal to effect public policy objectives. There also appears to be some apprehension among some committee members that the sale of shares in Petro-Canada will somehow cost the government or taxpayers money. As I understand it, the first tranche of shares will be treasury shares issued by Petro-Canada. They are not government-owned shares being resold. At least that is my understanding. Once Petro-Canada's treasury shares are sold, the government's shareholding position will be diluted to 85 per cent from 100 per cent.

To my admittedly more of an engineer's mind than an accountant's mind, this means the government will own 85 per cent of Petro-Canada, but that the net value of Petro-Canada has been increased by the infusion of equity from the sale of treasury shares. In effect, the government will own a smaller part of a larger pie.

Until we know what price the treasury shares will command on the market, we will not know the extent of the government's actual gain or loss. My suspicion is that in real terms either would be relatively small.

In subsequent tranches, government-held shares will be offered for resale.

Some committee members feared that if these shares were sold at below the value at which they are recorded in the government's accounts—in other words, their value prorated to the book value of Petro-Canada—somehow additional tax dollars would be required to make up the difference. I do not pretend to be an authority on accounting policy, and I am certainly no authority on government accounting policy, I understand from those who are that the committee's concern is misplaced.

As I understand it, because the privatization amounts to the sale of an asset that has already been paid for, any return generated by the sale less than the value carried on the government's books will require the government to record the loss by accounting entry, but it will have absolutely no impact on the government's cash requirements.

I cannot agree with the committee report that the government should unilaterally appoint a new board of directors as a precursor to privatization. I understand the point of view expressed by the chairman and others, but I cannot agree with it. I think this is something that should be left to the new shareholders, including the government as long as it is a shareholder, under the commonly accepted practices of any company under company law.

I must say I agree wholeheartedly with the committee report that the standard of disclosure for Petro-Canada should equal that of comparable publicly-traded companies. In fact, I have always believed that this should apply to all federal Crown corporations. I have never understood why a Crown corpora-