

Supply—Defence Production

company or from a company to the crown, and if you can authorize the issue of debentures and shares or authorize an agreement, the nature of which we do not know, then I suggest it is time to stop. These matters should be the subject of a special statutory enactment, and not a vote.

In years gone by the Minister of Finance has brought in acts with respect to agreements between the federal and provincial governments. They have been schedules to statutes. We had an act with respect to Newfoundland. Here we have nothing at all except one item for \$37,999,966. I might say, Mr. Chairman, whatever the merits of this particular transaction may be, and those I do not question at all, you are setting up a very dangerous precedent and one which I think this committee should not accept.

Mr. Abbott: Perhaps I should reply to that. It is a matter of opinion whether this should be authorized by a special statute or as an item in the estimates, as is done here. I can assure the hon. member that there are hundreds of precedents for doing exactly what is being done here. This is not the type of legislation by appropriation act about which there has been a good deal of discussion, and as to which the Auditor General made some comments in his report or in his evidence before the public accounts committee. This is a perfectly proper way in which to authorize an agreement of this kind, and the essential conditions of the agreement are set out in the item.

Mr. Knowles: There are a few questions I should like to ask and a few comments I want to make. I am in general agreement with what the Minister of Trade and Commerce said today in his remarks on this item. In particular, I am glad to know that the government reaffirms its belief that Polymer Corporation should be retained under government ownership. I believe the minister has made a good case for what is proposed in this item in so far as the aim is to make the bookkeeping picture clearer and to straighten out the capital structure of this corporation.

The questions I want to ask relate, in part, to the wording of the item and in part to the recommendations that were made by the war expenditures committee when it investigated this corporation and reported upon it back in 1944. With regard to the wording of the item, I am puzzled as to what the rest of the \$37,999,966 is for. I realize that perhaps we are getting into some bookkeeping complexities, but the only item that is given in the details in explanation is a payment of \$8 million. One finds that reference in paragraph (c). The hon. member for Kamloops

[Mr. Nowlan.]

draws my attention to the \$3 million, but that is to be paid in cash during April of 1951, and I would assume that simply is a reference to an item to be brought down in the main estimates for next year.

Mr. Abbott: No.

Mr. Knowles: I stand corrected. I had the year mixed up. Even so, those two together add up to only \$11 million. The figure is changed but my question is still the same. The \$11 million is accounted for in detail but we do not know what the other \$26 million or \$27 million is for. I take it that in effect what is happening is that we are exchanging ownership of plant and equipment for shares and debentures. Judging by his gesture, I think the minister would like to answer my question now.

Mr. Howe: Yes. I should explain this. This plant was built by money advanced by the government. It paid the bills.

Mr. Knowles: \$40 million odd.

Mr. Howe: Yes. The investment stands on the books as an active loan or an active investment. The only way we can transfer ownership to Polymer now is to refund the loan. We propose to pay back some \$8 million to the government this year. We could pay it back as a return of investment, if you like. Instead of standing in the books at \$38 million, Polymer property would then stand in the government books at \$30 million. But we do not think that is good financing, or good business between Polymer and the government. We think common stock representing \$30 million and debentures representing \$8 million is a good businesslike capitalization for Polymer. The new capitalization is exactly the equivalent of the amount at which Polymer stands in the books of the government today. Instead of paying back \$8 million as a return of capital, we propose to freeze the capital at \$30 million and we will pay a dividend on the capital, which in this case—I do not know what the directors will declare but I think about \$8 million—

Mr. Macdonnell (Greenwood): Would the minister say how they arrive at \$8 million?

Mr. Howe: I assume that the earnings of the company, after depreciation, amount to \$9 million and I assume that the dividend may be \$8 million.

Mr. Macdonnell (Greenwood): What I want to know about is the debentures.

Mr. Howe: The relation of the debentures to the total capitalization?

Mr. Macdonnell (Greenwood): Yes.