

*Adjournment Debate*

● (2200)

**PROCEEDINGS ON ADJOURNMENT  
MOTION***[English]*

A motion to adjourn the House under Standing Order 40 deemed to have been moved.

**INDUSTRY—RADIO ENGINEERING PRODUCTS COMPANY  
LIMITED—INQUIRY AS TO SALE AND RECOVERY OF  
INDEBTEDNESS TO CROWN**

**Mr. A. D. Hales (Wellington):** Mr. Speaker, in this first adjournment proceeding in the new session it is an honour to be the first member to participate. I do so to seek further answers and more detailed information on a question I asked of the Minister of Industry, Trade and Commerce (Mr. Gillespie) dealing with Radio Engineering Products Company Limited.

The main thrust of my intervention at this time is to find out why the Department of Supply and Services, the Department of Industry, Trade and Commerce and the Department of National Revenue through sloppy administration allowed their departments to go into debt to the amount of \$4.5 million, a sum of money owed to the Crown by Radio Engineering Products Limited. In order to redeem themselves and in the hope of retrieving this money, they found it necessary to buy out this company. The last financial statement of the company showed they had lost \$5.4 million in 1972, and it had to have injected into its cash flow in 1973 another \$975,000. This is the position in which the Crown finds itself today.

This company manufactures communications equipment in Campbellton, New Brunswick, and has an office in Montreal. In 1965, the Fisher brothers who held the controlling stock of this public company entered into an agreement with the government to share equally the cost of developing communications equipment. This was arranged by the Department of Supply and Services and the Department of Industry, Trade and Commerce, and a loan of \$522,000 was made to the company. Several irregularities occurred along the way. First, in 1968, when the debt of \$522,000 became due to the Crown, with the approval of Treasury Board the agreement was amended and the loan forgiven provided the company would put the money into further development. This was later revoked and the \$522,000 remained a debt to the Crown.

Then the Department of Industry, Trade and Commerce erred twice in the life of the contract with regard to the sharing ratio. The same department failed to issue reports to the interdepartmental committee between April, 1967, and April, 1969. For two years no reports were made to the committee. Also, the department issued a cheque on the very last day on which they were allowed to issue cheques in the governmental year, that is, April 30, 1968, but it was not released until July and the department charged it to the year in which the cheque was issued, not the year in which the work was done. This strictly contravened the Financial Administration Act. Added to all these irregularities by the government, the major shareholders, Fisher brothers, sold their 70 per cent controlling interest

*[The Acting Speaker (Mr. Laniel).]*

to a U.S. corporation. In April, 1970, when the department put the heat on to collect the \$522,000, they were told that the company could not pay because all their cash resources of \$3.6 million had been lent to the parent U.S. company.

While all this was going on in 1968 and 1969 the company had two exceedingly good years. They made tremendous profits and they owed income tax to the tune of \$4 million. As we operate on a self-assessment policy for paying income tax, I would like to know why the Fisher brothers did not declare their tax. I would also like to know why the Department of National Revenue did not collect the income tax. We know that any member of this House, or any Canadian who owes income tax, has to pay it and pay it smartly, but here we have a company that owed \$4 million and was not made to pay it. Now we find ourselves with a company that has few assets, that is not making any profit, and the only hope of collecting this money would be if the Crown sold the company which it itself had to buy.

I would like to know why the Fisher brothers were not made to pay this income tax. I would like to know why they were kept on staff and paid a good salary, plus 12½ per cent each of the aggregate net profits before taxes. It turned out that this was a pretty poor decision because recently the contract for their services was terminated. I would like to know from the department whether this company has been sold. If it has not been sold, what steps is the department taking to sell it so that we, the Canadian taxpayers, can have this debt paid to the Crown? Why was the income tax not collected? I suppose it is not being collected now because the federal government owns the company; but why was it not collected before the change of ownership?

I would like to know why the 1973 financial statement, which was due in July, has not been tabled to date, seven months later? This is a very unusual piece of business between the Crown and a public company. It raises a lot of questions to be answered and I hope the department will come forth with answers to some of my questions.

*[Translation]*

**Mr. Raynald Guay (Lévis):** Mr. Speaker, when the government decided to take over Radio Engineering Products Company Limited in July, 1972, this company and its subsidiary in the United States were facing serious financial problems.

When he announced this take over, on July 14, 1972, the Minister of Industry, Trade and Commerce (Mr. Gillespie) stated among other things, and I quote:

This take over will enable this company, which is advanced in its field, to carry on its operations, and it will enable the maintenance of about 1,502 jobs.

The company will continue to develop and manufacture specialized multiplex equipment for the international market.

The take over of the company by the government is a short-range measure and we expect that shares will be sold back when the company is in a more stable financial situation.

While the company was government property, very serious efforts have been made and the company's business as well as the level of employment did improve. The company that had specialized almost exclusively in the field of defence equipment is getting its first commercial contracts which should help ensure greater stability. It