

Energy, Mines and Resources

The issue today is not whether there should be any Crown corporations in the energy field in the future. The issue concerns the role of Parliament and whether the government has a responsibility to justify the creation of a new Crown agency to Parliament. Surely we would be totally remiss in discharging our responsibilities if we said that we did not care as Members of Parliament for what purpose the government is setting up these Crown corporations which could result in costing the taxpayers of Canada billions of dollars and will obviously have an effect on the marketplace in Canada. We have asked those questions but have received no answers. Surely there is no way members of the House can be expected to vote for the bill until we have those answers.

Have there been problems with Crown corporations in the past which should cause some concern today? Indeed there have. During the 1960s and 1970s there was a succession of reports by the Auditor General of Canada, the Standing Committee on Public Accounts and by the Lambert Commission, which was the royal commission on financial management and accountability. Various and sundry other groups found that financial management and control of Crown corporations desperately had to be improved. Just this year we saw the most conspicuous example of government mismanagement when it was in the marketplace at the time of the Consolidated Computer collapse. That was a situation where the taxpayers of Canada were required to pick up a bill which I believe went over \$100 million in the collapse of Consolidated Computer.

● (1720)

It is perhaps useful to refer to Consolidated Computer as a case study and to ask ourselves whether the Consolidated Computer fiasco could repeat itself here. After the collapse of Consolidated Computer, the President of the Treasury Board (Mr. Johnston) commissioned an internal study by General William Anderson, a very distinguished public servant on loan from the Ontario government, who investigated the circumstances surrounding Consolidated Computer and made recommendations to the government. His report has never been released to Parliament. We have never had the opportunity to have any formal tabling or debate in the House. But we have a copy of at least portions of that report.

It would be useful to put on the record parts of the report under "Summary and Recommendations", because as I read the report hon. members should ask themselves how often this will happen in the energy field if Bill C-102 is enacted. On page 50, under "Summary and Recommendations", General Anderson stated:

The story of CCI is one of continued support, notwithstanding formidable evidence and considerable advice to the contrary. The available documentation in the files and the often conflicting information and opinions from the interviews do not provide a clear and single explanation of this phenomenon.

In 1971/72, the decision to restructure the company seemed to be in line with the General Adjustment Assistance Board's normal decision criteria with due recognition of government policy in the computer sector. It was concluded that CCI had technology worth saving and the company was restructured, refinanced and provided with new management under the direction of the GAAB. However, the significant feature in this case was that the GAAB took an equity position in the company.

Subsequent decisions on CCI were influenced not only by the need for the GAAB to make reasonable, high risk business judgments but also by the government's legal responsibilities as owners of the company, social responsibilities as employers of a "private sector" workforce and perceived moral obligations to both suppliers and customers of CCI. In addition, there was a growing awareness of the government's policy and strategy with regard to the computer industry which supported the establishment and development of a strong Canadian capability in this area. CCI started to shift into a special category of its own and was no longer subject to the same decision criteria that applied to other projects.

The 1976 restructuring was more hotly debated than the earlier refinancing. At first, the GAAB decided to sell CCI. However, the committee that was set up to develop sale proposals, recommended that CCI be restructured with equity being held by Fujitsu, Central Dynamics Ltd. (CDL) and the government. In addition, the GAAB established the lease companies in 1976 and approved 99 per cent guarantees of up to \$30 million. Once again, the GAAB was in the role of owner and banker. While the GAAB acknowledged the high risks, it was felt that the link with CDL and Fujitsu would provide the necessary management products and technology to make the company viable. Subsequently, CDL withdrew from the proposal but this was not seen by ITC or the GAAB as being fatal.

The interrelationships between the GAAB/EDB, ITC, CCI and the lease companies, as outlined earlier in this report, made it virtually impossible to render objective business decisions in this high risk environment.

The government decision in 1976 seemed to reinforce the idea that CCI was a special case and that it was to be treated as such. Additional financing was provided by the GAAB/EDB in subsequent years but the usual review of loan guarantee proposals was less evident in the documentation. Repayment schedules and minimum covenants, which would normally serve as controls, were waived or modified by the GAAB/EDB. While some project officers in ITC and members of the EDB were concerned and recommended that the project be terminated, their warnings were not heeded. Contributing to this situation, particularly in the later years, was the lack of quality information and the piecemeal nature of the decisions.

General Anderson goes on to talk about the lack of available information, and then in a subsequent paragraph states:

During the last two years, there was a growing number of officials recommending the termination of the CCI project. The reports, with a few important exceptions, were almost all bad. However, there were still a few individuals in key positions that were somewhat "bullish" on the future prospects of the company. The EDB, on a number of occasions, postponed a final decision on the project. There always seemed to be a new event which indicated that the company could be turned around or sold or that the government liability could be reduced. The events included a renewed interest by Fujitsu, a major contract with ICL, various potential buyers, new management and a new business plan. Each of these events required time to "investigate", "negotiate" or "develop". None of them ever materialized in a manner that offered any real hope to save the company or reduce the government's liability. This situation was pointed out to the EDB in September 1980 when a briefing, in support of a loan guarantee request of \$4.7 million, noted that "... since November 1979 the EDB has, on four occasions, agreed to insure a total of nearly \$12 million in new loans ... for the purpose of buying time". The loan request was approved and the EDB and ITC continued to "buy time" until January 1981 when the EDB decided against any further support and turned the matter over to ministers.

In June 1981, the government approved a partial restructuring and sale of CCI by no later than December 31, 1981. In the documentation which led to this decision, ITC was still referring to the "new management team", "large customer base", "potentially lucrative links with leading computer suppliers" and "world competitive products". It suggested that the longer term prospects were promising and made repeated references to the private sector interest in purchasing CCI.

It was not until October 1981 that the full seriousness of the CCI situation was recognized by ITC and the government decided that the Minister of ITC and the President of the Treasury Board should disengage the government from CCI by whatever means were appropriate. Further study (since the June 1981 decision) revealed that the company was in far worse shape than earlier believed.