

Supply—Defence Production

that has any surplus to dispose of must turn that over the Crown Assets, and that it must be disposed of through the Crown Assets Disposal Corporation and not by the Department of Defence Production. I would ask the minister to quote the authority of the former minister of national defence, the present Minister of Transport, who is here now, because it was clearly outlined that when any government department wishes to dispose of any surplus government assets the procedure is that they must be turned over to the Crown Assets Disposal Corporation. These must go through the Crown Assets. The minister cannot say that he has a special authority to sell through his department. He must accept the procedure that is laid down in the act. The minister is trying to do a snow job on this by violating the whole principle of the act.

Mr. McIntosh: Mr. Chairman, the legal entanglement in which we have become involved would appear to be a debate concerning whether Crown Assets or the Minister of National Defence was right in saying that no department is allowed to dispose of anything, and that this takes precedence over the statement which the minister has read from this yellow paper, which he has before him.

● (9:40 p.m.)

I am not denying that this is in the statutes. One statement says that no minister can do this yet the authority the minister quoted suggests that one minister can do this. Which is correct, so far as we are concerned? Before we pass these estimates I should like the minister to indicate whether the transaction carried out by the Haley company was audited by the Auditor General of Canada, or by a private auditor and, if so, whether that audit was sent to the Auditor General of Canada.

Mr. Drury: In so far as what the hon. gentleman refers to as a legal tangle is concerned, I do not want to try to give a legal interpretation. In fact I am told it is quite improper for a minister to do so. I suggest that what I read to the house is a section from the Surplus Crown Assets Act, which authorized the Minister of Defence Production to, in turn, authorize a government department to dispose of surplus assets other than through the Crown Assets Disposal Corporation. This is not the general procedure, but rather an exceptional procedure. The reason what appears to be an exceptional procedure was used in this case is, as I explained earlier, that we were not disposing of assets

from which the taxpayer could expect to recover some proceeds, but rather we were disposing of a liability.

Mr. McIntosh: I do not agree for one moment that the minister did not dispose of an asset of the Canadian people. I should like to have had the opportunity to buy that factory for \$1. I am sure I could have at least doubled my money, if not made more. If this was not an asset, I do not know what it was. It would have been far better for the minister to have closed the factory and given it to the town, because it might have been of some benefit to the town. Let me say in respect of the minister's remarks about the legal entanglement, that he should have instructed the Minister of National Defence that there was an exception to the rule, and that the only way this armoury should be disposed of was through Crown Assets Disposal Corporation.

Perhaps I could go to the Minister of National Defence and make a deal with him, whereby he could dispose of this property for \$1. I am sure the people of my constituency would have been very pleased to get the armoury for \$1. I wonder what avenues are available to us, as members on this side of the house, to approach ministers with such deals. Perhaps it is coincidental that in this case, in respect of which the minister sold the property for \$1, the property was located in a constituency represented by a minister of the crown, who is a contender for the Liberal leadership. Is there any connection in that regard?

Mr. Drury: I regret that the hon. gentleman should suggest that there is any possible connection.

Mr. McIntosh: I regret that I had to do so.

Mr. Drury: The hon. gentleman quite clearly has not grasped what this is all about. A serious attempt was made by the department over a great number of years to run this at no cost to the crown, including efforts on the part of the administration when his party was in power. During the course of that time there was a change made in the management. These efforts were unsuccessful, and by 1967 we were still unable to find anybody who was prepared to run this business, except for an exorbitant fee. An endeavour was made to sell it as a going business, and consequently avoid the inevitable cancellation and closing up costs. Perhaps if the hon. gentleman had more experience in closing out businesses he would realize that you cannot shut down a