

Privilege—Mr. Stevens

Development Corporation, and Eldorado Nuclear, which have been authorized to borrow under their respective statutes, are not included in Government of Canada financial requirements. In the projection of financial requirements for 1978-79, it is envisaged that such direct borrowings by agent corporations will continue—

Having noted that reference in the budget we on this side of the House took some pains to find out if the minister was saying there were no liabilities involved, and that was the reason why he had chosen not to reflect the borrowings I have referred to of such corporations as Petro-Canada, Eldorado or the Export Development Corporation, or alternatively, was the minister simply saying because the funds did not come directly from the Consolidated Revenue Fund that he chose to show them as a noted item. The answer was the latter. Simply because the funds were not being routed through the Consolidated Revenue Fund the government felt in future that, notwithstanding there was no disagreement, it had to stand behind those corporations, that they in effect were the principal behind those corporations and said it would prefer to show them as a separate item.

The reason I would suggest that my ability to function as a member of parliament has now been somewhat harmed is that if we accept at face value the statements which were made by the minister, to which I referred yesterday, it means Petro-Canada can literally borrow money to an unlimited amount with no covenant of the Dominion of Canada being involved. If that is so we must get it established before budget night this Thursday. In responding to the budget our members in this caucus, and certainly myself specifically, need to know are these liabilities of Petro-Canada in fact an obligation of Canada? Are the obligations of the Export Development Corporation of a like nature an obligation of Canada? If so, should they not be included in the general financial requirements of Canada, as the budget will outline? I stress this point because up until the rather startling statements made by the minister to which I have referred, there was really no question about this. I draw your attention to Section 14(1) of the Petro-Canada Act of Incorporation which states:

The corporation is, for all purposes of this act, agent of Her Majesty, and its powers under this act may be exercised only as an agent of Her Majesty.

It goes on to state in subsection (2):

The corporation may, on behalf of Her Majesty, enter into contracts in the name of Her Majesty or in the name of the corporation.

I take it that is simply empowering it to sign directly in its own name, that is, Petro-Canada, or to sign on behalf of Her Majesty. In either event it is acting as an agent for its principal, Her Majesty in the right of Canada.

In subsection (3) it goes on to state:

Property acquired by the corporation is the property of Her Majesty and title thereto may be vested in the name of Her Majesty or in the name of the corporation.

Subsection (3), I think, is particularly relevant. In response to a question put by myself to the Minister of Finance yesterday he responded at page 1042 of *Hansard* as follows, referring to the Petro-Canada, Pacific Petroleum deal:

[Mr. Stevens.]

I just want to say that it is a commercial transaction and Petro-Canada pledged the assets they have gained in making the transaction.

Subsection (3) of Section 14 of the Petro-Canada Act of incorporation makes it clear that they are not Petro-Canada's assets to pledge. To repeat that subsection again it says that the assets are the property acquired by the corporation and they are the property of Her Majesty and title thereto may be vested in the name of Her Majesty or in the name of the corporation.

If I may point out, other sections of this act make it very clear that any obligation of Petro-Canada may be sued for in the name of the Queen. Second, in Section 7(5) of this act it is stated that all the borrowing authority of Petro-Canada are only operative provided they have a proper order in council. You will recall, sir, that I referred to the fact earlier in today's question period that in this connection an order in council was passed on June 16, 1978, in which, on the recommendation of the Minister of Energy, Mines and Resources, the President of the Treasury Board (Mr. Andras) and the Minister of Finance, pursuant to section 7(5) of the Petro-Canada Act, the supplementary capital budget of Petro-Canada for the financial year 1978 was approved.

There is a schedule attached. That schedule shows there is contemplated a supplemental or extra usage of funds on the part of Petro-Canada in their 1978 capital budget of \$819.9 million. They show the source of those funds. They say that the common shares that will be issued by the corporation will supply \$205 million, the preferred shares \$65 million, debt financing \$504 million, and there is a certain adjustment figure to come out to the \$819.9 million.

● (1512)

I suggest that schedule is doubly important. First, it confirms that Petro-Canada is certainly acting under the provisions, as you would expect, of the act incorporating them. They specifically sought the consent of the governor in council. Second, it provides for the actual issue of preferred shares and common shares of this corporation. Those shares, certainly in the case of the preferred shares, can only come under another section of this act from the Government of Canada. They are the only ones who can subscribe to those preferred shares.

In looking for some reason as to why the government might have presumed it had the right through Petro-Canada to borrow moneys and yet not involve the covenant of the Government of Canada, I can only assume it has turned to section 23 of the Petro-Canada Act of incorporation. In that section it is stated that the corporation, that is, Petro-Canada, may issue certain debentures, have securities guaranteed under another section, and may put out certain loans, or issue preferred shares. But, in any event, they may not exceed \$1 billion.

The reason I think this is significant is because, in effect, what this section is saying is that there is a limit as to how much the Government of Canada can put into Petro-Canada, either in the form of capitalization, in the form of direct loan advances, or in the form of guarantees of a direct nature as far as the corporation is concerned.