

Mr. Gordon Ritchie (Dauphin): Mr. Speaker, I rise to speak with considerable interest on this important motion which gives rise to a debate which recalls some important ideas and reservations expressed at the time the Canada Development Corporation bill was first debated.

An opposition day, ended by a confidence vote, is the established practice which enables us to debate the government's handling of a particular problem. If hon. members do not feel that they can vote for the motion, I am sure they have the right to follow their convictions. But I think this motion must be considered in relation to the debate which took place when the CDC was established. We are now witnessing the operation of legislation under which a Crown corporation is being sold to the CDC at a value much less than the market value. We can recall when Polymer was formed to produce rubber. It was at a time of scarcity of that product because it could not be exported from plantations in Malaysia.

When the Canada Development Corporation was set up in 1971, there was much argument as to whether the corporation would become a policy-oriented body for the good of Canada, investing in projects that perhaps were not immediately profitable but would bring benefits in the long run. We have had many similar development funds and corporations set up by the provinces. In the province of Manitoba the dissolving of a similar development fund is suggested. In effect, we are probably coming to the realization that a dollar invested once can only be invested once, whether it is private or public, and if it is invested by the public sector, the same dollar cannot be invested by the private sector.

• (2120)

This motion chastises the government for the sale of Polymer, a highly successful corporation, into the doubtful arms of the Canada Development Corporation which has not yet shown what its management capabilities are. What about this particular sale? In effect, at the present time it is a government-to-government sale. Polymer is an odd duck amongst public corporations because it is making some money. And what about the government? It has sanctioned the sale of Polymer at a time when it has a definite political stake in the Canada Development Corporation. But eventually the government will retain only a 10 per cent interest in the CDC.

Polymer has been sold at the price of \$62 million, plus a possible further \$10 million to be paid in the future. The CDC has paid the government 6,141,000 shares, so in effect the CDC is getting an interest-free loan. According to Mr. Hampson, president of the CDC, it was hard to arrive at a price because of Polymer's poor showing this past year. But, Mr. Speaker, its record has been good. It certainly seems odd that the government should sell Polymer last year when it was giving such a low return. Why did it not act as a private investor and hold out until better times before making the sale?

During the debate on the bill establishing the CDC, one of the most interesting comments was the following made by the hon. member for Winnipeg North Centre (Mr. Knowles) during debate on second reading, as recorded at page 3620 of *Hansard* for February 22, 1971:

Sale of Polymer

Therefore, without developing that point any further, Your Honour, I assert that this bill is not a socialist document. It is not even a Walter Gordon document. It is a private outfit, and the passing of this bill establishes special privilege for a limited number of people.

May I also point out that if this bill is passed and this company is set up it will have certain powers that could be used to the disadvantage of other Canadians, indeed I would say to the disadvantage of all Canadians. We have now in existence in this country the Polymer Corporation, Eldorado Nuclear Limited, Panarctic Oils Limited, Northern Transportation Limited, and perhaps one or two other entities of that order, and these entities are either wholly owned by the public or largely owned by the public.

But under this bill the Canada Development Corporation would be given the right to buy these crown companies, and bring them under what would be partly public and partly private ownership. At the moment they are under public ownership. They belong to us, to the people of Canada, but under this bill they would become largely privately owned.

I cannot agree too much with his comments at that time because it is expected that in the long run the Canada Development Corporation will become largely privately owned, even though it is directed by the government of the day, to devote its energies to seeking out projects that will bring national benefit, although in the short term they may not be economically feasible.

It is generally accepted that Polymer has a book value of about \$100 million and that it has been turned over to the Canada Development Corporation for somewhere around \$62 million. There seems to be far too great a discrepancy between these two amounts. If Polymer is to become merged with the CDC, it should be at a much more realistic figure. Surely, if the people of Canada had to take a chance in setting up Polymer in the national interest during the war, they should receive full benefit for the company.

As time goes on and the CDC becomes more involved with private investors, albeit the aim is to seek out and encourage small private investors, these private investors should not be getting a gift of some \$40 million from the people of Canada. Surely it only makes good, common sense that the CDC should not take over crown corporations at less than the average reasonable market value. I am surprised that the members of the party to my left are not wholeheartedly critical of this move by the government, because I think they made a good point during the debate in this House about the turning over of successful government enterprises to the CDC which, as I say, in the long run is expected to have a large element of private investment.

This aim was clearly set out by the then minister of finance, as recorded at page 3638 of *Hansard* for February 22, 1971, when he said:

The corporation will operate within the private sector of the economy with the capabilities and constraints of a private corporation. It will be expected to carry out its objects in the words of the bill, "in anticipation of profit and in the best interests of the shareholders as a whole." Since the shares of the corporation as soon as practicable will be sold to the public in competition with all other investment vehicles, the management of the corporation will at all times be fully aware of the need to earn a competitive rate of return on invested capital fully commensurate with the risks involved. The CDC cannot and must not be expected to make investments which do not meet its criteria for profitability. The national interest and the profit motive are not always compatible, but there is a broad area over which they are or can be in harmony. It is in this area that the corporation's activities and