● (1640)

If the argument the hon. member put forward was on humanitarian grounds, I suggest that there are other ways of using this $55 million. I would go even further and perhaps disagree with hon. members on this side of the House, and eliminate OFY grants and LIP grants, and use that money for the aged to travel and to make their golden years rich. I agree that they did invest, but we must remember that they invested at a time of doubt, when Canada was not secure and when, as the hon. member for Don Valley said, there was distrust in banks. At that time people took risks and gambled.

I would very much like to find other ways of using Canadian dollars for housing for the aged and for those who gambled in Canada's future, for travel, marketplace subsidies, and many more practical and realistic things, but it is virtually impossible for the fiscal agents of the government to determine the original purchasers. Those are the ones about whom we should be concerned. It is impossible for many reasons.

Only about 41 per cent of the issue is held in bearer form. Some original purchasers may have opted for bonds in registered form subsequent to their original purchase date. The date of registration would then have to be regarded as a date of purchase unless proof could be provided to the contrary. Some original purchasers could have switched from registered to bearer bonds, and have traded subsequently in the market. Bonds currently held by them could therefore have been purchased at prices below issue price.

There is another reason that it would be impossible to find the original purchasers. A requirement for proof of purchase would discriminate against investors holding bonds in bearer form in comparison with registered bond holders who have retained their bonds in this form since 1936. Many of the original bond holders are no longer alive, with the obligations being presently held in their estates, or with ownership transferred to their beneficiaries. Since these beneficiaries have not held these obligations since the issue date and have not personally suffered any hardship due to the low level of interest income or reduced market value of these securities, it would be necessary but invidious to determine whether such bonds should be redeemed at full face value.

Another difficulty is that the proposals will not compensate investors who sold or were obliged to sell at recent price levels below cost, although they may have held bonds for many years.

If compensation were to be paid, investors who purchased subsequent to the issue date—and in the words of the hon. member for Don Valley, "according to the market price for the year in which the bonds were purchased"—it would require proof of date of purchase and of price, since the records do not contain such information. Many investors would not now have purchase invoices and could therefore justly claim discrimination in favour of those investors who have retained these records, which would need corroboration in any case. If investors were not able to prove date of purchase it would be exceptionally difficult to determine on what basis compensation should be calculated.

Perpetual Bonds

The government may offer to purchase bonds at prices below par value, but it cannot compel a holder to redeem the bonds at any price below par value.

It would not be possible to compel bond holders who purchased their bonds after the issue date to redeem their bonds at some level based on the market price in the year of purchase. Bond holders wishing to retain their investment would, in effect, be obliged to accept a price which has been frozen should they wish to sell at a later date. This would be unacceptable to a large number of investors.

There are many investors who have purchased perpetual bonds in recent years because of their attractive market yields. These investors may not wish to redeem these obligations. A sudden freeze in price, and consequently the reduced marketability of the bonds, will therefore be discriminatory.

Various governments have from time to time reviewed their policies with respect to the 1936 issue, but all have consistently reached the conclusion that it would not have been generally in the nation's best interest to redeem or to fix a maturity date on these obligations. The sharp increase in the level of interest rates has again necessitated a reconsideration of this matter and, in particular, the reconsideration of possible ways in which the alleged hardships by a minority of investors could be alleviated.

Although the 1936 perpetual bond issue is unique, a change in yield or an offer of immediate redemption will contain the undoubted implication that holders of marketable government securities ought to be and are protected from the vagaries of the market. The encouragement or acceptance of such a principle, even in circumstances designed to alleviate hardships, would lead to demands for similar treatment by other investors in marketable securities of the government, the vast majority of which are now trading well below issue prices.

It may be argued that the adjustments in the rates on Canada Savings Bonds have already breached this principle. This is not, however, the case, since one of the essential features of the Canada Savings Bonds is the unfettered right conferred upon the holder to redeem the bonds for cash in full at any time.

Having regard to all the circumstances and, although not necessarily to the current advantage of taxpayers, the Minister of Finance (Mr. Turner) announced on March 18, 1975, that the 1936 issue of perpetual bonds would be redeemed at par on September 15, 1996. Legal process will be completed by June 7, at which time the Government of Canada will be irrevocably committed by law to redeem the bonds in 1996. Prior to the announcement, the bonds were quoted at $37.25 per $100 for a yield of 8 per cent in perpetuity. At the present time the bonds are trading at a price of about $45.25 for a yield of 8.67 per cent to maturity. This yield is now comparable to any other long term Government of Canada marketable issues. I therefore stand against the proposal, and I wish that this money and other moneys could be used to better benefit pensioners, if that is truly the concern of the hon. member for Don Valley.

Mr. Lloyd Francis (Ottawa West): Madam Speaker, I certainly do not want to be the one responsible for talking