

Supply—Defence Production

the left hand corner he made the following statement:

This is not the general procedure, but rather an exceptional procedure.

The minister was dealing with the disposal of public assets in this manner. He continued:

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.

Later he quoted his authority for disposing of it. Section 5(e) to which the minister referred last night reads:

• (5:20 p.m.)

(e) authorize a government department to dispose of surplus crown assets in such manner, upon such terms and subject to such conditions as he may consider desirable;

The marginal note reads:

Authority to department to dispose of assets.

This section gives the department the authority to dispose of assets, but if this is a liability where does the minister get his authority to dispose of a liability? This section only gives him authority to dispose of assets. Despite what the minister says, if this is the authority he is using then he must be disposing of an asset for the sum of one dollar. The minister said also that this procedure had only been used in exceptional cases. Would the minister mind telling the committee how many times he has used this authority to dispose of public assets?

Mr. Drury: Fortunately we have not encountered this kind of situation where a crown corporation has been in a consistently losing position and arrangements have had to be made to try to ensure its continued operation under the best circumstances possible. There have been other crown corporations which have not been consistently profitable but have been dealt with. In one instance there was a large ammunition producing facility at Val Cartier operated by Canadian Arsenals Limited. There was a sale made of this operation. It was somewhat similar in that it was a crown owned operation that was sold. However, in the case of the Val Cartier operation it was not a liability but represented a net asset to the crown.

Mr. McIntosh: Mr. Chairman, I thank the minister for that answer. I should like to ask him if section 8 of the Surplus Crown Assets

[Mr. McIntosh.]

Act has been drawn to his attention? This section reads:

The minister may authorize the corporation to exercise or perform any or all of the functions, powers or duties of the minister under section 5.

Last night I asked the minister why he had not turned this plant over to Crown Assets, as directed by this act. The case to which I referred the minister concerned armouries under the Department of National Defence, and he thought they should be turned over to Crown Assets. In this case he did not do that because he said the plant was a liability. We have proven it was not a liability but an asset.

I should like to refer the minister to subsection 4 of section 13 of the same act. It reads:

The accounts of the corporation shall be audited by the Auditor General of Canada and the audited statements of such accounts shall be included in the corporation's annual report.

Was the fact the accounts of the corporation were being audited by the Auditor General one of the reasons the minister did not handle the transaction in this way? I should like to ask the minister also, where are the credits shown? Where are the profits to which the minister referred during the period 1952-1958 and which I think amounted to over \$2 million?

Mr. Drury: Mr. Chairman, the fact that the accounts of Crown Assets Disposal Corporation are audited by the Auditor General whereas Haley Industries accounts were audited by an outside auditor had nothing whatever to do with the means of disposal of this particular operation, as I endeavoured to indicate to the hon. gentleman last night. What was being sought here was an arrangement whereby, if possible, the plant could be continued as an industrial operation. This is not the kind of business with which Crown Assets Disposal Corporation is normally familiar. Crown Assets Disposal, in its normal course of business, deals with commodities, land and buildings not continuing in their previous use. In this sense it is not endeavouring to dispose of continuing operations. The search for a prospective buyer could best be performed by those who have some working knowledge of the business in which the firm has been engaged, and this knowledge of course resides in the Department of Defence Production rather than in Crown Assets Disposal Corporation.

The excess profits for the years in which there were such profits have, in accordance