I do not think the minister really meant the argument he has advanced, I move:

That clause 19 be amended by deleting from the proposed section 105Q the words, "(A) there is no restriction on their transferability, and", where they occur at lines 44 and 45 on page 27.

Mr. Sharp: Mr. Chairman, is this amendment before us?

Mr. Fulton: Yes.

The Chairman: Order. It is moved by the hon. member for Kamloops:

That Bill C-529 be amended by deleting the words: "(A) there is no restriction on their transferability, and", at lines 44 and 45 on page 27.

Some hon. Members: Question.

Mr. Lewis: Mr. Chairman, with some of the things the hon. member for Kamloops has said I am in sympathy, and I can see some validity in his concern in certain cases. But it seems to me that the amendment which is moved could not possibly be accepted, at least as far as my submission goes, because what is being done by removing these words and not replacing them with any others is enabling a profit sharing plan to be locked in to the non-transferable shares of a private company. Surely the hon. member cannot intend that. When he was speaking I thought he was appealing to the minister to make some amendment to this language so that in certain cases, if the restriction is of a certain kind only the investment would be a qualified investment. But instead of producing an amendment of that sort, which might have been looked at with some sympathy, the hon. member has produced an amendment which would mean that the proceeds of a profit sharing plan could be invested in the shares of a non-profit company and be locked there for as long as the employer desired, no matter what happened to the shares, what the employees wished, or anything else. Surely this does not accomplish the rather limited purpose of the hon. members's intention as he expressed it. We certainly could not support an amendment which would have the effect which I have suggested.

Mr. Sharp: Mr. Chairman, I need add very little to what has been said by the hon. member for York South, who has put his finger upon the essence of the problem. It would be possible to argue that profit sharing plans should never invest in the shares of the company itself, if one were looking at the original purpose of deferred profit sharing plans. The original purpose of deferred profit sharing plans was to enable the employees to share in the profits they were helping to create. But, as I said earlier, as a result of introducing the principle of deferment, introducing the further principle of using these funds to acquire shares in the company, and introducing the further complication that they could then be used as a form of annuity or pension, one has to make some compromises. Apparently it is now accepted as part of the doctrine that these profit sharing plans should be used to help employees acquire shares in the companies in which they work. So we have in a sense moved away from the pure theory of profit sharing plans toward a rather different concept.

A qualified investment includes investment in the shares of the company itself, but we have also tried to ensure that the investments are of such a character that the employee has a reasonable prospect of getting out of the fund the amount that the employer put in out of his profits.

• (8:50 p.m.)

It may be that with more experience we will be able to define more carefully the nature of the restrictions on transferability that are most to be feared, but I think the committee will realize that this is the first extensive effort to regulate these funds and plans. They were introduced for the first time in our legislation five or six years ago. On the basis of the experience that we have had until now we believe that it is necessary to be much more detailed if for one reason only, namely that these plans have been abused and we are trying if possible to establish regulations which will reduce the abuse.

I have to take very strong exception to the amendment that has been proposed because I do not believe that it would be in the interests of the employees that the funds should be invested in securities which have restrictions on their transferability. Therefore I hope that the hon. member will withdraw his amendment, and if not I certainly will vote against it because I do not believe it is in the interests of the employees.

Mr. Fulton: If the minister had something better to offer I would be glad to withdraw my amendment in favour of his. However, all he has said until now is that he does not see why the provision should not be in here. In brief, I do not claim the ability to draft an amendment on the spur of the moment which would specify the kind of restriction which we all agree might be acceptable. Nevertheless I think it is more to the disadvantage