

Canada Development Corporation

through control over the ownership of shares sold, and its presence is also justified by the obligation the Government has to the first generations of shareholders. It means that not more than 25 per cent of CDC shares may be held by a Canadian shareholder or group of shareholders, not more than 10 per cent by foreign shareholders in Canada and not more than 25 per cent by a group of foreign shareholders in Canada.

The Government, with the same obligation to the historical evolution of the Canada Development Corporation, will temporarily retain a number of members on the board of directors of the Corporation.

The transaction, and this is very important considering the imbalance in the Government of Canada's Consolidated Revenue Fund caused by our predecessors, will bring to the Consolidated Revenue Fund the sum of \$250 million. It was also an important factor in connection with cash flow considerations and it is clear that the Government's present state of indebtedness makes this transaction even more important.

The Government has been very skilful in its negotiations and its approach to marketing the shares of the CDC, the result being that a large number of new shareholders can afford the shares since they can purchase an option on a share worth \$11.50 for \$2.88, or buy the shares outright, paying only 50 per cent of the purchase price immediately and 50 per cent again a year later, in July 1986. This approach has ensured a broader distribution of the shares. It was therefore very sensible of the Government to divest itself of these corporations and to return to the private sector the administration and management of nearly \$8 billion in assets. Granted, these assets have been profitable to some extent in recent years, but one may well ask what the situation would be if the initial capital cost were calculated as well and also what the profits might have been if the fate of these corporations had been controlled by the private sector.

Mr. Speaker, I think, and I hope, that after this example of divestiture of a Crown corporation, we will see a measure of continuity with similar occurrences in the months to come, for the greater benefit of the development of our economy.

The Acting Speaker (Mr. Charest): Questions or comments? The Hon. Member for Essex-Windsor (Mr. Langdon).

● (1230)

Mr. Langdon: Mr. Speaker, I have a question to ask about the subject I dealt with in my remarks. Can the Hon. Member tell the House whether he is in favour of a procedure whereby the Minister would sell the corporation through a share issue whose terms would differ from those prescribed under the current legislation, but with terms similar to those provided under this Bill?

Would that be an appropriate parliamentary procedure for now? Would the Hon. Member comment on that?

Mr. Fontaine: First of all, Mr. Speaker, I thank my colleague and commend him for asking his question in French. I am trying to improve my command of the other official language, so I fully appreciate this initiative on your part and I expect to be able as well to answer you in your mother tongue in the not too distant future. For the time being, however, I would rather answer in French.

Considering that the corporation operates in a very important sector which has a significant impact on the Canadian economy, and considering as well its huge assets, I would suggest that the Government was justified in providing additional constraints besides those already prescribed with respect to foreign investors and in making sure that there will be some form of disclosure of foreign investments with a view to preventing such an important corporation from being completely taken over by foreign interests within a short time. That is why it was deemed advisable—and I fully agree on this—to limit foreign investments in voting shares to 25 per cent of the total, or again to 10 per cent for any share purchase by a non-resident investor.

Mr. Langdon: Mr. Speaker, that was not quite the thrust of my question. Perhaps I would be more precise in English.

[English]

As I pointed out in the last part of my speech, if we pass this legislation then there is no problem. Shares can be sold to the public and a given company, such as Noranda, can purchase up to 25 per cent of those shares. That is fair enough. Such legislation would be debated by Parliament. The details would have to be handled by the legislative committee. It would have to come back for final passage after we, as legislators, give it the go-ahead. Then, share issue could take place and Noranda could purchase its 25 per cent.

In fact, what has taken place is exactly the contrary to that scenario. The share issues has already been placed. Noranda has been permitted effectively to indicate its purchase of 6.5 million shares, representing 28 per cent of the issue. The issue itself is small enough. However, that does not mean Noranda would have over 25 per cent of the total shares. In fact, it is much higher than what the present law permits. The present law makes 3 per cent the limit. No other company is permitted to have more than 3 per cent of the shares of Canada Development Corporation.

What has happened is that a share issue has taken place under rules which are still being debated, as opposed to under rules which are presently the law of the country. My question is, as new Members of Parliament, do we feel that that is something which is legitimate? Is that how Parliament should operate? Or should the legislation be passed first and be put into effect, as opposed to putting the goal into effect before the legislation is even talked about? Which of those alternatives is the parliamentary way to proceed?