

*Supply—Defence Production*

would discharge all the outstanding obligations against Haley Industries Limited, and for this a supplementary estimate in the amount of \$740,000 is provided.

The amount of \$740,000 appears in vote 7c. In addition the crown is required to write off the previous losses incurred up to that date. This appears in the amount of \$480,000 under vote 6c. With regard to the question why this plant was not sold through Canadian Crown Assets Disposal Corporation I should point out that Crown Assets deals with net assets, if I may put it that way; that is, assets of the crown which have a net marketable value. This enterprise unfortunately not only did not have a net marketable value but represented a cost to the crown in getting rid of it in the interests of not incurring further losses, but still ensuring a continuing supply of magnesium castings to the Canadian industry. Employment at Haley's continued. In relation to the letter received from the Minister of National Defence I should like to say that, while I am told I should not state opinions on legal matters it is my understanding that it is the law that the departments of government are required to transfer to the Crown Assets Disposal Corporation net assets which are surplus to the requirements of departments. These net assets are disposed of by Crown Assets Disposal and the proceeds are dealt with in accordance with the terms of the law. Exceptions to this kind of disposal by Crown Assets can be made by the minister who reports for Crown Assets, and this happens to be the Minister of Defence Production. The difference between the armoury and this Haley case is that the armoury represented net assets, and consequently was added to assets. In the other case there were no net assets, but rather liabilities. It is not proper for Crown Assets Disposal to deal with liabilities of this kind.

• (8:20 p.m.)

I regret that I have not got the value of the assessment, and by "assessment" I think the hon. gentleman means the municipal evaluation of the property in Renfrew. He did mention the original cost of the facilities. I think I can obtain the value of the assets, perhaps not tonight but later on.

**Mr. McIntosh:** It seems to me that if the Canadian taxpayer paid all the deficits of this organization, even by going through all the steps the minister suggested have been gone through since 1951 to 1962 and in subsequent years, there should be something left which

[Mr. Drury.]

would be considered net assets. If the people had to pay this \$1,220,000 it seems that when the expenses were all paid off there should be certain net assets, including the building and the property. I should like the minister to explain why these assets were not treated in the same way as the armouries. Perhaps he could indicate the net amount the Canadian people received from this Bartaco company for the sale of this plant and facilities?

**Mr. Drury:** The net receipts to the crown from the disposal of this operation is nil. This amounted to a loss. It is costing money to hand this over to the Bartaco industry. It is being handed over as a going concern, with commitments to deliver on firm contracts. The alternative would be to close the operation down and this would involve a variety of charges, in addition to losing our source of magnesium castings, which we hope to maintain under the new management. There would also be a substantial amount of unemployment created.

It is my understanding that if the operation had been wound up as at the beginning of March the loss from December 5 to March 1 would be \$140,000. This would have been written off. Repayments of advances from the revolving fund would have amounted to \$97,000. Contract penalties—penalties for the failure to carry out contracts already entered into—would have amounted to \$100,000. The return sales would have amounted to \$80,000. Employee severance pay would have amounted to \$50,000. Preservation of the building and the equipment pending its disposal, if there was any disposable value, would have amounted to \$20,000. The cost of keeping a watchman, paying taxes, and maintaining the building for a year would have amounted to \$40,000. The excess of the liabilities over the assets would amount to \$116,000. The total of all these would be in the order of \$643,000. If you set that against the figure provided here, being \$740,000, you can see the difference. It is not mentioned that in the agreement with Bartaco the crown will recover one half of the net profits of the operations during the first two years. We can only estimate this, but it is our hope that this will amount to \$165,000. This leaves a net payable to the crown of \$575,000 to dispose of this as against some \$643,000 to wind it up by paying the charges I have mentioned.

**Mr. McIntosh:** I am not sure who the minister thinks he is fooling when he suggests that if we carried on with this plan it would have cost us \$500,000 because we would have