

Mr. Benson: Well, if I said "CDC" I apologize. I really meant the NDP, and in that I am in concert with all Canadians.

Mr. Knowles (Winnipeg North Centre): Once in a while you happen to be right the first time.

Mr. Benson: But the CDC will also pursue profits, a word that apparently dismays the New Democrats, and the CDC will operate free of pressure by departments of the federal government. This government has no intention of tying the CDC to specific regional programs, as the NDP would suggest. We do not want another fiasco such as the one in Saskatchewan when the present leader of the NDP was Premier of that province. Nor does the government have any intention of distorting the competitive structure of our financial system by forcing all financial institutions to invest in the CDC, as the New Democrats would insist.

Comment from the right does not, of course, look upon the Canada Development Corporation as a sell-out to big business at all. On the contrary, it sees Socialism—and this was mentioned by hon. members opposite today. One columnist has called the CDC another manifestation of government policy to drive the entrepreneur out of the Canadian economy. Perhaps this kind of acute suspicion can only be resolved by the good performance of the corporation working co-operatively for stronger private corporations increasingly managed and owned by Canadians.

I will now outline some very important provisions of the bill relating to the operation of the corporation. The affairs of the corporation will be managed by a board of directors consisting of 18 to 21 members. The federal government will have the choice of appointing not more than four directors in lieu of voting the government's shares for election of the entire slate of directors. I think the members of the NDP were misleading this afternoon in stating the government would only elect four members of the board of directors. The government has the choice as the corporation develops. If its shares allow it to elect all members of the board of directors, it could, or it could choose the other option.

During any period when the government's voting shares exceed 50 per cent of the outstanding shares issued, the Deputy Minister of Finance and the Deputy Minister of Industry, Trade and Commerce will be appointed ex-officio, non-voting members of the board. These provisions are designed to provide the necessary degree of additional liaison between the corporation and the government during the initial period of its existence. The board of directors of the corporation which the government will initially appoint will be a representative body of suitably qualified Canadians with broad experience in Canadian business, finance and economic development. I am confident that men of this calibre will be available to serve on the board. In addition to the relevant requirements of the Corporations Act, careful procedures will be evolved to deal with situations of possible conflict of interest.

Canada Development Corporation

The high quality of the board and the chief executive officer will ensure the corporation of the degree of independence in its operations which it will require to carry out its objectives effectively. Initially the government will be the sole shareholder and it will always be the largest single shareholder. Because of the significant role the corporation has been given by its purposes and objects, the government will want to show a continuing interest in it, and it is expected that the government will always want to hold at least 10 per cent of the voting shares. Thus, it will always be in a position to exercise the degree of influence on the over-all policies of the corporation which would be appropriate to its shareholding at any particular time. However, to underscore the importance the government attaches to achieving the maximum degree of public ownership of the CDC by the Canadian public, the corporation is to be given the right to reduce the government's holding of voting shares down to 10 per cent.

The CDC will operate basically within the provisions of the Canada Corporations Act. It will not be a federal Crown corporation or agency, and this is explicitly set out in the bill. The capital structure of the corporation is designed to give it a high degree of flexibility in raising funds from the public. Its authorized capital will comprise 200 million common shares without nominal or par value, and \$1 billion of preferred shares. The preferred shares may be issued with or without voting privileges. The initial offering to the public of common shares is expected to be at a price of about \$5 per share to encourage a broad shareholding throughout the whole of Canada.

• (8:20 p.m.)

The source of the corporation's equity capital and the owners of the corporation will be Canadian investors. By Canadian investors we mean residents of Canada and individual Canadian citizens who may be resident abroad. Non-resident foreigners will not be able to hold voting shares though it would be possible for them to purchase non-voting preferred shares. Also, to ensure that the voting shares are widely held, the amount of voting shares that can be held by any one Canadian shareholder or group of associated shareholders is to be limited to 3 per cent. Special redemption features have been provided to enable the corporation to purchase for cancellation shares that are held illegally.

In addition to its right to redeem shares owned by the government to reduce the government's holdings to the minimum of 10 per cent, and to its right to redeem any shares held illegally, the corporation would have the power to use its surplus to reduce its outstanding capital by purchasing its common shares for cancellation without reducing its authorized capital. The provision, if implemented by the board, would improve the ultimate marketability of the corporation's shares. Such a provision is contained in the new Ontario Business Corporations Act and is being considered for the Canada Corporations Act. This power has been available to companies in the United States for some time. The CDC bill provides a number of safeguards to ensure that the exercise of this power will not be abused.