

option of the government. All English financial institutions that are still dealing with such bonds know perfectly well that the holders of these obligations are subject to having their bonds redeemed as soon as the government considers that the rates of interest are diminishing and that it is in a position to refinance its debt at a lower cost.

Because of the historical principle which is involved in the bargaining of bonds in the United Kingdom, it is always advantageous to redeem these bonds the moment the interest rate starts going down. I should like to quote one of the factors of this institution which I feel perfectly characterizes the action the government took in its news release dated March 18. The principle is as follows:

● (1620)

[*English*]

The underlying rationale of this was to minimize public debt charges in the interest of taxpayers in general. In other words, it is absolutely clear that options to redeem undated or perpetual bonds were there to protect taxpayers and not investors.

[*Translation*]

What I mean by that, Madam Speaker, is that the interest in the government buying back those bonds is primarily to protect the taxpayer. Indeed, if the government decided to buy back the bonds for which it has a purchase option at a time when the interest rate is very high, the taxpayer of this country would be paying for the higher cost of refunding the debt. British institutions always recognized that that element was not the objective pursued in the issuance of perpetual bonds. It was rather to bring relief to the taxpayer who has to pay a higher interest to refund the public debt. I think that element is very important. I do not mean to say that the mover was not aware at the element, quite the contrary, he gave it an extension which I think does not exist in this case. That element is represented by the holders of those obligations.

We did some research to try and determine what type of people on the Canadian market still hold perpetual bonds today so as to know, as the hon. member pointed out, whether those holders were small savers, small investors, and whether they were actually suffering any real damage from the government's decision to buy back those bonds.

It became evident, Madam Speaker, early in 1974—those are the latest figures we have—that 41 per cent of bond holders hold bonds payable to the bearer, meaning that it is rather difficult to determine exactly what is the quality, the income or the financing position of the holder. It also became evident that out of the \$55 million worth of bonds \$33 million were held by 3,946 investors. So, \$561,000 or about 1 per cent, are owned by the same investors who bought in 1936. So, only \$561,000 out of \$55 million are still in the hands of the same investors. I think the possibility that a majority of those bonds being held by older people is quite questionable, Madam Speaker, since as the records seem to show only 1.7 per cent of holders are the same people who bought those bonds in 1936.

Moreover, it has been established that only four people own over 50 per cent of the total amount of \$561,000, that is, nearly \$260,000. These may be their only savings or financial resources, Madam Speaker, but in view of the importance of the amount, it is very unlikely that their

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circumstances are those which the hon. member described a while ago.

Finally, it has been established that out of the \$33 million I mentioned earlier, \$9 million have been held by the same investors since 1966, which means that two thirds of the total \$55 million have been held by the same people since 1966. It is therefore very unlikely that these are senior people who are in the difficult circumstances the hon. member described a moment ago.

Therefore, I would like to stress that considerable changes have occurred since 1936 in the nature of perpetual bond holders. It is highly improbable these holders are elder people in a difficult revenue situation and therefore that they might suffer considerable loss when the government implements its decision to redeem the bonds in 1996.

Further, I would emphasize for the hon. member's benefit that the yield of these bonds since April 1974 compares favourably in my view with the prevailing market rates.

To illustrate, the interest rate was 8.33 per cent on April 30, 1974. It had decreased to 7.79 per cent in November 1974, it was up again to 8 per cent on February 28, 1975, that is three months ago, and since April 25, 1975 it has been 9 per cent.

Therefore, the return on these bonds to Canadian holders is in no way inferior to that on comparable bonds on the market. So it is highly improbable Canadian taxpayers will lose if the decision is implemented, as announced by the minister.

Quite the contrary, I believe that, according to the principles applied by British financial institutions, the government should take the opportunity of slumping interest rates to redeem bonds and refinance public debt, to the benefit of every Canadian taxpayer rather than that of one class of investors only.

[*English*]

Mr. Allan B. McKinnon (Victoria): Madam Speaker, I wish to add a few words to the debate in support of the motion of my friend and colleague, the hon. member for Don Valley (Mr. Gillies), who was referred to in the House the other day by the right hon. member for Prince Albert (Mr. Diefenbaker) as one of the outstanding economists of Canada. I should like to support this motion not only because I share the high opinion of the hon. member for Don Valley as expressed by the right hon. member for Prince Albert, but also for humanitarian reasons.

● (1630)

I should like to say to the hon. member for Maison-neuve-Rosemont (Mr. Joyal), who has just spoken so eloquently, that I am not interested in the proportion that is being held by contractors and used as security by banks, and I am not interested in that proportion held by people who know what they are doing in today's shifty financial world; rather I wish to speak for the original holders. I consider it quite unfair for the Minister of Finance (Mr. Turner) to say, as he did on March 19 when speaking of these bonds, that the yield is now 8.52 per cent, compared to 9.5 per cent on current government bonds.

The hon. member for Maison-neuve-Rosemont is trying to peddle the same line, but he should know there is no