

New Controlling Shareholder, New Directions - 1968 - 1980

Suddenly, however, the picture was not quite so bright. Largely as a result of the expansive fiscal policy of the United States, inflation, interest rates, and government deficits rose, precipitating a plunge in stock prices, the collapse of high-flying speculators, and a severe downturn in the North American economy. A number of Power Corporation's major holdings were beset by difficulties, some due to the deteriorating conditions, some of their own making.

Consolidated-Bathurst, which had been created in 1966 from a merger of Power's two largest pulp and paper investments, plunged in value as a result of problems afflicting the entire Canadian industry, including weak global markets and overcapacity, coupled with rising operating costs. Dominion Glass, a glass container manufacturer, was in a decline. Canada Steamship Lines, a transportation and shipbuilding conglomerate, was buffeted by labour disputes in its shipping operations. Inspiration Limited, Power's construction subsidiary, was negatively affected by a slowdown in the industry and losses associated with two large contracts. And while Laurentide Financial seemed poised to recover from the crisis of confidence that had damaged Canada's consumer finance industry in the mid-1960s in the wake of the collapse of Atlantic Acceptance Company, it was still in no position to pay a dividend on its preferred and common shares. Power's sharp decline in earnings was only offset by the profitable sale of assets, including its entire stake in Congoleum-Nairn, a manufacturing company, and shares of Royal Bank, British Newfoundland Corporation, and International Utilities.

These were the challenging circumstances in which Peter Thomson and his directors agreed, early in 1968, to make a share-exchange offer with Trans-Canada Corporation Fund (TCCF), a \$75-million holding company controlled by financier Paul Desmarais, who then assumed the leadership of Power Corporation. Born in Sudbury, Ontario, in 1927, Paul Desmarais had dropped out of law school to take over his family's ailing bus service. After turning it around, he picked up other bus lines in the Ottawa region, in Quebec City, and across the Province of Quebec, then diversified into life insurance, communications, and a host of smaller investments. By 1968 TCCF's principal assets included 100-per-cent ownership of Provincial Transport (a major inter-urban bus line), majority control of Toronto-based Imperial Life Assurance and its recently acquired 25-per-cent stake in Investors Group (the Winnipeg mutual-funds manager which itself owned about a quarter of Montreal Trust), a raceway, a radio station, and real estate. Mr. Desmarais also controlled Gesca Ltée, which held all the outstanding shares of Montreal's largest and most prestigious daily newspaper, *La Presse*, as well as



(Photo by Karsh)

Paul Desmarais in the early 1970s.