

BRITISH INVESTMENT IN CANADA

Peter Freyseng, Assistant Trade Commissioner, reports in "Foreign Trade" that traditionally, United Kingdom investment has played an important role in Canadian economic development. By the end of 1955 the total value of British long-term holdings in this country totalled \$2.4 billion. This roughly equalled the 1939 figure of \$2.5 billion which was cut down by the repatriation of Canadian holdings during and after the war to a low of \$1.6 billion in 1948. The value of British investments in 1955 was 33 per cent above the \$1.8 billion of 1945 and represented some 17 per cent of the book value of all foreign investment in Canada in 1955.

PATTERN HAS CHANGED

The pattern of British investment in Canada that developed in the decade after the war differed materially from that of the prewar years. Since 1945, somewhat more emphasis has been placed on direct holdings in Canada through equity investments in subsidiary plants and branch operations. In 1955 United Kingdom direct investment totalled \$883 million, or about 38 per cent of the total value of the British stake in this country. The corresponding 1939 figure for this type of capital investment was \$366 million, or 15 per cent of the total. Furthermore, United Kingdom direct investment rose by over 150 per cent between 1945 and 1955, considerably more than the gain in total British capital investment in Canada over the same period.

One of the factors in the trend towards direct investment was the plan agreed upon by the United Kingdom and Canada for the repayment of the 1942 loan to Britain. This plan was in operation between 1947 and 1953 and under it, the proceeds from the sale of British-held Canadian securities were applied to the reduction of the loan or used for certain direct "brick and mortar" investments. In addition, the general tendency of all postwar foreign investment in Canada was towards the direct type of holdings.

Nevertheless, portfolio investments--that is, investments where the owner of securities does not play an active part in the control and operations of a company, as opposed to direct investments where he does--accounted for some 60 per cent, or over \$1.4 billion, of British holdings in Canada in 1955.

DIRECT INVESTMENTS

United Kingdom direct investment in Canadian concerns has taken two forms: the establishment of new branch plants and commercial organizations, and the purchase of controlling interests in existing Canadian industrial or commercial firms. Fairly typical of the latter is A.V. Roe Canada Limited, founded in 1945 by the Hawker Siddely Group Limited, of

London, England, A.V. Roe is now a holding company that, through subsidiaries, is engaged in most phases of the production and sale of aircraft; gas turbine, diesel, and other types of engines; buses, diesel trucks and highway trailers, and railway rolling stock, forgings and castings. In late 1957 A.V. Roe Canada Limited acquired control of the Dominion Steel and Coal Corporation Limited; this means that it is now active also in coal and iron mining, steel production, and shipbuilding. Some of its other wholly-owned subsidiaries include Avro Aircraft Limited, Orenda Engines Limited, Canadian Car Company Limited, and Canadian Steel Foundries (1956) Limited. It also has an important minority interest in Algoma Steel Corporation, Limited.

An example of a company building entirely new facilities is provided by the Canadian British Aluminum Company Limited. Formed by the British Aluminum and Quebec North Shore Paper Companies, the firm is constructing a new plant and dock facilities at Baie Comeau. The plant was opened recently and by the end of this year expects to have an aluminum production capacity of 80 thousand long tons. Eventually capacity may be increased to 160 thousand long tons. By the end of 1955 British direct investment totalled \$883 million, or roughly 11 per cent of all foreign direct investment in Canada. British direct holdings represented ownership or control of over 950 individual companies. Although these investments included some very large firms such as the Bowater interests, Anglo-Canadian Pulp and Paper Mills, Limited, Imperial Tobacco Co. of Canada, Limited, and Canadian Vickers, Limited, they also embraced a goodly number of smaller companies with a capital of less than \$500 thousand. In fact the small size of some of the British concerns is one of the features distinguishing them from United States firms which are, on the whole, larger.

One of the reasons is that British investment in Canada is frequently undertaken for the primary purpose of creating export trade opportunities for British industry. Hence many of these smaller firms are distributing or merchandising organizations.

DISTRIBUTION OF DIRECT INVESTMENT

Some 60 per cent, or over \$540 million, of total British direct holdings was invested in Canadian manufacturing by the end of 1955; within that sector investment seems to have been heaviest in wood and paper, chemical, iron and iron products, and vegetable product industries, in that order. Many of these manufacturing companies are large and produce a variety of products. Canadian Industries Limited, controlled by Imperial Chemical Industries Limited, manufactures chemicals, plastics, paints, textile fibres, and explosives.