

Canadian Business Corporations Act

● (1410)

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MEASURE TO PROVIDE FOR APPOINTMENT OF DIRECTOR, DEPUTY DIRECTOR AND FOR ADMINISTRATION OF MEASURE

Hon. Otto E. Lang (for the Minister of Consumer and Corporate Affairs) moved that Bill C-29, respecting Canadian business corporations, be read the second time and referred to the Standing Committee on Justice and Legal Affairs.

Mr. Norman A. Cafik (Parliamentary Secretary to Minister of Consumer and Corporate Affairs): Mr. Speaker, I am pleased to introduce today, for second reading, Bill C-29, a bill which proposes a totally new law to govern federal business corporations. Because the present Canada Corporations Act applies to both business corporations and non-profit corporations, whereas this bill applies only to business corporations, it follows necessarily that a new non-profit corporations bill must be presented at a later date. In June of this year our department published a comprehensive report on non-profit corporations and is currently preparing a non-profit corporation bill generally in accordance with that report.

The federal corporations law is essentially only a technical law, but it can be fairly argued that it is of strategic importance to the Canadian economy. Although it applies to only 23,000 of the approximately 270,000 corporations carrying on business in Canada, it is estimated that those 23,000 corporations carry on at least 40 per cent of the dollar volume of Canadian enterprise. The bill, therefore, has immediate significance for business managers and professionals. The bill also has great significance for the 1.5 million Canadians who are shareholders and who must have confidence in the corporation law system in general, and corporate management in particular, before they can be induced to invest their savings in corporate securities. In the long run, the bill has even greater significance for Canada as a whole, for if it achieves its objectives of furnishing a vehicle to attract and use effectively Canadian savings, it will tend to furnish capital required for Canadian development and better enable Canadians to participate in and control the direction and pace of that development.

The present Canada Corporations Act, although substantially amended in 1964 is still largely the 1934 companies act which was a synthesis of the early federal company law and the landmark English companies act of 1929. Since that time, the English companies act has undergone one over-all revision and several substantial amendments. The English companies act is currently being reconsidered in light of the Jenkins committee report of 1962 and a number of subsequent policy papers.

Moreover, since 1960 major reports have been made on and sweeping amendment made to the business corporations laws of France, Germany, a number of commercial states in the United States, Ontario and British Columbia. The government therefore decided, late in 1966, to set up a task force to prepare a report on the federal corporation laws. The terms of reference of the task force were very broad and empowered it to review the current corporation reports and laws of other jurisdictions, to consider the

functions of corporations and their role in Canadian society and to prepare a comprehensive report.

First priority, however, was to be given to several specific topics that had recently been introduced into Ontario law—insider trading practice, proxies, financial disclosure, take-over bids and investigations—which could be added as interim amendments to the present act. These amendments were made, accordingly, in 1970. Even with these amendments, however, the present act remained generally archaic with respect to a number of substantive topics and its administration provisions. As the task force explained at that time, the 1970 amendments were only an attempt to fill in obvious gaps in the existing law.

Following the task force studies, therefore, a working group made up of task force members was instructed to submit to the government a report entitled "Proposals for a new business corporation law for Canada". This report was published and widely distributed by our department in June, 1971. Following publication of the proposals, the department received a large number of letters and briefs, which have been most useful, pointing out the deficiencies and the inconsistencies in the proposals and recommending a number of changes. The original Canada business corporations bill, Bill C-213, was drafted in accordance with the general recommendations of the proposals but substantially amended to reflect the many constructive comments received. That bill was tabled in the House on July 18, 1973. It died on the order paper at the end of the first session of the twenty-ninth parliament.

Since then, in light of the comments received, one substantive amendment and a substantial number of technical amendments were made to the original bill and set out in the current bill, Bill C-29, which was tabled on October 21, 1974. To enable interested parties better to analyse the interim changes made, the minister has carried out an undertaking given by his predecessor, the hon. member for Windsor West (Mr. Gray), to publish a concordance of the two bills that points out and explains concisely the reasons for these changes. The one significant substantive change is the deletion of the provision barring Canadian employees of a corporation from being counted as "Canadian resident directors" of that corporation. I shall elaborate on this topic later.

When preparing the proposals that led up to the bill, the task force established as its central objective the preparation of a business corporation law that would be clear, comprehensive and practical. And they concluded that the best means to achieve this goal would be to construct a draft law that is the best synthesis of the substantive and administrative concepts set out in contemporary corporations laws, having regard to other jurisdictions in Canada, the United Kingdom, the larger states of the United States and Europe, and constantly keeping in mind the particular need in Canada for a coherent corporation law at the federal level. The task force defined a coherent corporation law as one that achieves a practical balance of interests among shareholders, creditors, management and the public, a balance that ensures both adequate investor protection and maximum management flexibility within the over-all context of the public interest. As far as possible, the bill expresses this objective.

[The Acting Speaker (Mr. Penner).]