

*Canada Development Corporation*

profit. Control goes to the one most able to control, and it does not really matter who controls the corporation. There has been very popular talk lately about nationalistic control. The fact is that the control is not very important, although it has a bearing on our history. Control should go to the able. This emphasis on Canadian control has been overdone. It is important that our young people have an avenue through which they can express their abilities. It is important that companies exist in Canada so that young executives can obtain training. This is important, because the executive category cannot be trained at universities; they have to be trained almost by apprenticeship.

● (8:50 p.m.)

It is natural that if a foreign company has control it will send its own people to oversee the management of the company. To that extent it is important that we maintain a measure of control or impose guidelines laid down for Canadian companies. This emphasis on control does not bear up under careful scrutiny. What is really needed is policy, and I can see how a Canada Development Corporation can indirectly influence that policy.

Let me refer to an incident where Canadian control might have some bearing. For many years United States companies have acquired vast holdings in the mineral industry in New Brunswick. These involve good deposits with good potential. The same companies also own and operate mines elsewhere in the world. Naturally, they will not close up those mines in order to open up new developments, even though they may be more efficient. This will not be done until the capital investment in other areas is depreciated. For that reason it is advisable to have a policy in Canada under which resources are exploited in accordance with national policy. You do not have to restrict control.

A policy could be set up for the exploitation of minerals, and every other conceivable product, without necessarily adopting the idea of Canadian control—because this does not mean anything. Canadian control means nothing. What we are talking about is control by people with the know-how to make a profit. The object of a corporation is to make a profit. We should examine rather sceptically this constant repetition of "Canadian control". I know it is politically astute to do this now because the public is aware that something is wrong with our economy and the finger is being pointed at control as though that were the issue—but it is not. The real issue involves management and policy as defined in the second part of the purpose of the corporation. The minister has said that the purpose is to give Canadians greater opportunity to invest and participate in the economic development of Canada.

The presumption is that such opportunity does not exist. This is nonsense. Every year Canadians invest approximately \$800 million in U.S. corporations. They have the same opportunity to invest in Canadian corporations. Why do they not make this choice? There is a reason: they can get much better protection and value for their longer term investment in the United States than they can in Canada.

[Mr. Otto.]

Before we move in a hodgepodge manner toward acceptance of the Canada Development Corporation, thinking it will be the panacea for all things, we must examine three structures. One of the reasons that Canadians prefer to invest in the United States rather than in Canada is our horrible tax structure. I use the word "horrible" quite advisedly. The tax structure in Canada does not protect the investor or even give him a fair shake. What we really have here is a group of people who con the Canadian into investing in corporations. Immediately they do so, they are at their own peril. We do not have the protection that is available in the United States.

The only purpose of our stock exchanges and the regulations under which they operate is to entice Canadians to invest money. Once they invest, there is no control and no one knows in what they are investing. The prospectus of a Canadian corporation very often reads like a fairy tale; there is no real examination of intercorporate transfers of shares or the speculation that takes place. In the mining business, for instance, about 11 cents of every dollar is invested in the mine and about 89 disappear in promotion and the games which stock promoters play. According to the manner in which we normally function, once a good enterprise becomes public—at some expense—there is no longer the need to produce; everybody gets on the wagon in order to make a buck. The speculators and the promotional experts share. Every time we have a good company and it goes public, people forget there is a purpose for the company and the shares fluctuate back and forth with no protection for the public.

Compare this with the United States system. Under the United States Federal Commission there is a procedure through which shares can be put out as public issue at a cost very, very much lower than in Canada. There are laws there which give the shareholders protective rights. They can question management and even the salaries of management. It is no wonder that United States corporations have shown a tendency to grow in strength over a long period of time. This does not happen in Canada. We do not have laws to protect our shareholders. Our laws are very simple—the majority of shareholders are protected, and the minority is not. There is no corporate law in Canada that protects the minority shareholder.

**An hon. Member:** Join the NDP.

**Mr. Otto:** That is a minority I would not like to join. It is a sort of perpetual minority which I do not think—

**An hon. Member:** It couldn't get worse.

**Mr. Otto:** I agree; it couldn't get worse. It is no wonder that Canadians invest in United States corporations. Before the minister goes all-out in putting this measure into force, he should look carefully at the stock jungle we have in Canada. It is no surprise that the sharpies in the business are not worried about this bill. They envisage the lamb and the beaver coming for shearing and they are sharpening their shears. They have had 50 years' experience in this business. With all respect to the minis-