

*Canada Corporations Act*

subsection 121E(3) apply (public companies and companies having gross revenues or assets in excess of \$3 million) accessible to the public. It is enacted in recognition of the fact that the existing definition of public company ... is totally unrealistic in Canada today. This is so because many of the most important companies in Canada are 'private' subsidiaries of foreign companies. New section 121 sets out a better test for distinguishing between those companies which are 'economically significant' (and whose financial affairs are therefore a matter of legitimate public interest) and those companies which are truly 'private'. This reflects, at the federal level, the public disclosure recommendations of the Watkins Committee on the Structure of Canadian Industry and the Special Joint Committee of the Senate and House of Commons on Consumer Credit and Prices.

It is not clear from this memorandum whether the government is looking into the question of foreign ownership in Canada or into private companies which practice non-disclosure. If it is thought desirable to control or classify the problem of foreign ownership in Canadian companies, it might be better to approach this matter in a different way. For instance, any company which is foreign-owned above a specified degree could be required to make public disclosure. We already do this in commerce, communications, broadcasting and finance. This is a requirement under the investment companies act.

Companies operating in the fields I have mentioned must limit their degree of foreign ownership. On the other hand, if it is desired to bring about wider disclosure by private companies which are subsidiaries of large public companies, it may be better to pass legislation specifying such disclosure. To some extent the problem could be solved this way. In addition to mentioning the problem of foreign ownership, the Watkins task force said in its report:

It is a prerequisite to public discussion of government policy and the formulation and implementation of actual policy that more information be available on the activities of corporations, particularly large corporations, both Canadian owned and foreign owned.

The Watkins task force defined the three distinct purposes for which corporate information is needed. They are, public disclosure, economic analysis and government surveillance. The Watkins task force, at page 185 of its report, said that corporate information for the purpose of economic analysis was "generally very good." On the other hand, it concluded that information for the purpose of surveillance was "inadequate" and information for the purpose of public disclosure was "grossly inadequate". What does this mean? If the amount of corporate information is good

enough for purposes of economic analysis, what more could be required? It is in this area that the bill leaves something to be desired.

The thread running through the testimony of witnesses appearing before the Finance Committee was that public disclosure by small companies would be damaging competitively. Large companies found, on the whole, no real difficulty and felt there would be no competitive disadvantage as a result of public disclosure. On the other hand, some companies at the lower level of the economic scale felt that they would be at a serious disadvantage if there were public disclosure. For this reason the minister has broadened the criteria for public disclosure. I agree with this. Canada has many small corporations, as is disclosed by the white paper. Public disclosure may work great hardship in this area. Mr. Watkins observed this deficiency. Page 357 of the Watkins Committee report reads in part:

• (8:20 p.m.)

For the purposes of economic analysis, the Dominion Bureau of Statistics must collect and analyse data made available by corporations on a confidential basis and published in aggregative form which does not permit identification of individual companies. For purposes of surveillance, relevant government departments and agencies must collect and use data on individual companies on a confidential basis.

If it is decided that it is necessary for the government to survey businesses and companies, then it is logical to use the approach that data can be collected on a confidential basis at a much lower level than is contemplated in this bill. If it is necessary for the government to survey and chart its financial course, it would be much more complete. Much of our business is already at a level below that set in the legislation.

In industry comprised of many small companies the total information is as complete as if the field were held by one large corporation. The provinces do not have this legislation, so there is little point at this time in the federal government's requiring federally-incorporated companies to make public disclosure. Witness after witness who appeared before the committee indicated that in the future, because of the present legislation, companies will elect to be incorporated as provincial entities. On that basis, this portion of the legislation will be an empty shell. It will not be effective and it will not be acceptable to the business community.