• A Petroleum Incentives Program provides escalating grants for exploration in the North and in offshore regions. Under this program, the after-tax (after incentive) cost of $1 spent on exploration in these areas will range over the next few years from 28 to 40 cents for foreign-owned firms. This compares to an after-tax cost of about 63 cents for exploration in the U.S.

Only Canadian-controlled companies will receive incentive payments for exploration or development on provincial lands. For exploration on federally owned lands (in the North and offshore) foreign-controlled companies will receive a 25 per cent incentive payment. Canadian-controlled companies will receive incentives ranging from 50 to 80 per cent for exploration and 10 to 20 per cent for development on federal lands, depending on the degree of Canadian ownership.

In order to give the industry a period of adjustment, a sliding scale of Canadian ownership targets has been established, making companies with Canadian control and at least 65 per cent Canadian ownership in 1981 eligible for the maximum incentive grants. The minimum ownership requirement will rise by two percentage points annually, to reach 75 per cent by 1986.

The Dome Case

Dome Petroleum is the striking example of a company that found it practical and profitable to take advantage of Canada's energy policy and Canadianize a part of itself.

Dome, which has enormous holdings in Canada, has been the most aggressive explorer in that country in recent years.

On January 29, 1981, Dome announced the reorganization of its subsidiary, Dome Canada Ltd., to form a new company that would finance exploration projects in western Canada, the Beaufort Sea, the Arctic Islands and off Canadian shores. In return the new company would acquire a 50 per cent interest in the Dome lands explored.

Canadians would own at least 75 per cent of Dome Canada, which would, in consequence, receive the maximum incentive grants for exploration.

This is how the ownership ratios were achieved: Dome Petroleum, the principal, bought 45 per cent of the stock in the new company. The rest, 55 per cent or $420 million worth, was offered exclusively to the Canadian public. The stock offering was immediately taken up. Since some 39 per cent of the parent company is owned by Canadians, this means that Canadians own about 75 per cent of the new company.

Dome Canada's 1981 exploration programs in the Beaufort Sea, western Canada, the off-shore East Coast and the Arctic Islands totaled $400 million. In the second quarter of the year it was engaged in the drilling of forty wells in the West. Of the first eight completed, six indicated gas discoveries. For its services Dome Canada earned a 50 per cent interest in approximately 110,000 acres surrounding the forty wells.

The View from FIRA

"Make no mistake about it, most Canadians recognize and acknowledge the signal contribution that foreign investment, including U.S. investment, has made to Canada . . . . But we are also aware of the costs associated with at least some of that investment . . . . I am, of course, referring to situations where a substantial proportion of foreign-controlled Canadian businesses are in effect restricted to servicing the Canadian market, are not permitted to take advantage of export opportunities, do not have any research and development program nor any reasonable measure of autonomy in decision-making and technological innovation . . . . Canadians are understandably quite sensitive to the behaviour of foreign-controlled corporations whenever it affects their chances of getting high-skilled employment, their ability to participate directly in the development and benefits of industry and, especially, their ability to determine their own economic destiny. Public opinion polls over the last 10 years have consistently shown strong popular support for measures designed to remedy problems of this sort . . . ."

Gorse Howarth, Commissioner of the Foreign Investment Review Agency, speaking at Harvard Law School, June 1981.

FIRA: The Rules of the Game

A foreign firm planning to acquire an existing Canadian firm or start a new one submits an application to the Foreign Investment Review Agency.

FIRA's basic role is to decide if the proposed investment is likely to be of significant benefit to Canada. The assessment is based on performance-oriented criteria specified in the Act. These cover economic activity (including resource processing); sourcing and exports; Canadian participation in management and ownership; industrial efficiency (including productivity, technological development and innovation); competition; and compatability with government policy.

FIRA works with applicants who do not meet the "significant benefit" requirements and who are willing to upgrade their submissions. After consulting with officials in the provinces that might be affected and with other federal departments, it makes a recommendation to the Minister of Industry, Trade and Commerce. The Minister in turn makes a recommendation to the Cabinet, which makes the final decision, on a case by case basis.

More than 90 per cent of all proposals considered by FIRA since it began its screening operation in 1974 have been approved.