

*Competition Tribunal Act*

For a moment I would like to talk about other takeovers. I think it only fair to point out to the House, and I think Hon. Members will agree, that just bidding the shares of a corporation up in value on the market-place does not create any new wealth. It does not create new jobs that build Canada. Indeed, it probably hurts the country. When shares are bid up, the new price level of the shares must be justified. There has to be a price-earnings ratio and a return on the investment again. The company has to be organized in such a fashion that the new high price can be validated.

● (1240)

In the Genstar takeover of Canada Trust, \$1.2 billion in debt was created. If the Imasco deal went ahead, there would be another \$2.4 billion in debt created. Where is the money to pay that debt going to come from? Does it come from the depositors? Does it come from the borrowers? Does it come from fast deals? What benefit is there to Canada? I think we all have to ask those questions because in many senses these transactions are financed by us.

Yesterday, the Hon. Member for Kamloops-Shuswap (Mr. Riis) asked the Minister of Finance (Mr. Wilson) what was the cost of borrowing and what was going to happen. It is clear that since there is interest deductibility in this country, when one buys a capital asset the person buying the capital asset is entitled to deduct from his other taxable profits the interest cost. Therefore, in many senses you and I, Sir, pay the bill.

One might ask why we allow that tax deductibility. The obvious reason is that we must have a tax system very much in line with the tax system that exists in the United States. Prior to 1970 Canada did not allow the deductibility of interest used to buy capital assets, but the Americans did. All sorts of companies in our economy were acquired by foreigners simply because the foreigners could deduct the interest and our guys could not.

I remember being involved in a takeover situation. A group of us from Port Credit were putting some money together to buy a construction company. My young brother is now involved in that construction company. We were faced with an alternate bid from an American construction company that wanted to get into Canada. The American company could pay a heck of a lot more than we could because it could deduct interest and we could not. We were a little faster than the American company and we managed to make the deal. However, our real problem was that that company could deduct interest and we could not. The Income Tax Act was subsequently changed to make that possible. But I would point out to the House that the effect of that change is to make takeovers very much more probable.

Without allowing the deductibility of interest, many of the takeovers, and indeed I suggest most of the takeovers that we have seen occur in the past two or three years would not have taken place. The proposed Imasco takeover could not take place without some borrowed money. Whether all the money has to be borrowed or not is another matter, but certainly some

money has to be borrowed. The Genstar takeover of Canada Trust could not have happened without the huge amounts of money advanced by a syndicate put together by the Toronto Dominion Bank through Gordon Capital.

We might ask why we allow this kind of thing. The answer is that our tax laws have to be relatively in line with those of the United States. As we enter into trade negotiations with the United States, one of the things we might negotiate with the United States, since the Americans have the same problem with takeovers as we do, is limitations on the deductibility of interest for the purposes of takeovers.

I mentioned initially that competition legislation has been before the House on a number of occasions. The legislation has always failed, not because there was not enough time to put it through but because the legislation got to committee and was absolutely destroyed by representations made from all sides. It is difficult to have legislation that affects people right across the country without having it hurt some people.

While this Bill may have some imperfections—I suppose every piece of legislation we produce has imperfections—I suggest it is important that it proceed now and be passed speedily. For the first time in 16 years, we will at least see some changes made to the competition legislation, and for the first time in 75 years there will be some legislation on the books that makes sense.

**Mr. Orlikow:** Mr. Speaker, I would like to ask the Hon. Member a question. First, let me say that the reason the Bills did not pass when brought forward by the former Liberal Government is that there was a great deal of opposition to them. That opposition came mainly from the business community which did not get everything it wanted. This time, the Conservative Government avoided that by calling in the five big business organizations and letting them work on the Bill.

Until recently, when we spoke of competition legislation and the necessity for it, we were thinking of things like a steel company buying another steel company or a pulp and paper company buying another pulp and paper company and in that way lessening competition. However, what we are facing now are conglomerate takeovers. I would like to ask the Hon. Member how this Bill deals with those takeovers.

Let me give the Hon. Member a few illustrations of what has happened in recent years. Noranda took over MacMillan Bloedel and paid over \$600 million for it. Then Brascade took over Noranda and paid \$1.6 billion for that takeover. Canadian Pacific took Canadian International Paper and paid \$1 billion for it. Bell Canada took over TransCanada Pipe and paid over \$600 million for it. The Thomson interests took over the Hudson's Bay and paid about \$641 million for it.

What did those takeovers accomplish? Was a single new job created? Do these companies really know the operations of the companies they took over? Do they know how to make them more efficient and bring in new technologies? They do not, and that has also been the experience in the United States. Big oil companies got involved in acquisitions of companies outside of