

*Committee Reports*

exchange 300. Only seven families have an incredible amount of economic, financial and, by definition, political control. In the last 10 years 100 of Canada's largest corporations were involved in 150 takeovers which resulted in 25 per cent of their growth.

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When one looks at corporate growth and business growth in our country, and when one considers that 25 per cent of the growth of the 100 largest corporations was accomplished as a result of takeovers, it begs asking the following question. What does this paper entrepreneurialship give us? Does the fact that we are merging and taking over, and the fact that corporate concentration is increasing result in more jobs for Canadians? Not necessarily. One can make a very compelling case that it normally results in the loss of jobs, as the efficiencies of scale are introduced into the corporate sector.

On April 2, *The Gazette* of Montreal, in an editorial, made the following interesting comment:

What is going on in Canada's industrial circles would surely alarm even a self-respecting cannibal. Having one corporate giant swallow up another giant does not of itself create jobs.

This at a time when surely at the top of all our agendas is job creation through economic expansion. Corporate takeovers are not accomplishing that. Generally speaking, they are working against it.

A second reason for wanting to move concurrence today was to provide not only an opportunity to register our concern with respect to the level of corporate concentration which is occurring but, more important, to ask the Minister to reconsider what appears to be a decision to have the Government approve a takeover of a financial institution by a non-financial institution. Not often do members of the finance committee agree on issues. Yet as a result of nearly seven months of study, and after receiving 137 submissions and testimonies, after hearing from 79 individuals in business, industry and consumer groups, as well as from nine Government bodies, seven individuals from universities and six specialists in financial takeovers, and after holding hearings in all parts of Canada, the committee came to the unanimous conclusion that we ought to recommend to the Minister of State for Finance that no approval of any merger between Canada Trust and Canada Permanent Trust be made until an ownership policy for financial institutions has been developed and implemented.

After considerable thought and reflection, and after hearing from the most highly acclaimed experts in this area, time and time again the point was made that we should stop the takeover of financial institutions by non-financial institutions in the best interests of Canada. While the case can be made that there have been already a number of such takeovers, two wrongs do not make a right. The fact that we have erred in the past in terms of approving these type of takeovers ought not to mean that we must now continue into the future *ad infinitum*.

I wish to say that as a result of this inquiry by the Finance Committee it saw the whole matter coming. As a result, we

went on at some length to draw to the attention of the Government some of the concerns which we held as a result of our extensive hearings. I would now like to quote from the report of the committee which indicates:

The major costs regarding financial and non-financial ownership links is the impact of this on ownership concentration in the economy and the degree of economic and political power that would be concentrated within a few major ownership groups in Canadian society.

The submission of The Cadillac Fairview Corporation included in the report states:

The concern for public policy is not simply that those with such power will earn excess profits. Rather the concern is that these large groups will have the ability to earn an acceptable level of profits . . . and be able to use their power to achieve objectives other than increasing the shareholders' wealth. This power may be used to alter the behaviour of other firms involuntarily, e.g.,

-by advancing the interests of some customers or suppliers and/or by penalizing others;

-by undermining the position of rivals in ways inconsistent with maximizing the wealth of one's own shareholders;

-by providing excess rewards—to the top management coalition that effectively controls the corporation; or

-by using economic power to influence public policy via the political process, i.e., expenditures on lobbying, advocacy advertising, public relations, campaign contributions and the ability to redirect corporate locational decisions.

As a result of The Cadillac Fairview Corporation's proposal I reminded the Minister today during Question Period that major political contributions have been made by the companies about which we are concerned today, to the governing Party. The Chief Executive Officer and President of Canada Trust, the trust company which brings us to this debate today, has indicated on a number of occasions over the last few months that if this particular move which the Government is now evaluating were to result in the takeover of a financial institution by a non-financial institution without broadly-held ownership it would be wrong. This would not be in the best interests of Canada. It would result and lead to self-dealing and conflict of interest. This is what has been said by the Chief Executive Officer and President of Canada Trust. He has made such points on a number of occasions.

The Cadillac Fairview Corporation went on to suggest the following for consideration by committee members:

Suppose macro-concentration is allowed to increase and non-financial enterprises are allowed to gain control of very large groups of financial institutions, then in a decade there is sufficient evidence of harm to move Parliament to act. Will Parliament be willing to or be able to force the dismantling of these mega-groups? One can just imagine how much pressure will be brought to bear to leave things pretty much as they are—except perhaps for a symbolic gesture to reassure anxious public opinion. The trouble with "experimenting" with even higher levels of concentration is that it is not a reversible process.

We also heard from other thoughtful groups on this whole matter. I refer to the Canadian Bankers Association. It is a group which we have to recognize has some concerns about the financial health of our country and about the need for fair competition in the financial market-place. We also heard from the Consumers' Association of Canada, which presented a number of thoughtful presentations. We heard from the Canadian Federation of Independent Business and the