

*Canada Corporations Act*

I am satisfied with the standard proposed by the government, Mr. Speaker. Originally they were suggesting a test of \$3 million of assets or \$3 million of gross sales or revenue a year. That has been moved upwards to \$5 million of assets or \$10 million gross revenue or sales. I have no complaint about that test. One of the things that convinces me it is the appropriate level is that we have been informed in our committee that 2,500 Canadian companies are of that size; that is, companies operating in Canada. In the formation of public policy it would be useful to know the details of how the 2,500 largest companies in Canada operate. It is a bit arbitrary, I agree. One could raise it by a few thousand or a few million dollars or lower it by the same amount, but the principle would not be affected. One has to have an arbitrary line in that kind of decision.

But there is another form of arbitrariness in the legislation which I find it difficult to accept, and which I would urge the government to reconsider. I refer to the decision to make the disclosure provisions applicable only to federal companies. I mentioned that there are only 2,500 companies in Canada that meet the test of size and I was referring to all companies that carry on business in Canada, wherever incorporated. Of those 2,500 companies, less than 20 per cent who do not now make disclosure would be affected by this provision. If we want to learn something about the way big business operates in this economy, why approach it with a proposal that will only reach 20 per cent of the companies not now making disclosure? This is a kind of tokenism, it seems to me, and it is a tokenism that is unsatisfactory. I agree that there ought to be a test, but why should that not apply to 100 per cent of incorporations in Canada instead of just 20 per cent?

Some of the consequences of limiting the test to federally incorporated companies will be very serious. I urge the minister to consider some of the consequences of the measure he is proposing. For one thing, the companies that now will be required to make disclosure claim that they will be put at a disadvantage vis-à-vis their provincial counterparts who are not required to make disclosure. I am not sure they are right, but they think they are right. They think that provincial companies of the same size ought also to be covered, and how can we argue with that? It strikes me as extremely discriminatory to impose regulations on companies that are incorporated under federal jurisdiction while permitting

[Mr. Kaplan.]

other large companies in Canada to continue carrying on in secrecy. Here we have a kind of tokenism that I find it difficult to accept.

• (5:10 p.m.)

It follows from what I have just observed that if these companies feel themselves put to a disadvantage, federal incorporation will become less popular. As a federal legislator who in these matters necessarily has a federal bias, I think we ought to encourage our citizens to make the greatest possible use of federal incorporation. We ought to introduce legislation that accommodates the interest of the business community; our legislation ought to protect shareholders. In these respects, our legislation is moving ahead. Most of the government proposals are excellent and we are about to introduce the most progressive corporation law in Canada.

**Mr. Lambert (Edmonton West):** It has one or two flaws.

**Mr. Kaplan:** The question is, how interested will some of these companies be in federal incorporation when, by bringing themselves under the authority of another jurisdiction, they can avoid having to make the kind of disclosures which they find so distasteful. If statistics were to be offered, I would have to agree that there may be the same number of federal incorporations in the future as there have been in the past. There are substantial advantages in obtaining a federal charter. The national names of companies so incorporated are protected, and such firms have the right to carry on business in every province. But I suggest that such federally incorporated companies may well become shells held as subsidiaries probably by an Ontario company or, to an increasing extent, by a Prince Edward Island company. That is the kind of thing that people who like the idea of federal incorporation will be driven to by what is basically a discriminatory proposal. Such companies, I suggest, will make use of federal incorporation—

**Mr. Fairweather:** It will be known as the flag of convenience.

**Mr. Kaplan:** Exactly. Federal incorporation will be known as the flag of convenience. There are many advantages to federal incorporation and, as I say, the number of federal incorporations probably will not decrease. I am greatly afraid, however, that proper use will not be made again of federally incorporated companies, and that Canadians who