

*Foreign Takeovers Review Act*

So long as credit is not used for the development of our natural resources, thus creating new truly Canadian industries, any hope of our regaining control of our economy is vain. Let us take concrete steps that will enable us to become masters in our house and also to protect private enterprise and personal initiative. It is not the government which gets a country going, but the initiative of its citizens. If there are enterprising, vigorous, determined people, the government, by helping them organize, will make it easier to regain control of our economy, in the best interests of the people, of the provinces as a whole, in a country which would at last become united for the benefit of all Canadians and provinces. Canada could then be given as an example of understanding, co-operation and good will.

Such is my hope for Canada's future, before the four corners of the country are set ablaze by scatterbrains eager to blow everything up because they have never had the courage to create or build anything.

Mr. Speaker, if Canadians realize the full potential for economic development of their country, we shall again become masters in our house. We shall then be able to ensure economic security and individual freedom for all Canadians.

[English]

**Mr. Steven Otto (Parliamentary Secretary to Minister of Supply and Services):** Mr. Speaker, I am very glad to be speaking on this bill. I indicated to the parliamentary secretary to the minister that I would like to do so and he reminded me at dinner time that I would be speaking tonight; then just as he was going away he felt it necessary to say to me "in favour of the government".

**Mr. Woolliams:** You always vote with them.

**Mr. Otto:** I always speak for the government. The government does not always think so, but I do. The bill deals with the problem of takeovers. I heard speeches yesterday and today in which hon. members merge the three problems of existing foreign corporations, new takeovers and new investment all into one category. But you cannot do that; they are three completely separate problems. May I say, with great respect, to the hon. member for St. Paul's (Mr. Wahn) that if we chose to buy back foreign-owned industry which is already established, the cost would be colossal—somewhere in the vicinity of \$27 billion. Indeed, the average lifetime of a business is only about 24 years. Many of these corporations are dying out and new ones are taking over. So to talk about taking over existing foreign-owned corporations just does not make economic sense.

The question arises as to new investments. We all know how important new investment is. There are areas in Canada that require new investments. Economic history has shown that Canadians are not exactly tickled pink to invest in many parts of this country. Our good old Toronto banks invest in Toronto. If you tell them about Calgary, Edmonton and other places they say that they are quite far away, why should they invest there when they can put it right in front of their noses? There is something to be said for that but I would put it this way: new investment takes new capital whereas takeovers take less capital.

[Mr. Caouette.]

This is why it is important to control takeovers because they involve corporations, companies and enterprises which have just started, which have just shown that they can make it. It is that type of corporation that is most susceptible to takeover and also which adds most to the economy of Canada. It is not a future dream; it is an existing enterprise. I think that is a good place to begin to control takeovers.

• (2110)

I will give the minister the good news first and the bad news later. I favour this bill because it gets away from the Walter Gordon concept of restrictions. We have two ways to look at the matter. Either we support our own industry or we take Mr. Gordon's point of view and say, "Down with Americans. Restrict everything"—though the shares of Canadian companies may be lying on the floors of Canadian stock exchanges, not being picked up by anybody even for just two cents. I do not think this makes much economic sense and I am glad to see we are getting away from it.

Mr. Speaker, I could not imagine such a bill put together by so many amateurs and naïve people. In fact, I would almost be willing to swear that not one of the people who worked on this bill, Mr. Joel Bell, the Minister of National Revenue (Mr. Gray) or his parliamentary secretary, have ever had any experience even indirectly with takeovers because there are loopholes a mile wide in the bill and it does not answer the problem. There is an assumption among members in the Conservative party and in the New Democratic Party that when a foreign takeover takes place we import foreign capital. Anyone who has had any experience with takeovers in the last five or six years knows that Americans do not put in one nickel of their own capital.

**Mr. Peters:** They do it with our money.

**Mr. Otto:** What happens is this: a Canadian growth company needs money to expand and its head goes to our nice little banks and tells them, "We need half a million dollars to buy new equipment. Here are our sales figures and our potentials." But our bankers, being nice, cautious, Scottish gentlemen, very concerned about the reputation of their banks, reply, "You haven't got all the sales. These are not all A-1 customers. Do it in stages. Here is \$25,000 instead of the \$500,000 you are seeking." This is no good at all, Mr. Speaker. The head of the company then tries to find an American buyer. A prospective American buyer will ask, "How much money have you in the bank?" The Canadian will reply, "We have \$100,000 in saved earnings." Then the American says, "Here is \$100,000 for your company." He pays the \$100,000 but takes the company's reserves, so he does not invest a nickel.

The head of the company still retains his position and after this has taken place he can go to our banks and they will talk to him. They will say, "Oh, you've been taken over by an American. How ducky! Have half a million dollars. In fact, have a million dollars." At this stage the Canadian bank doesn't know if the American parent company is broke. Of course, it is better still if it is a Swiss company that is involved. Mr. Speaker, to get a loan from a bank all you need is a telegram from Switzerland. A