

*Foreign Takeovers Review Act*

Mr. Speaker, the main purpose of this bill, and I will admit it, is not to increase Canadian participation, and I underline that, although, and I underline the "although" also, participation will be a factor in the screening of takeovers. It is one of the five factors that will have to be borne in mind. I refer to participation by Canadians both within the particular enterprise being subjected to takeover, and participation in the industrial sector where that enterprise is located. I believe that an increase in Canadian participation will come mainly through other policies, some of them presently existing and some others to be added in the future. Those now in existence are the tax system, the Canadian Development Corporation, and that sort of thing. And, as the Minister of National Revenue (Mr. Gray) said in his statement of May 2, the government is looking at other possibilities to enhance the Canadian interest, such as better use of Canadian capital markets, increased development of indigenous technology, and management development. On the latter subject my department, has recently created two modest programs for the improvement of Canadian management. I hope hon. members opposite have noticed this. Reference to these programs is to be found in communique No. 33/72, but I will not read it now.

Mr. Speaker, might I suggest that a policy that would focus primarily on Canadian participation without considering performance first could bring about rather strange results. A simple, automatic, general requirement of 51 per cent ownership, 75 per cent of directors, and 90 per cent of management would not necessarily produce the results we are all seeking. Having seven Canadian directors out of nine on the board does not give you much if the seven are treated like figureheads. And 90 per cent Canadian management does not mean much if all the decisions are in fact made abroad. Having 51 per cent Canadian ownership does not give you much if, in that particular enterprise control can be exercised with 10 per cent ownership. I am just saying here that one should not be fooled by appearances. These are not black and white situations to be solved once and for all by legislative action. There is a brief passage in Montesquieu—I am sure everybody has read it—where he calls at least for some countries, for the primacy of mores, customs and conventions over laws. This is where he says that very often changes in realities are more important than changes in law.

What is the importance of this bill, of this screening of takeovers? The leader of the NDP, the hon. member for York South (Mr. Lewis) says, "One big zero." I disagree of course.

**Mr. Lewis:** You can make it two.

**Some hon. Members:** Oh, oh!

**Mr. Pepin:** We are establishing here a new principle, the principle that future takeovers will be screened and that, to be approved, there must be significant benefit to Canada. Incidentally, Mr. Speaker, I am told that takeovers represent 5 per cent to 20 per cent, depending on the year, of foreign investment in Canada.

By monitoring the forward plans of individual enterprises in this way the government is breaking new

[Mr. Pepin.]

ground. It is in effect inserting its influence in an area of business planning reserved until now to private decision making. Not only will allowed takeovers be more beneficial to the Canadian economy, but the objectives and criteria imbedded in this bill will influence the nature and direction of other forms of direct foreign investment in Canada. This will be done in an orderly, evolutionary, rational way.

As the screening process gains experience and builds up a history of negotiations and decisions, foreign investors will be able to see the kinds of goals that Canadian authorities are striving for on behalf of the Canadian public and, in a typical, practical business-like way they will adjust to them. I might also add that in any such process major administrative problems arise, and unless they are carefully and systematically worked out they could well create disruption. So much for the philosophy, Mr. Speaker. I do not want to go into too many of the details of the administrative end of the bill, as this can best be done in committee, but I would like to outline some of the major administrative concepts.

A central feature of the new measure is the concept of significant benefit. How is this to be determined? Hon. members are already aware of the five factors set forth in the bill. First, there is the effect of the takeover being screened on the level of activity as reflected in production and employment. If, for example, a takeover sustains the life of a declining enterprise which would otherwise close down, the promise of continued production and jobs would constitute an important positive benefit. Similarly, high marks would be given to a takeover which held genuine promise of expanded operations and job creation.

A second factor is the effect on productivity, innovation, technological development, and other such factors resulting in the more effective use of productive resources. Higher productivity may give rise to higher returns to producers in the form of higher salaries and higher profits, better value to consumers in the form of lower prices or better quality, and spin-off benefits to the economy at large, such as the dissemination of new technology and management techniques.

A third factor is the favourable effect upon competition in Canada. The takeover may have a very favourable effect through more vigorous and productive operations.

The fourth factor does not necessarily involve an identifiable economic benefit. This is the matter of participation by Canadians, and I have already dealt with that.

A fifth factor to be considered is, of course, the need for a takeover to be compatible generally with established policies, national, industrial and economic policies, for example; the existing program for rationalization within the textile industry, within the footwear industry, the need for wider markets in the chemical industry, the aerospace industries, etc.

**Mr. Stanfield:** Before the minister gets off that subject, and in connection with the competitive aspect, the minister has mentioned that an increase or decrease in competition would be a factor to be considered. Is it intended that this will be the sole finding on this matter, or is it contemplated that the takeover would also have to be classed, perhaps by a tribunal established under the Competition