

Foreign Control of Canadian Industries

In 1965 Canadian firms wishing to advertise to Canadians in a foreign owned Canadian periodical or newspaper were forbidden to charge the cost of their advertising as a business expense for tax purposes. In practical terms this precluded the takeover of Canadian publications by foreigners because competing for Canadian advertising would be too difficult.

Guiding principles of good corporate behaviour were issued to foreign owned firms operating in Canada by the Minister of Industry.

As for banking, the revisions of the Bank Acts announced in 1964 and introduced in 1965 extended to banks the limitations on ownership previously applied to other financial institutions, namely, that the proportion of shares which might be held by non-residents was limited to 25 per cent, and the proportion held by any one non-resident was held to 10 per cent. In addition, any one resident, that is, a person resident in Canada, was limited to a 10 per cent holding. This was to make the legislation non-discriminatory and to make sure that control was not held by a very few people. If more than 25 per cent of the shares of a bank were held by one non-resident or resident shareholder, the total liabilities of the bank were limited to 20 times its authorized capital.

More recently the government has had the benefit of the Watkins report to assist it in the formulation of the wide variety of measures and actions which have an impact on foreign investment. To my mind the analysis of the costs and benefits to Canada of foreign investment set out in the Watkins report was very helpful. I would commend to all members that they read the sections of the Watkins report which deal with the benefits of foreign ownership. This was clearly brought out. It also referred to problems of foreign investments in Canada, which were also clearly brought out. Although I personally disagree with some of the specific means proposed, at least in the terms in which they were formulated in the Watkins report, there were some very practical suggestions as to policies which we might implement. Indeed, we have started to take steps to implement some of these policies, which I will mention very shortly.

One of the recommendations of that report was that there should be much more disclosure of the financial affairs of all large corporations in Canada, and that Canada should be

a country in which large private foreign controlled corporations are unable to operate with a degree of secrecy which is incompatible with our national interest. These matters are dealt with, in so far as the federal parliament can deal with them, in the bill to amend the Canada Corporations Act which had first reading in the house last Thursday, May 22. Private companies, both domestic and foreign, of "economic significance", defined as companies with either assets or gross annual revenues greater than \$3 million, are by this legislation to be required to disclose their financial position in some detail. Companies with more than one distinct class of business will be required to report the proportion of gross sales or revenues for each class, and the extent to which each class affected the company's profit or loss. Whereas the Watkins report had recommended that only foreign private companies be required to make these disclosures, the new legislation applies to both foreign and domestic companies and is, therefore, non-discriminatory.

Members who have studied the bill to amend the Canada Corporations Act will have noted it contains detailed provisions relating to takeovers. Of course, the prime purpose of these provisions is to protect the interest of shareholders, but they are relevant to the subject of this motion.

I think the injection of foreign capital and foreign management into a resource firm or manufacturing firm that is going under may enable it to survive and grow in our country. I am sure all hon. members can think of examples where this was the case.

The Watkins group also endorsed the notion of a special development corporation. In this context I can assure the house that we fully intend to proceed with the establishment of the Canada Development Corporation. I believe it is too late to deal with it during the current session mainly because the business of the session has not moved in the way it should have moved. In my opinion too much time was spent on prolonged argument about the omnibus Criminal Code bill and more recently, because of a split in the Tory party, on the bill in respect of official languages.

Mr. Crouse: What was that last statement?

Mr. Benson: Mr. Speaker, this measure will be introduced when we can give it the time and attention it deserves.

Mr. Crouse: Mr. Speaker, what was the last statement made by the minister?