

*Competition Tribunal Act*

● (1230)

**Mr. Orlikow:** You know that's nonsense!

**Mr. Gormley:** Oh boy, there speaks an expert!

**Mr. Blenkarn:** Bill C-91 is a first-class Bill. For the first time it will set up a competition tribunal which will combine the judicial concept with the business concept. In effect, the tribunal will act as a court-type operation. It will deal with the serious business problems which come before us in terms of the conflicting views of businessmen and citizens generally. It will deal with them in a sensible and business-like fashion. It will be better than a court in that it will have an independent business attitude on the bench, so to speak. However, it will be a court in the sense that it will be staffed by people who have judicial training as well as by people with business training.

This legislation will leave us open once again to use the strength of our country so that our businesses can be internationally competitive. One of the problems with our present combines legislation is that it can be used to destroy the international competitiveness of Canadian business. Under the legislation which is before us, mergers and acquisitions which will assist Canada in its international dealings will be allowed to take place. In this way Canadian products and services can be marketed internationally. That is a very important thrust contained in the Bill.

Another important thrust in the Bill is the concept of pre-notification. In other words, if a takeover is contemplated by a company worth \$500 million, then it must pre-notify the Minister. There are 21 days in which to reply. That is another important aspect of this legislation.

It is essential that, for the first time, we have brought the banks into the act as well as Crown corporations. Many Hon. Members will remember the situation with the former Government in which a cartel was established in connection with the sale of uranium. The only ones who could be prosecuted were the private companies which were part of the cartel. Here was a situation in which the Government was, in fact, illegally promoting the cartel, but the only people who could be prosecuted were the private companies. The Government members of the cartel were let off scot-free, including the Minister. Surely that was wrong. This Bill solves that problem.

I wish to congratulate the Minister of State for Finance who introduced Bill C-103 in an urgent fashion yesterday. That Bill again demonstrates the intention of the Government to stand tough with respect to how the financial institutions of the country are run and governed. In a sense that Bill is a companion piece to the legislation before us. It gives the Minister a great deal of power in preventing takeovers which are not in the Canadian interest.

Since the question of takeovers of our institutions is continually before us, it is important to analyze the whole question surrounding it. I would like to read into the record some of the testimony given by Bernard Ghert of The Cadillac

Fairview Corporation to the Standing Committee on Finance, Trade and Economic Affairs. Mr. Ghert stated:

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 (e.g., sufficient to prevent a takeover) 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, pecuniary or otherwise, 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.

Corporate concentration with respect to financial institutions has potentially greater ramifications than in the non-financial or "real" side of the economy because of the particular characteristics of money and related near-money assets.

This testimony was commented upon favourably by writers in the financial papers and in the regular media.

The Finance Committee recommended this fall that there be serious controls placed on the ownership of financial institutions. A financial institution is not just a boot and shoe company. It has the power of massive leverage. For example, for every one dollar in assets of its shareholders' money Canada Trust is entitled to borrow \$25 more from the marketplace. Thus it has a 25-to-one leverage. It is presently operating at about 18-to-one or 19-to-one. That is amazing gearing.

It means that for a couple of billion dollars one can gain control of \$21 billion or \$22 billion. That is the essence of this whole problem. It is unusual for a boot and shoe company to have more leverage than one-to-one or two-to-one. In such a company there is really very little borrowed money involved. Most of the money in such a company is equity money. In such a case we are really not talking about control of vast amounts of money because of the leverage involved.

Very little equity controls massive amounts of money in financial companies. When a financial company is involved, and there is this gearing, it is essential that we look very closely at who the shareholders of the company are and what group has control. This is so because the control of that massive amount of money means that all sorts of transactions can come one's way.

In meetings of the Finance Committee this fall I had a private chat with one trust officer who, for obvious reasons, will remain undisclosed in name. He said: "Don, you don't really make any money on the leverage operation or the management of a company. You buy these things because of the power you get to make the deals. It is a power which allows you to get in on the ground floor of a deal because you can supply the mortgage. This gives you the edge. The power is in the right to have access to this great pot of money". That is the very reason it is absolutely essential that there be controls placed on financial institutions.