

*Canada Development Corporation*

One has to ask why the government brought in this strange kind of animal, the Canada Development Corporation. Perhaps the government is thinking of an election this fall and has to offer something more than the sorry performance we have seen in the past three years. They may need something glamorous so that they can go to the people and say that we now have a Canada Development Corporation. Perhaps the government does not want to do anything, and this is the way to take the heat off what is obviously a growing concern in this country about foreign ownership. This concern was expressed in the brief from the Liberal association and has been expressed by almost everyone in Canada except the members of the stock exchanges. This provides a clue.

In the study to which I referred earlier, "The Supply of and Demand for Canadian Equities", one of the conclusions reached is that there is a great need for publicly traded stocks in Canada. In other words, there is not a shortage of investment money in Canada. There is a great deal of investment money in Canada, but it is not being invested in this country because the stocks are not available. I think the figure used is that there is twice as much money available as there are stocks. I quote from page 40 of the brief:

If their present rates of asset growth continue, and if the proportion of their total assets invested in equities increases, then the three major financial institutions—pension funds, life insurance companies and mutual funds—could be looking to invest over the next few years, an average, about \$1 billion a year in equities.

This estimate of potential demand excludes any net new purchases by other Canadian financial institutions, by Canadian corporations, or by Canadian individuals. It also excludes any consideration of net changes in the portfolio position of non-resident direct or portfolio investors.

If the equity holdings of Canadian individuals increased at half of the rate of growth of gross national product, if other financial institutions just increase their Canadian equity portfolios at an annual rate of 3½% (approximately the average annual rate of growth in real terms of gross national product over recent years) and if there is no net change in the holdings of non-residents, then there would be an additional demand for an average of \$300 million a year in equities. Again this figure includes possible demands for all equities, Canadian and foreign, and is based on constant dollars.

The total average annual demand for equities in Canada would, therefore, be in the order of \$1,300 million a year over the next few years. This projection may well be assuming too high a rate of growth—

It is obvious that the investment people need a place to put their money. The government is very conveniently taking away the investments of the people of Canada in their Crown corporations and, in many cases, people are embarrassed by a surplus of investment funds. This is very nice for the life insurance companies, banks and trust companies. It may even be nice for a few Canadian investors, but is not going to be good for the people of this country. It is going to be a wide step backward instead of forward. The Canada Development Corporation we had hoped to see is going to be used as an instrument for wrecking some of the proud corporations we have been able to build up over the years.

During the course of the committee hearings, the minister appeared as a witness. We asked him on what basis

[Mr. Saltzman.]

this form of privately oriented corporation had been developed, if other development corporations around the world had been studied by him and his committee, what they learned from those studies and whether papers had been prepared to back up their reasons for developing this kind of corporation. The answers were always vague. When the minister felt terribly accommodating, he would smile between puffs on his pipe and say "you believe one thing and I believe another", or words to that effect—In other words, we have ideological differences. At no time was there an adequate explanation of why this corporation was set up with so-called public shareholder participation as against a wholly owned corporation responsible to the people of Canada. The reply was based on ideological grounds. The minister felt that our position was ideologically oriented. Hon. members are far too concerned about the Canada Development Corporation to go to the wire over what form it is going to take. We are prepared to examine many different kinds of forms, but we want to be assured that the form in which it is developed will enable it to do the job it is supposed to do.

After asking questions about what corporations had been examined and the experience in other countries with development corporations, we were supplied with a 20 page summary of other development banks studied in connection with the Canada Development Corporation bill. I am grateful for this, although it is not research or a study in depth, but at least it is a study. The table of contents lists the various corporations studied. They are as follows, General Investment Corporation of Quebec, the Development Corporation Act (Manitoba), Australian Industry Development Corporation, Industrial Development Corporation of South Africa, Industrial Reorganization Corporation (Britain), Institute of Industrial Development (France), Nacional Financiera (Mexico), Institute for Industrial Reconstruction (Italy) and the Japan Development Bank.

With the exception of the General Investment Corporation of Quebec, none of these corporations in countries as diverse as South Africa, Italy, Mexico and Japan, have public participation. There is no prototype. There is no experience in developing this kind of corporation. On the contrary, all the experience that exists indicates that if you try to include the small investor in the picture with the national interest, as the government claims it is trying to do, it does not work.

The one example we have, the General Investment Corporation of Quebec, started out to do a job which was much needed in Quebec. In many ways, it has been a failure. This is the one example where an attempt has been made to sell shares to the public and match the national interest as well. It has been a failure. The price of the shares has consistently dropped because there has been no public demand for them. The corporation has tended to be immobilized because it does not know which master to serve, the stock market and the shares or the public interest of Quebec. It cannot do both. It is asking too much of a corporation to give it terms of reference of that kind. Maybe in the case of the General Investment