

Mr. Speaker, I should like to direct your attention to the provision introduced in the House on May 2 by the Minister of National Revenue to require that all prospective acquisitions of Canadian firms with assets of more than \$250,000, or annual sales of more than \$3 million by non-resident interests, be examined by a takeover review agency. I would stress the importance of these threshold figures in relation to the activities of relatively small firms with development potential based upon technological capability. Some opposition critics have claimed that the \$250,000 figure is too high. They may be unfamiliar with balance sheets and have confused gross assets, that is to say, the total of the figures on the left-hand side of the balance sheet with net assets; in other words, the total assets of the corporation less the outstanding obligations of the firm to its creditors. A second look might convince them that the screening process will pick up the innovative firms, particularly in high-technology and new technology industries, and give an edge to a Canadian buyer of a Canadian enterprise which wishes to sell control.

Mr. Speaker, there is another step which this government has taken to stimulate R and D activity and innovation in the private sector. It was the decision that I announced in the House during the Throne Speech debate to contract out research and development to the private sector wherever possible; in other words, instead of building up in-house capability in government laboratories, to place contracts outside as much as possible where the spin-off benefits can be realized, where the information can be used in an innovative way.

As I have already indicated in my remarks this evening, it is my view that innovation is a product of entrepreneurial activity, that entrepreneurial activity and a sense of proprietary interest go hand in hand and that a good deal of important technological innovation will be spawned in the smaller companies. This does not mean that our policies are designed only for small firms. Let us not forget, however, that big companies were once small. Our policies are aimed at stimulating entrepreneurial innovations and attitudes in the larger firms whether they be foreign-controlled or Canadian-controlled. Both can develop a sense of proprietary interest around distinctive products or processes unique to the Canadian firm.

In conclusion, I should like to discuss one or two of the criticisms of the opposition parties. The first, incredible as it may seem, is that the Conservatives have not yet grasped the basic issues in the foreign direct investment question. They have chosen to ignore the concept of significant Canadian benefit, I suspect because they have no convictions. They have chosen to confuse the issue of investment. They have not distinguished between portfolio investment and direct investment, and there is a difference as great as night and day. One might look at the difference in terms of the players and the spectators at a hockey game. Direct investment involves the management, the players. It involves a significant say in the management and policies of the firm, often involving control. This is the essential characteristic of multinational corporations.

Portfolio investment is passive. You choose your team and bet on it: that is about it. Nor have the Conservatives distinguished between the question of control and owner-

ship. The Leader of the Opposition, for instance, was quoted as saying that there were not positive measures for Canadians to invest and thereby reduce the proportion of foreign ownership. His chief financial critic made a very similar statement which would seem to indicate that the party has decided to fudge the issue rather than confront it. They are wrong on both counts. The Minister of Finance has already detailed a number of measures, including a 33 per cent dividend tax credit, and referred to the provisions governing pension funds. That looks after the portfolio investment side, if one is interested in making a distinction and knowing the difference.

**The Acting Speaker (Mr. Boulanger):** Order. I regret that the time of the minister has expired. Is there agreement that the minister continue?

**Some hon. Members:** Agreed.

**An hon. Member:** Read on.

**Mr. Gillespie:** Mr. Speaker, I thank hon. members. I shall not take advantage of their good will by speaking very much longer. However, I want to make this point about the difference between portfolio and direct investment, a distinction the opposition parties, particularly the Conservatives, have not made. They have not recognized that there are different incentives for the two different types. They have not recognized that on the direct investment side there are particular advantages for Canadians. The Minister of Finance mentioned them. He referred to the 33 per cent dividend tax credit, which is not extended to foreign corporations but to Canadian corporations.

Similarly, there is the low rate of tax, which I have already mentioned, on the small Canadian firms. This is not available to foreign corporations purchasing Canadian corporations in the direct investment way. Nor have the Conservatives recognized the interest deductibility which now applies to Canadian firms that want to make a direct investment in a Canadian firm. They have not recognized the difference, yet they piously go on saying there is no incentive for Canadians to invest. Let them, when they are speaking of investment, specify portfolio and then let them say where the incentives do not exist. I challenge them to do that.

Mr. Speaker, at no time has the Leader of the Opposition or his chief financial critic been prepared to distinguish between ownership and control. I would draw their attention to the title of Bill C-201, "An act to provide for the review and assessment of acquisitions of control of Canadian business enterprises by certain persons". The question of direct controlling investment is quite separate from providing incentives to portfolio investors to invest in Canadian securities. It is about time the Conservative party realized this. The *Montreal Gazette*, not always a critic of the Leader of the Opposition, in a recent editorial highlighted this obfuscation, this evasiveness, this confusion, this lack of commitment in an editorial entitled—

**An hon. Member:** Did you write the article?

**The Acting Speaker (Mr. Boulanger):** Order, please. The Chair asks hon. members to recognize that the minister