Foreign Investment Act

If the minister and the government follow this course, I am sure the legislation will be successful. He will then have the co-operation and understanding of all Canadians, something that is absolutely essential if this very important piece of legislation is to work.

Mr. Lorne Nystrom (Yorkton-Melville): Mr. Speaker, the debate at report stage at this time deals with the first six amendments, as announced by you a few minutes ago. Before I get into those amendments, I want to say by way of general comment, that our party supports the bill before us, Bill C-132. We do not say that with any great enthusiasm because we do not think the bill is strong enough. It should be a lot stronger.

There are two or three basic fallacies in the bill before us. One is that it is a very powerful piece of legislation. With regard to those things to which the screening agency applies, it could be very powerful. If the minister in charge and the chairman of that agency are concerned, it can be very effective with regard to takeovers. At the same time, if there is a minister who does not give a darn about foreign investments, there is no mandatory provision in the bill. Almost any takeover could occur.

This legislation can be very tough on one hand and very weak on the other. Frankly speaking, one reason I want to see the bill passed is that when there are foreign takeovers and new investment, we in this party can ask the minister whether it is of significant benefit to Canada. If not, we then have the minister and the government on the spot. This gives us a lever in our campaign with regard to the patriation of the economy in Canada.

● (1550)

The second shortcoming of the bill is that it pertains only to takeovers, new investment and the expansion of an existing firm into a non-related area. It says nothing about the expansion of an existing firm into a related area. The more I look at this, the more I am concerned. Initially, I thought the bill would cover perhaps two-thirds of foreign activity in our country. I no longer think this is so. My reading of the bill suggests that it will only cover 10 or 20 per cent of foreign activity in this country. In others words, between 80 and 90 per cent of foreign expansion will probably go unscreened, even though the legislation might be administered in a tough and competent manner.

The Gray Report contains, on page 478, a table showing the number of takeovers in 1968, which is described as a typical year. In that year, through takeovers, foreign ownership increased by $170 million. This represented 5 per cent of the total increase of foreign ownership in Canada in the year 1968—5 per cent of the over-all foreign expansion in the Canadian economy achieved through takeovers. Dealing with new investment in 1968, the same report stated that only $80 million was attributable to direct new investment from outside our borders. This figure represents roughly 2½ per cent of over-all foreign activity in this country. If we add the takeovers and the new investment, we find that in 1968 they amounted to only 7½ per cent of total foreign activity, and this is in a supposedly normal year. But even if it were 15 or 20 per cent, a great deal of leeway is still being left to other types of foreign expansion.

[Mr. MacKay.]

The third area the minister wants to screen is that which concerns the expansion of existing firms into non-related activities. At first, this sounds a useful measure. It means, for example, that if INCO wants to move the hotel business as well as the nickel business, the project is automatically screened. But how many industries will, in fact, be covered? Take, for example, a company such as ITT. Someone unfamiliar with the operations of this telegraph and telephone corporation may say: If it expands into an unrelated area the proposal will automatically be screened. But my research shows that ITT controls 58 different companies in Canada.

So, what is an unrelated area? The bill defines a company by the products with which it is associated, but ITT is involved with hundreds, maybe thousands of products. So if it wishes to take over, for example, a toilet tissue firm, it could probably find a company within the ambit of its organization which is producing products sufficiently similar to enable it to expand into making toilet tissue without having to submit to screening under the legislation. If this is the case, how much of the total of foreign expansion does the bill actually cover? Take Imperial Oil, the giant of the oil industry in Canada. If it expands into an unrelated area, the proposal is automatically screened. But Imperial Oil is involved through its various subsidiaiaries in all kinds of industries in this country. For example, it owns a company called Polytwine which manufactures rope. So Imperial Oil could buy a rope company through this subsidiary without the necessity for screening because it would be an expansion into a related area. I should like the minister to comment on some of these points I am raising when he speaks later in the debate.

Take another example, the Gulf Oil Company. If Gulf wished to expand into the toothpaste business, my understanding is that it could do so without being screened because it has a subsidiary company currently engaged in this business and it could expand its activities through the use of that subsidiary. Take Bell Canada. Bell Canada controls Northern Electric and Northern Electric in turn controls Microsystems. If Bell Canada wished to expand in this latter field it could probably do so through its Microsystems subsidiary. All these corporations are integrated backward from the retail level to the raw materials level.

I am concerned that the bill before us would, apparently, result in the screening of only 10 per cent or 20 per cent of the foreign activity in our country. The corporations will be able to get around these provisions in all sorts of ways. This is why earlier today we sought to move what we call a grandfather clause which called for the screening of existing foreign ownership in Canada. We were very reasonable. We said that screening should be post facto—that where an existing company had expanded over a five-year period by, say, 20 per cent, it must make 20 per cent of its common shares available to the Canadian people, with the first option going to the Canadian Development Corporation. To my mind, this would be a significant move, because we would then be reaching existing firms which the bill before us does not reach at all.

Specifically, we are dealing with five or six amendments during the first part of the debate on the report stage. The first is the amendment by the hon. member for Central