

### Supply

fuller chance to debate here in this House of Commons. We have a concern, too, about the process by which Investment Canada has been debated, the witnesses who have not been heard, and what seems to me to have been the limited amount of debating time with respect to certain crucial amendments.

I think, too, that it is possible to focus on some other areas of concern; the Gulf & Western takeovers which are threatening Canadian publishing, the case raised by my hon. friend for Hamilton Mountain (Mr. Deans) concerning Canadian Porcelain, and others. However, Mitel deserves central attention because it is a symbol of our potential as a country because of the tremendous growth which Mitel has shown. However, it is also a symbol of the failures of our technology policy, a symbol of how crucial is our technological development problem in Canada in 1985.

What is that problem? Let me set it out in as non-partisan a way as possible. To do that, let me quote the Right Hon. Prime Minister (Mr. Mulroney) who has said that the way to improve our dismal trade performance lies in increased research and development. He said we have to double our research and development commitment and triple our resolve to reach it. As a key part of that, the Prime Minister went on to say in a different speech that his Government was going to encourage the production of new technology and ideas by Canadian industries. He went on to say that this was because, according to the National Research Council, a 1 per cent increase in research and development expenditure as a percentage of GNP means creating 800,000 jobs in this country. Another document ties that challenge to the question of foreign ownership, and the Prime Minister then said that recent data indicates that the R & D intensity of foreign subsidiaries in Canada tends to lag behind domestically owned operations of comparable magnitude. That is from the Progressive Conservative task force on technological displacements.

So that is the problem. It is a clear problem, one that has been recognized on every side of the House, and it is a problem we have desperately to address. The Mitel case is crucial to helping us understand the problem. Let us stand back, if we can, and recognize the Mitel story, because it has been a dramatic story. Sales of that corporation have increased from \$300,000 in 1975 to \$255 million in 1983, an incredible increase of 132 per cent per year. By 1983 some 83.1 per cent of the sales of this company were outside Canada, 52 per cent to the United States, which we think of as our primary trade target these days. Starting with 30 jobs in 1975, the company reached 5,210 jobs in 1983.

**Mr. McDermid:** How many in Canada?

**Mr. Langdon:** Some 2,682 of those jobs were in Canada, including over 80 per cent of research and development jobs. R & D expenditures average 12 per cent of sales, compared to 2 per cent of sales for foreign subsidiaries with over 500 employees operating in Canada.

Mitel experienced problems. There were losses in 1983 and 1984, and over 800 lay-offs in the last 15 months. This was primarily because of the transition to an important new prod-

uct, the SX 2000. This has been a difficult transition, representing one of those intrinsic and basic realities of the high tech sector, the fact that there are risks and gambles in new product development in technology intensive industries. But this company turned the corner. The last quarter saw a \$64,000 profit after payments of interest on an incredible debt which the company had built up.

The founder of the company, Mr. Cowpland, makes it quite clear that Mitel would survive without the British Telecom takeover. But there is a problem of heavy debt, some \$266 million worth as of 1984. Mitel searched for help on the basis of this clear success story and the problems of risk in the technological sector. It asked for \$30 million to \$40 million in assistance from the former Government. According to reports in the paper today, that request was rejected by the former Government. If that is true, it shows that the responsibility for our technological failure lies with the previous regime as well as with the present Government.

● (1220)

Apparently Mitel tried to find Canadian partners. It failed, in part precisely because the Government dangled in front of the potential partners of Mitel in Canada the possibility of purchasing Teleglobe, a vastly profitable state corporation with \$400 million in assets. That led many Canadian communication companies to earmark that for potential expansion. That is when British Telecom stepped into the picture.

I would like to review for Members of the House the crucial problems which exist with British Telecom. The House must recognize basic problems which exist with all takeovers of thriving Canadian firms by foreign companies. Witnesses who appeared before the Standing Committee on Regional Development laid out some of these problems. In the case of Philco-Ford they talked about how its purchase was transferred abroad. They talked about research facilities being shifted abroad. These are real threats which have been testified to by the business people who have experienced those realities.

Aside from those general problems, there are some extremely specific problems with British Telecom. I ask all Members of the House to study very carefully that company which we are hoping will take into its arms a successful and thriving Canadian enterprise. First, as the prospectus for the privatization of British Telecom indicates, the company remains subject to Government involvement in shaping its policies. Government retains the power to intervene and vote its largest shareholdings in a pool of 1.7 million individual shareholders and one large shareholder. *The Economist*, which is not generally recognized as a socialist newspaper, noted that fact with respect to British Telecom. It said:

Foolishly in most of its privatizations so far, the Government has retained shareholdings of just under 50 per cent in the new "private" companies; it plans to do the same with B.T. This leaves ministers with great influence whenever managerial decisions threaten political interests, and so preserves the most economically damaging aspect of state control.

The May 13, 1985 copy of *The Financial Times* makes it quite clear that British Telecom continues to feel "some