

as highly concentrated as they now are in the hands of American investors. The Committee recommends therefore that the Federal Government in collaboration with the provincial governments exert every effort to increase the flow of investment capital from other countries, while trying to avoid the undue concentration of such investment in any particular industrial sector.

(7) The Committee was informed that in recent years, much of the new debt capital for foreign-controlled firms was provided by Canadians. This weakens the argument that one of the major benefits for Canadians is the significant amount of new development capital brought to Canada by foreign-controlled firms. In view of this, the Committee recommends that the government should consider the adoption of a policy requiring that the percentage of total debt capital obtained in Canada by foreign-controlled corporations be limited to the percentage of equity held in the foreign-controlled corporations by Canadians.

*3.30 Canada Development Corporation* The Committee is in accord with the proposal to establish a Canada Development Corporation. During its hearings, the Committee heard many opinions expressed concerning the role which this Corporation might fulfil—a giant mutual fund for small Canadian investors—a holding company bringing large investment interests together into consortia for large projects—A Crown corporation—a buy-back company and an entrepreneurially oriented development agency.

The Committee agrees with the Watkins Report (at page 274) and with much of the evidence presented to it that the main purpose of the Canada Development Corporation should be that of a large holding company with entrepreneurial and management functions; it should assume a leadership role in Canada's business and financial community in close co-operation with existing institutions; it should help to organize consortia of investors domestic and foreign to carry out large projects beyond the capacity of a single institution, while throughout maintaining a clear Canadian presence.

Its main purpose should not be to buy back Canadian businesses now owned by Americans or other foreign citizens. Nevertheless, in exceptional circumstances it would be permitted to make investments to retain or establish a Canadian presence in a vital industry where it would serve as a pacemaker or a goad for foreign owned corporations.

The Canada Development Corporation should not be primarily a widely held investment fund with holdings in a great number of enterprises, nor should it be concerned with trying to outbid American businesses each time they try to buy Canadian concerns. Rather, the Canada Development Corporation should exercise the role of leader in stimulating entrepreneurial activity. For example, it could arrange mergers among smaller Canadian companies which needed a large scale financial and administrative base and it might become an investor in such enterprises. In any new venture or new field or in a field of high technology or in the Canada North or other remote regions, the Canadian Development Corporation might become the principal Canadian investor. The Panarctic Oils venture is an example of Government activity in this field already. The Canada Development Corporation should give the lead in industrial rationalization schemes and in worthwhile joint venture opportunities.