

Professor Safarian's evidence to the Committee was to the same effect. The United States economy, more than ten times as large as the Canadian, is able to support a very large number of companies in each industry. In seeking to obtain their share of the protected Canadian market many of these companies have set up subsidiaries in Canada badly fragmenting the small Canadian market with resulting high costs and inefficiency. This is compounded by the extraterritorial application of United States anti-trust laws which prevents such firms from establishing joint operations in Canada or from combining their operations after they are once established.

Professor Safarian pointed out that other studies indicate that in certain sectors foreign-owned firms are superior in performance to Canadian firms in that they pay higher wages and salaries, achieve a higher value of output per employee and have a larger investment per worker. He emphasized however that such studies are not particularly significant because they failed to differentiate between different types of industries. His conclusion was that the performance of Canadian and American owned firms are distressingly similar with regard to exports, research done in Canada, profit, productivity and extent of competition, and that the performance of both the Canadian and foreign owned firms was very much worse than better managed firms outside Canada in many branches of secondary manufacturing. His conclusion was that this resulted from the adoption by Canada itself of a rather inappropriate set of industrial policies including tariffs and other barriers to trade, a rather weak and poorly thought out combines policy and inadequate policies on research, taxation, and education and management development.

*3.16 Shift of Decision-Making to the United States* One of the special disadvantages of a high degree of American ownership of Canadian industry has been the shifting to the United States of the making of vital decisions with respect to operations in Canada of a very substantial and rapidly growing segment of Canadian industry. A number of witnesses claimed that it did not matter where or by whom such business decisions were made since on balance the performance of American owned subsidiary companies was at least as favourable as their Canadian competitors as indicated above. Other witnesses maintained that when important decisions affecting Canadian operations are made in the United States by American residents, such decisions are made in the interests of the American parent companies rather than in accord with the best interests of the Canadian public.

In any event, the evidence presented to the Committee indicates that while the degree of decision-making enjoyed by the Canadian subsidiaries of American parent companies varies greatly depending upon the company and the officials involved, in most cases the most basic and vital decisions would be made by the head office in the United States no doubt after consultation with the officials of the Canadian subsidiaries. Professor Safarian told the Committee:

"I have not developed at length here the ties between the parent and subsidiary. I would be quite happy to talk about that later and my conclusion would be the obvious one—that the owners of capital exercise ultimate decision-making with respect to subsidiaries. There has been a great deal of variety within this context... The thing that is common is, of course, that the parent company controls the voting stock and the owners of capital on major financial and policy questions must have their say."