

*Foreign Control of Canadian Industries*

too many Liberal textbooks. It was Mr. Gordon who documented for us just how far things have gone in certain sectors under the management of the present government and its Liberal predecessors.

The present motion was no doubt prompted by two recent events in addition to Mr. Gordon's shaking things up a little. The first was the takeover bid by the American giant, Philip Morris, which is seeking control of Canadian Breweries. Hon. members will recall the uproar we had in the house over that matter. But what are the facts of that case? Simply that Canadian control was lost some time ago to another international firm, the Rothmans tobacco group which is based in South Africa. The issue in regard to Canadian Breweries really concerns whether we prefer American or South African tobaccoists to manage our largest brewing company.

The latest case involves Royal Securities Corporation of Montreal. The international giant, Merrill, Lynch, Pierce, Fenner and Smith, is trying to take over this very important, well established Canadian securities company. It looks, if we are to judge from the attitude of the Prime Minister (Mr. Trudeau) and the Minister of Finance, as though the American firm will be successful in this operation too, just as their compatriots have been successful in other areas.

The Prime Minister has told us that we are not in a position under the law to do anything because of constitutional and statutory considerations. We have had that kind of shilly-shallying, that kind of do-nothing, pass the buck somewhere, anywhere, but don't do anything attitude for far too long now. Cannot the Prime Minister, and particularly his colleague responsible for the Department of Finance, see the importance of our financial institutions? Can they not make what seems to us the all-important differentiation between the activities of foreign corporations which are beneficial to this country in very positive ways, and those activities which do nothing but diminish our autonomy and do not even add to our economic wealth?

There are occasions when takeovers of going concerns are a very good thing. Takeovers often lead to a much more rational allocation of our social resources; waste and non-competitive product duplication are sometimes cut out, sales staffs are revitalized, management techniques greatly inspired, new working and expansion capital pumped into

[Mr. Monteith.]

the firm and everybody, especially the consumer and the Canadian taxpayer, is better off. Takeovers are often a very healthy thing from the economic point of view and frequently incur no political, social or cultural costs in the bargain. It is time we realized this and set about making sure that our public policies encourage takeovers whenever the public interest can be served in such important ways as I have suggested.

• (4:10 p.m.)

But there are other occasions when takeovers serve no useful purpose. There are occasions when they do nothing more than reduce the amount of real competition in the system, when they perpetuate old and wasteful ways, and when they result in poorer rather than better service and wider choice for the consumer. The case seems to be especially important when the takeover means a Canadian company passes into foreign hands.

Let me suggest some standards. I know this government is seldom very interested in things like principles but they are useful. What is more, and what is most important in this case, they help to let the other fellow know where he stands.

First, I suggest that we should reaffirm our present rules relating to the ownership and control of the chartered banks, the broadcasting companies, and so on.

Second, we should define more widely than we have, but also with great care, those economic institutions and agencies whose control and operation we conceive to be critically significant for our sovereign control of the Canadian economy.

I am not at all clear that the so-called near banks should be included in this category; that question will take some careful study. But it does seem to me that the hands-off category may very well include the magic 15 agencies to which the Bank of Canada grants special privileges and concessions, such as Royal Securities Corporation Limited. These 15 agencies are part of a special money market that the Bank of Canada and the government, in their joint wisdom, thought necessary to create. The basic idea, as I understand it, was to provide a much wider buyers' market for short term Canadian issues and thereby perhaps keep prices down a little and give us more flexibility in managing the economy. In return for maintaining the necessary inventory, Royal and others seem to be effectively subsidized through the chartered banks by getting low—one might almost say cut-rate—interest rates for their daily bor-