

Canada Corporations Act

There is, however, the problem of the many large private companies that exert considerable influence in our economy. The private company device that had originally been developed to assist the small entrepreneur, most often organized on a family basis, has very often become the corporate structure used by huge firms. Furthermore, many of these large private companies are in competition with public companies which must disclose information about their operations. Many of these private companies are wholly-owned subsidiaries of public companies incorporated abroad; we know little if anything about their operations in Canada, although the global operations of the parent and subsidiaries taken as a whole may be required to be disclosed in the foreign jurisdiction concerned.

The government and the public need to know more about the affairs of the large private companies. It is a prerequisite of any rational decision-making process that it be based on information as complete and accurate as possible. This principle applies to all managers, including those who manage the affairs of the country.

● (8:20 p.m.)

The 1968 report of the Task Force on the Structure of Canadian Industry struggled with this problem in dealing with the issue of foreign ownership and control in Canada. The report correctly pointed out that a judgment of the benefits and costs to Canada of foreign investment must include a careful analysis of the performance of foreign-owned firms in Canada. How does the behaviour of these firms and their efficiency compare with Canadian-owned firms? With their parents? With foreign subsidiaries elsewhere? These are some of the questions that are most difficult to answer now because of the lack of sufficient information about foreign-owned, private firms. In the view of the task force, the most serious problem with respect to the issue of foreign ownership and control was the extent to which foreign-owned firms were relieved of the necessity of public disclosure by virtue of their status as private companies in Canada.

The lack of definite information about private companies concerns not only the issue of foreign ownership. Noting that it is impossible to determine precisely the number of large private companies in Canada, the report indicates that on the basis of data on 743 of the largest Canadian companies it appears that 60 per cent are private companies. Of 375

of the largest non-financial Canadian corporate complexes identified by the task force, 162 or 43 per cent are private companies and about 75 per cent of those are controlled by non-residents.

In a recent study on the performance of foreign-owned firms in Canada, Professor Safarian noted how limited was the available data for the examination of both foreign-owned and Canadian-owned firms in Canada.

The task force pointed out:

It is a pre-requisite to public discussion of government policy and the formulation and implementation of actual policy that more information be available on the activities of corporations, particularly large corporations, both Canadian-owned and foreign-owned.

The proposals now before the House in Bill C-4 will make an important contribution toward improving the present situation. The disclosure requirements that we propose will not apply to small private companies for the reasons I have outlined. Nor will they apply to any private company that is a personal corporation within the meaning of section 68 of the Income Tax Act. They will apply only to private companies which by virtue of their size are of significance in our economy.

One of the difficulties of this approach is deciding which companies are economically significant. We recognize that setting a test for this purpose is bound to be arbitrary. We have chosen to define an economically significant company as one which has assets or gross annual revenues greater than \$3 million. We have chosen this figure because this test will elicit sufficient information to help us understand the greater part of the economic activity of federal companies. If the test we are proposing in Bill C-4 was copied in all Canadian jurisdictions, federal and provincial, we would get the following coverage: (a) some 1,200 manufacturing companies accounting for 80 per cent of assets employed in all manufacturing and 75 per cent of manufacturing sales; (b) over 300 mining companies accounting for 87 per cent of sales, and 87 per cent of assets in the industry; (c) over 400 companies accounting for nearly 50 per cent of sales in the wholesale trade; and (d) some 1,700 finance companies accounting for over 75 per cent of gross revenues and 86 per cent of assets in the industry.

Some people say that the government has the information it needs in its files, especially in the files of the Department of National Revenue, in the files of Calura and the Dominion Bureau of Statistics; that if it does