

The record since September 4, 1984, has been that not one single application has been turned down.

The main advantage of the act was not the fact that it allowed the government to turn down some applications; it was the bargaining power which it allowed the government to exercise with foreign investors. We could get undertakings from them, and that was very useful for the benefit of the country as a whole and could turn the investment into a significant benefit for Canada.

Because of Mrs. Stevens' well-known views on the subject, I think the government has lost all its bargaining power and no foreign investor will take the new act seriously.

I can recall when Mr. Stevens appeared before the committee on the pre-study he talked about undertakings that he had received from the parent company of Texaco Canada to the effect that FIRA had received an undertaking that they would sell 12 million shares of Texaco Canada. In fact, the parent company sold 14 million shares and, as far as the investment community was concerned, the reason they sold that number was because they needed the money. If they were merely complying with the undertaking they had given Mr. Stevens, they would have sold only 12 million shares. They had made large purchases in the United States, they badly needed money and, in a straight business decision, they went ahead and sold 14 million shares.

Honourable senators, there is one other matter which I think has some relevance, and that is I believe we are not paying enough attention to encouraging Canadians to invest in their own country. It is all very well to say we should bring in foreign capital, but Canadian capital has been fleeing the country and, I must say, not always profitably. I must admit that on certain occasions when I see companies who could have spent the money in Canada spending it in the United States and stubbing their toes, it gives me a certain amount of satisfaction. Furthermore, I have always felt that one of the reasons Canadians sold out after the war to the Americans was because we did not have a capital gains tax. People would not have been quite so eager to sell their interests in companies to foreigners if they had had to pay a 25 per cent capital gains tax on the capital gain. By the time the capital gains tax provision was in place, it was really too late.

That is what is worrisome, in my opinion, about this \$500,000 exemption contained in the present budget. According to the Minister of Finance and according to speeches given by various ministers, it is supposed to encourage investment in Canada by Canadians. Of course, that could easily have been done by eliminating the capital gains tax on Canadian investments, but they did not do that. They eliminated the capital gains tax on a person's foreign investments as well. I think that the government could have accomplished more by way of encouraging investment in Canada by giving a little more thought to that particular provision and by not including foreign investments in the scope of it.

As Senator Sinclair said in his speech, favourable tax treatment is probably one of the most important elements considered by foreign companies when deciding whether or not

[Senator Godfrey.]

they will invest in Canada. I recall that, a few years ago, I had lunch with the vice president of finance and the head of the tax department of Stelco. I asked him how the Canadian steel industry managed to be so efficient—which it is; it is far more efficient than the United States industry and can compete with the U.S. companies in their own markets. He said that the reason for Canada's efficiency is that capital intensive companies in this country receive a much more favourable tax treatment than they would in the United States, for example. Back in 1972, we had brought in accelerated depreciation provisions and investment tax credits. Furthermore, in the United States when a company builds something, it cannot take into account any depreciation until the plant is actually operating. In Canada, however, even though it may take some years before a plant is completed and operating, the company can deduct depreciation right away as the money is spent. The tax treatment of Stelco was so favourable that, at that time, it had not paid any income tax whatsoever for three or four years and did not expect to do so for another nine or ten.

After the luncheon, I phoned an executive vice president of Dofasco to ask whether he was of the same opinion. He happened to be out of town, so I spoke to the head of their tax department and he agreed completely with the views of the official of Stelco. Later, I happened to mention what had transpired at a Senate committee meeting. The Executive Vice-President of Dofasco heard about what I had said. He phoned me and, although he admitted that the information was right, he did not like admitting it in public. He did not like admitting that the government was really going something that was good for business.

Honourable senators, I really do think that our tax treatment of corporations—particularly the capital intensive companies—is such that it should and would encourage foreign investment. I think that such legislation will have much more effect in attracting foreign investment than the few amendments that we are up against in this new bill.

Hon. Efstathios William Barootes: Honourable senators, I rise to speak on Bill C-15. I should like to make a few opening comments on points that have been raised by other honourable senators.

I should first like to congratulate those speakers on the other side of the chamber for their eloquence in expressing their views. I particularly want to congratulate them on their inventiveness in being able to find some good things to say about FIRA. It hasn't been easy, but they have been able to dig up several items to which they can refer with some pride. They have, in part, appeared as apologists for FIRA; but, in so doing, I am afraid they have damned FIRA with faint praise.

● (1430)

Perhaps I may be allowed the courtesy of bringing to your attention one or two specific items. Both Senator Sinclair and Senator Godfrey raised the matter of the sensitive case of decisions having to be made by one cabinet minister, in contrast to having, as was suggested, either the entire cabinet, or a small committee of cabinet, passing on these matters.