

From: Torrance J. Wylie

To: Mr. Paul Paré
Members of the Management
Committee

c.c. Mr. Purdy Crawford

April 25, 1985

Re: Changes to Investment Canada Bill
April 15, 1985

A - Background - On December 7th last, the Hon. Sinclair Stevens, P.C., m.p. presented Bill C-15 respecting investment in Canada to the House of Commons for first reading. This Bill embodies substantial changes to the foreign investment review policies first introduced in Canada in 1975. These changes were carefully analysed by Imasco and our basic conclusion was that they had little significance for Imasco. In particular, we noted that, notwithstanding representations made prior to the introduction of the Bill, the definition of corporations whose transactions are reviewable was virtually unchanged.

In January of 1985, Imasco decided to canvass the issue further with the federal government and we developed a position paper detailing our suggested modification to the Bill introduced by Mr. Stevens. Our central objective was to lighten the burden of the review process.

Our recommendations were presented to the Prime Minister and his senior staff, to the Minister and his senior staff and to the senior staff of the Foreign Investment Review Agency. The thrust of our recommendations was endorsed by the Conference Board of Canada, the Canadian Chamber of Commerce and the Business Council on National Issues in their appearances before the Parliamentary Committee studying Bill C-15.

On April 15th last, the Hon. Sinclair Stevens appeared before the Parliamentary Committee and proposed a number of changes to the Investment Canada Bill. Included in these changes are a number which addressed Imasco's concerns.

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B - Summary of the April 15th changes to the Investment Canada Bill of significance to Imasco.

1. The changes empower the Minister to "deem" a corporation to be Canadian for the purposes of the investment review provision of the Bill thereby effectively exempting the investments of the corporation from review.
2. To be eligible for designation as a "deemed Canadian Corporation" a corporation must have met the following criteria for a 12-month period prior to its submission of information and evidence:
 - be incorporated in Canada
 - its voting shares must be publicly traded
 - the majority of its voting shares must be owned by Canadians
 - four-fifths of the members of its board of directors must be Canadian citizens ordinarily resident in Canada
 - its chief executive officer and three of its four most highly remunerated officers must be Canadian citizens ordinarily resident in Canada
 - its principal place of business must be located in Canada
 - its board of directors must supervise the management of its business and affairs on an autonomous basis without direction from any shareholder other than through the normal exercise of voting rights at meetings of its shareholders
3. As the "deemed Canadian Corporation" status only applies to the investment review provisions of the Bill, designated corporations will have to give notice of
 - each investment of \$5 million dollars or less
 - each investment, regardless of dollar value, falling within the prescribed areas affecting Canada's cultural heritage and national identity, as the government reserves the right to review such transactions.

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C . In summary - The changes introduced April 15th substantially reflect the suggestions for changes made by Imasco. The Parliamentary Committee adopted the Minister's amendments on April 18th and the Bill is currently being debated at the third reading stage in the House of Commons after which it will be debated in the Senate. We will attentively monitor the debate but anticipate that the government's large majority answers the Bill will be enacted as amended.

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