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**CANADA**

**DEPARTMENT OF TRADE AND COMMERCE**

**DOMINION BUREAU OF STATISTICS**

**INTERNAL TRADE BRANCH**

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**BRITISH AND FOREIGN  
DIRECT INVESTMENTS IN CANADA  
AND  
CANADIAN DIRECT INVESTMENTS ABROAD  
1936**

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OTTAWA  
1938

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# BRITISH AND FOREIGN DIRECT INVESTMENTS IN CANADA AND CANADIAN DIRECT INVESTMENTS ABROAD

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### Errata

Page 14, line 33, for "Tables 1-17" read "Tables 1-16".

Page 15, line 31, for "Tables 1-17" read "Tables 1-16".

Page 16, line 12, for "Tables 1-17" read "Tables 1-16".

Page 16, line 28, for "Chapter 3" read "Chapter 2".

Page 17, line 4, for "Tables 1-17" read "Tables 1-16".



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INTERNAL TRADE BRANCH

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BRITISH AND FOREIGN DIRECT INVESTMENTS IN CANADA  
AND CANADIAN DIRECT INVESTMENTS ABROAD

INTRODUCTION

"Direct Investments" and the Canadian Economy

The term "direct investments" has come to describe that class of international industrial investments which is frequently implied by the broad popular expression "branch plants". The scope of the classification as used in this report is more thoroughly dealt with elsewhere. Direct investments represent an international migration of business enterprise and industrial capital and technique which is one of the characteristics of the economic organization of the twentieth century. To a large extent this has been typically an expansion of United States industry beyond the boundaries of the United States and the relative importance of United States direct investments in Canada to those from the United Kingdom and other countries is an illustration of the general extension of United States industry to other countries. Growth of direct investments has been related to the growth of industrialism throughout the world, and there are few countries where there are not important industries from other countries. Thus, there have been factors causing this movement of industries which are not peculiar to Canada or its geographical location but which are inherent in the tariff structure of the world and other elements in the background of international trade.

Growth of direct investments in Canada has been bound up with the industrial development of Canada, and no doubt has been an important influence upon the accelerated development of the Canadian economy in recent decades. The introduction of advanced techniques from older industrial countries has made possible a greater development than would have been possible otherwise and has decreased the time necessary to achieve maturity. As a consequence, Canada's exports of secondary products and minerals to overseas countries have grown rapidly and broadened the relations of Canada with other countries.

By adding to the efficiency and variety of Canadian industry, direct investments have contributed to the greater diversification of production in Canada. In this way the frame-work of the Canadian economy has been strengthened by making the country less dependent upon the vicissitudes of a few primary industries. Employment of a more stable character has been provided and there has been a greater distribution of the "overhead costs" of the country, such as those incurred through the provision of transportation facilities.

Although the total value of direct investments in Canada owned in other countries, \$2,168 million, may be an impressive total, the significance of direct investments in their relation to Canadian-owned industries is best understood when their value is compared with the total amount of capital invested in Canada. It is estimated that the total amount of "business" capital invested in Canada is about \$18,000,000,000.

This sum includes the bonded indebtedness of governments and municipalities in Canada, investments in railways, all manufacturing concerns, mines and metal industries, public utilities, trading establishments, finance, etc., but does not include private capital in farms, domestic real estate, etc. Of this sum, it is estimated that about \$11,000,000,000 or 62 per cent is owned in Canada and 38 per cent is owned abroad, allowing for all classes of British and foreign investments in Canada as well as the investments that may be considered "direct".

Then there are marked variations in the relative importance of direct investments in the different groups of Canadian industry. In some industries, notably the automobile industry, and the industries producing rubber products and electrical apparatus, the proportion of total production which is produced in plants owned outside of Canada is quite high. It is notable that these are mass production industries which have attained a high degree of efficiency in the United States. On the other hand, many important Canadian industries are predominantly owned in Canada, the percentage of production in foreign owned plants being very small. Examples are provided by the textiles and primary steel industries. Although there are some important plants in the pulp and paper and hydro-electric power industries which are controlled outside of Canada, much the largest parts of these characteristically Canadian industries are controlled in Canada. Agriculture provides a conspicuous instance of Canadian ownership.

It must also be recognized that the foreign control which is suggested by foreign ownership is, in many instances, only potential. The degree to which this potential control is exercised varies considerably and the large total value of foreign direct investments in Canada is apt to be misleading unless this is understood. Then, this total value of investment is made up by the value of capital invested in a great many enterprises, many of which are small and uninfluential in their respective industries and trades.

In short, the large value of foreign direct investments in Canada does not point to the domination of Canadian business by non-residents. Owing to the dispersion of these investments over a wide field of industries, there are only a few industrial groups in which the foreign enterprises predominate. Even in these groups the total foreign direct investments are usually made up of a number of competing enterprises. The importance of direct investments in the Canadian economy rather lies in the effects they have had upon the rapid industrial development of Canada, the advanced industrial techniques they have introduced into the country and the stimulation they have provided to the growth of Canada's exports of secondary products to overseas countries, and their effects upon the Canadian balance of international payments. Direct investments in Canada are a product of modern international commercial relations rather than the economic penetration of Canada because of its geographical location.

It should be noted that Canadian industry too has expanded beyond the borders of Canada. The value of the direct investments of Canada in other countries, as shown in Part II of the report, is substantial considering the youth of most Canadian industries. Most of this development has been in the United States, but the West Indies and Latin America are also fields where Canadian companies operate extensively abroad. In some instances the Canadian expansion into the United States, especially in the case of Canadian railways, has been because of natural circumstances, for example, to take advantage of direct routes or to obtain supplies of raw materials. In other cases the movement into the United States has been due to enterprising Canadian concerns seeking wider markets than those afforded by Canada for their products.



## PART I BRITISH AND FOREIGN DIRECT INVESTMENTS IN CANADA

### Chapter 1. The Field Covered by Direct Investments.

#### Companies incorporated in Canada

Theoretically all external investments in Canadian corporations can be divided into two classes, depending upon whether control is concentrated in Canada or in some other country. Where control remains in Canada the external investment is customarily termed a "portfolio investment". Where control is transferred to a corporation or a group of individuals in another country it becomes a "direct investment".

The distinction usually depends upon the intention of the investor at the time that he makes his investment in Canada. If he wishes to place money in a Canadian corporation and is satisfied with the existing management, he buys securities issued by the corporation and includes them in the portfolio of his investments. If his intention is to start a new enterprise or to take over control of an existing one, his investment in Canada is a direct investment. Obviously it is impractical to attempt to classify investments according to the intention of the investor. All that can be done is to infer intentions from a limited field of actions. This can be carried out with a high degree of accuracy in many instances, but there are cases where the results are somewhat uncertain. Over 99% of the stock of The B. F. Goodrich Rubber Company of Canada Limited is owned by B. F. Goodrich Company of Akron, Ohio.<sup>(1)</sup> More than 69% of the common stock of Aluminium Limited is held by a small group of shareholders in the United States.<sup>(2)</sup>

There is no difficulty in classifying these cases as direct investments. We can assume that the intention of the majority interests of the shareholders of both companies was to put money into a Canadian company to be controlled by them. The shareholders of Aluminium Limited are individuals and the only effective shareholder of The B. F. Goodrich Rubber Company of Canada Limited is a corporation, but the principle is the same whether applied to individuals or to corporations. If enough of the capital invested in a Canadian corporation is concentrated in another country to establish control of the corporation in that country, the corporation can be referred to as a direct investment of that country in Canada.

Suppose that instead of 69% or more of Aluminium common only 25% was owned in the United States. If this amount of stock were in the hands of an organized group of shareholders and the remaining 75% was scattered in small holdings, it would still be possible for the organized minority to control the direction of the company. Such a situation, however, is not a common occurrence, and where it does occur there is no guarantee that it will continue. All that can be said with certainty is that, as the proportion of a company's securities held in another country increases, the probability of the company being controlled in that country also increases. The situation is simplified where there is a parent company outside of Canada. In such cases the interest of the parent, whether majority or minority, is obviously concentrated in one place and is capable of effective application. In 1934 American Telephone and Telegraph Company held about a quarter of

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(1) Standard Corporation Records, June 22, 1937. Page 2279.

(2) National Recovery Administration, "Report on the Aluminum Industry" (Washington, 1935); and "The Aluminum Company of America", Fortune - September, 1934. Pages 46-52, 100-111.

the shares of The Bell Telephone Company of Canada, while almost two-thirds were held in Canada.(3) Having no information to the contrary, we must assume that the majority Canadian interest was scattered among small shareholders and that the minority investment of the American company was sufficient to class the Canadian company among United States direct investments in Canada.

This type of connection is often referred to as "affiliation" rather than as "control", but affiliation is a vague term and suggests types of connection such as manufacturing rights or agreements which in themselves are insufficient to establish direct investment.

When applying the theory of effective control outlined above to an organization having no parent company outside of Canada, the problem becomes more difficult. As a working principle the Bureau of Statistics requires concentration in one external country of 50% or more of the total investment in a corporation having no parent company outside of Canada before that corporation is classed as a direct investment. Minimum concentration of 50% or more of the total investment in one country is not assumed to establish control in itself. It is accepted as evidence of the probable intention of the investors. When this principle is applied to large companies, it is considered in conjunction with all other available data which might throw light on the subject. Fifty-two per cent of the common stock of Canadian Pacific Railway Company and 97% of the preferred were owned in the British Empire outside of Canada at the end of 1936.(4) More of the company's bonds were owned in Great Britain than in any other one country. Assuming that the stock interest in the British Empire outside of Great Britain was negligible, the majority of the total investment was clearly in Great Britain at the end of 1936. However, only two directors out of a total of eighteen were domiciled in England, and it is well known that the management has been in Canada since the formation of the company. It must be inferred from the above that the majority British interest is distributed among private investors who have no immediate intention of controlling the policy of the company.

The last mentioned feature of direct investments has been responsible for much of the lack of uniformity in treatment of the subject. The Bureau of Foreign and Domestic Commerce of the United States Department of Commerce has made several investigations into the subject of direct investments in the United States. It includes a number of independent companies in its classification of direct investments on a lighter concentration in a foreign country than 50% of total investment. In its recently published report on American direct investments in foreign countries, the Bureau of Foreign and Domestic Commerce defines American direct in-

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(3)	<u>OWNERSHIP</u>	<u>% OF STOCK</u>
	Canada .....	66.5
	United States	
	American Telephone and Telegraph Co.....	24.2
	Other.....	4.4
	Other foreign .....	4.9

The Toronto Globe, November 16, 1934.

- (4) Annual Report of Canadian Pacific Railway Company for the year ended December 31, 1936. p. 18.



vestments abroad as follows: "All American investments in those foreign corporations or enterprises which are controlled by a person or small group of persons (corporate or natural) domiciled in the United States, or in the management of which such person or group has an important voice".<sup>(5)</sup> Regarding quantitative measurement of control as a factor in the definition of American direct investments abroad, the Bureau of Foreign and Domestic Commerce states: "In no case has an investment holding of less than 10% (of common stock) been included in this category, and interests of less than 20% are few in number and small in value relative to the total of direct investments".<sup>(5)</sup> The application of this principle to direct investments in Canada would result in considerably larger totals than those obtained by the method used in the present report.

Differences of opinion exist not only as to the amount of external investment that is normally required to establish control, but as to the type of security in which such external investment must be made. It is usual for corporate directors to be elected by the holders of common stock. Hence common stock can be looked upon as the "controlling" security. However, many issues of preferred stock have participating features which give to their holders a share in the management in the event of non-payment of dividends for a specified length of time. Bond holders are usually looked upon as creditors of a corporation rather than as owners, but they have a potential source of control which materializes under circumstances defined in the bond--generally upon default in payment of interest. For these reasons the Bureau of Statistics has based its classification on total investment rather than on stock alone or on common stock alone. In practice there are few cases which hinge exclusively on this question, because when Canadian companies are controlled out of Canada, the tendency has been (at least, until fairly recently) for bond issues to be floated in the same country in which stock control is held. It is estimated that classification according to stock alone would result in a total British and foreign direct investment in Canada within one per cent of the amount shown in the tables.

#### Unincorporated Branches

There remains one other type of direct investment. The Quaker Oats Company of Chicago and H. J. Heinz Company of Pittsburgh both have direct investments in Canada. Their Canadian operations differ from those which have been described above in that they operate Canadian branches which are controlled directly from their United States head offices without the intervention of Canadian subsidiary companies. This type of investment is becoming less common than it was formerly, and at least one large United States company which used to operate an unincorporated branch has now incorporated a Canadian subsidiary.<sup>(6)</sup>

Some of the advantages of Canadian incorporation are pointed out in the following extract:

"Incorporation under Dominion law entitles a foreign corporation to operate anywhere in Canada.... Subsidiaries have to submit their own statements to the authorities, while a branch must submit statements for the parent company as well,

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(5) American Direct Investments in Foreign Countries - 1936. U. S. Department of Commerce, Bureau of Foreign and Domestic Commerce. Pages 2 and 3.

(6) American Cyanamid Company, of New York, operated its plant at Niagara Falls, Ontario, without Canadian incorporation from 1907 until 1935 or 1936, when it transferred all its Canadian operations to its Canadian subsidiaries, North American Cyanamid Limited and Dillons-Klipstein, Limited.



and... in some provinces taxation is based on total authorized capital which, in the case of a branch, is the capital of the parent company".(7)

As to unincorporated branches, some United States companies prefer to operate their Canadian plant on exactly the same basis as their branches in the United States. The Yale and Towne Manufacturing Company, of Stamford, Connecticut, actually dissolved its Canadian limited liability company in 1923 and has since then operated its Canadian plant as "The Yale and Towne Manufacturing Company, Canadian Branch".

It should be noted that British and foreign investments in residential properties, agricultural lands and other classes of real estate have not been included in this study of direct investments except when held through some corporate organization. Investments by individuals such as these are not quite comparable with the commercial, industrial and financial investments making up the direct investments shown in this report.

#### Branch Plant

The term "branch plant", which, in a restricted field, is sometimes used in the same sense as direct investment, no doubt originated from unincorporated factory branches of external manufacturing companies. Early investigations into the subject of direct investments were mainly concerned with manufacturing firms. When the field was extended to companies engaged in merchandising, financial and other operations, an expression of more general application was found necessary and "direct investment" was substituted for "branch plant".

#### Definition of Direct Investments in Canada. (Tables 1-16 inclusive)

The definition of the companies respecting which data are included in the tables on direct investments in Canada (Tables 1-16) is as follows: "Companies carrying on some or all of their operations in Canada, which are branches of or controlled by companies incorporated out of Canada, or are controlled by individuals domiciled out of Canada." A footnote to these tables states that "Subsidiaries of Canadian companies which come within the above definition are themselves considered as coming within the definition". To illustrate, before its reorganization in 1938, all common stock of Gatineau Power Company was owned by Canadian Hydro-Electric Corporation Limited, a company with Dominion charter having its head office in Montreal. Hence all common stock of Gatineau Power Company at the end of 1936 was owned in Canada. At that time, however, Canadian Hydro-Electric Corporation Limited was controlled by International Hydro-Electric System, a Massachusetts corporation, which in turn was controlled by International Paper and Power Company of Boston. The effect of the above-mentioned footnote is to bring into the tables the indirect United States investment in Gatineau Power Company which otherwise would have been omitted, as that company does not come within the above definition of direct investment. The prevalent use of holding companies has rendered situations such as this fairly common in recent years.

#### Classification by Countries of Direct Investments in Canada

Tables dealing with direct investments in Canada have been divided into three main groups according to the countries of origin of the external investments. As a matter of convenience such countries have been classified as

- (7) American Direct Investments in Foreign Countries, United States Trade Information Bulletin No. 731. Pages 31-32.

follows: 1. The United States. 2. Great Britain. 3. All other countries (including those parts of the British Empire other than Great Britain and Canada). The third classification, "all other countries", is considerably smaller than the other two, both in number of companies and in volume of investment, and cannot very well be sub-divided due to statistical limitations. In volume of investment France ranks next after the United States and Great Britain, due to her controlling interest in the Montreal loan company, Credit Foncier Franco-Canadien. Switzerland, Holland, Germany, Sweden, Turkey, Norway, and Japan are among the other countries represented, in addition to Newfoundland, Australia and other parts of the British Empire. All data classified according to country of origin have been consolidated in another set of tables to show total British and foreign direct investments in Canada.

Sources of Information of Geographical Distribution of Ownership  
of Companies Carrying on Business in Canada.

1. Stock -- Some idea has been given in the preceding pages of what companies are included in the field of direct investments in Canada. Before a company can be classed as a direct investment certain facts must be known regarding its financial structure. A brief summary is now given of the methods by which the necessary data are obtained. Geographical distribution of ownership of shares is published by some of the larger Canadian companies. When all shares are in the hands of one shareholder, i.e. are held by a parent company, the information is commonly given in financial publications, provided there is sufficient public interest in the parent company to warrant mention in such publications. However, in the usual case where shares are scattered, the information can only be obtained from the company itself. Every Canadian company is obliged to maintain a shareholders' register in which appear the names and addresses of all shareholders together with number of shares owned by each. During the past eight years, between fifteen and twenty thousand Canadian companies have reported geographical distribution of ownership of their outstanding shares to the Bureau of Statistics. Of this number more than 2,400 represent direct investments in existence at the end of 1936. This should not be interpreted to mean that more than 16% of all companies in Canada are British or foreign direct investments. The total number of companies carrying on business in Canada is much larger than twenty thousand. Selective treatment was applied to lists of companies before questionnaires were sent out. Companies which appeared unlikely to contain external investment were omitted. The probability of external investment can be judged in many cases by the name of the company. The presence of directors domiciled out of Canada is another indication. The provincial gazettes publish names of companies to which extra-provincial licenses have been granted. Municipal boards of trade, industrial associations and other organizations have prepared lists of companies having affiliations of one kind or another with parent or other companies outside of Canada. Questionnaires have been sent to companies on lists of this nature. For these and other reasons it has been possible to avoid sending questionnaires to many thousands of purely Canadian companies containing little or no external capital.

Answers received by questionnaire are confidential and are not revealed by the Bureau of Statistics unless combined with data from other firms in such a manner that individual operations cannot be identified. Wherever data regarding individual companies are mentioned in this report for purposes of illustration, the information has been obtained from published financial statements or other sources available to the public.

Data on ownership of stock used in preparation of the tables in this report were obtained by questionnaires sent out during the four years 1934-1937



inclusive. It is the practice of the Bureau to maintain a permanent record of the ownership of stock in companies containing external capital and it has been found that, with a few exceptions, significant changes of ownership from one country to another in stock of companies controlled out of Canada do not occur frequently. The stock of companies in which there is active market interest sometimes shows significant international movements. Such companies are given exceptional treatment. In most cases it has been found unnecessary to ask companies for this type of information more often than once in four or five years. The extent of the loss in accuracy occasioned by the use of reports obtained once in four or five years is discussed below in connection with geographical distribution of dividends and bond interest.

#### Nominee Ownership

Minor errors in the tables are occasioned by nominee shareholdings. In some cases there is a difference between the registered shareholder and the beneficial owner. Market activity is an important factor in this question. A street certificate registered in the name of a Canadian broker may be held by the broker for a Canadian or for a national of another country. Little is known of the extent of nominee ownership of the shares of Canadian companies, but it is not likely to affect materially the data in the tables, as direct investments from countries outside of Canada are not likely to be a field in which there is much nominee ownership. It is a phenomenon more closely associated with portfolio investments than with direct investments.

2. Bonds -- Due to the large number of unregistered bonds in existence, it is not possible to obtain equally accurate data on ownership of corporate funded debt as on corporate stock. Corporations are requested to give distribution of registered bond issues in the same questionnaire that deals with distribution of stock. In the case of unregistered bonds they are requested to give their closest estimates regarding distribution of ownership. Distribution of interest coupons gives corporate officials some information on which to base an estimate. Where such methods are inadequate, estimates have been made in the Bureau of Statistics based on the country in which the issues were originally floated. Financial publications have given particulars of the underwriting of Canadian bonds for many years. Although such sources may be accepted as reasonably accurate, it has only been possible to make rough estimates of international movements that have occurred in such cases since the date of flotation.

The total amount of corporation funded debt included in the tables on direct investment in Canada is approximately \$496 million. This total includes bonds, debentures, debenture stock and other forms of long-term funded debt. Data regarding distribution of 79% of this amount were obtained by questionnaire from the issuing companies, data for 17% of the total were obtained partly from the companies and partly from other sources, and data for the balance, or 4%, were obtained entirely from other sources. These figures show that errors in distribution of funded debt arising out of estimates based on original flotation are not likely to seriously affect the data in the tables.

#### Number of Companies

Reference has been made in various publications to the number of branch plants or branch factories which British and foreign companies have established in Canada within stated periods. Such reports are seldom explicit in defining the unit which has been used in their compilations. At the end of 1936, General Electric Company of Schenectady controlled five branch factories in Toronto, one in Peterborough and one in Lachine, all being operated by the Canadian subsidiary, Canadian

General Electric Company Limited. At that time, Borden Company of New York, through its Canadian subsidiary, Borden's Limited, held a controlling interest in City Dairy Company Limited of Toronto, Ottawa Dairy Limited of Ottawa, and fifteen other corporations engaged in the Canadian milk and milk products business. These operations might be described as seven branch plants for General Electric Company and seventeen for Borden Company. From the United States point of view they might be considered as two Canadian investments, one by General Electric Company and one by Borden Company. The policy of the Bureau of Statistics has been to adopt the corporation as the unit, irrespective of the number of factories or plants in which its operations are carried on. According to this method, the examples given above would total eighteen units. Subsidiaries of Canadian companies are included in compilations showing number of companies, irrespective of whether they are wholly owned or partly owned by their parent companies.

Typically, direct investments in Canada carry on operations in one municipality, and usually at one location within the municipality. The widest disparity from the typical case arises in the retail merchandising chains. Great Atlantic and Pacific Tea Company Limited operated more than 250 Canadian retail outlets in 1936. Imperial Oil Limited, although primarily a manufacturing company, had approximately 1,900 distributing stations and 700 gasoline service stations scattered throughout Canada in 1936.

The number of companies appearing in the tables is slightly smaller than the total number of direct investments which were on record at the end of the year 1936 -- the reason being, that the records always contain a residue of companies for which investment data are incomplete or cannot be obtained.

#### Classification by Type of Business

Classification according to type of business is shown in the tables on direct investment in Canada according to six main divisions. Companies in the financial field have been sub-divided into "insurance companies", "investment trusts", and "all others". The reason for this distinction is that the external investment in insurance companies has been calculated by a method different from that applied to all other companies. As insurance companies form the largest item in the financial division, it was considered advisable to show their investment values separately as well as combined with data of other financial companies.

Data regarding investment trusts contain an unknown amount of duplication of information appearing elsewhere in the tables. This is dependent upon the extent to which investment trusts contain in their assets securities issued by other companies appearing in the tables. Investment Corporation of Canada Limited has a British charter and a head office in London, but carries on an investment business in Canada. If there happened to be a thousand shares of International Nickel common among its assets at the end of 1936, the value of the thousand shares would appear in the tables under mining where the value of International Nickel's investment in Canada is classified, and would also be reflected in the valuation at which Investment Corporation of Canada Limited was carried in the financial classification. The separate statement revealing the amount invested in investment trusts shows that the error due to possible duplication would not be large even if the assets of the companies under consideration were composed wholly of securities of companies appearing elsewhere in the tables.

During recent years a number of private investment companies and personal holding companies with external shareholders have been incorporated in Canada. Although some of these companies have investments in Canadian securities, there are



many which have not. They have a Canadian charter, maintain a set of books and a statutory office in Canada, but have no Canadian assets to speak of and, as far as this study is concerned, may be omitted. In any case, holdings of Canadian securities by such companies are more of a "portfolio" than a "direct" character.

Companies carrying on more than one kind of business create a problem which has necessitated somewhat arbitrary treatment. Some direct investments whose chief activity is manufacturing also transact a retail merchandising business. As investment values and geographical distribution of ownership of a company incorporated in Canada are dependent upon securities issued by the company, it would not be practical to attempt to break down the total investment according to different activities carried on by the company. The total assets of Canadian Westinghouse Company Limited shown in its annual statement as of December 31, 1936, amounted to \$16.5 million. We know that this company carries on a manufacturing and a merchandising business, but we are not in a position to say that a certain proportion of its assets represents an investment in manufacturing and the balance represents an investment in merchandising. The only practical way to deal with such companies is to classify the whole investment according to the chief activity carried on by the company. The loss in accuracy attributable to this feature is dependent upon the degree of detail which is revealed. International Harvester Company of Canada Limited manufactures agricultural implements, motor trucks, and binder twine. In the tables appearing in this report, all manufacturing industries have been classed together. If different types of manufacturers had been shown separately, the treatment of the International Harvester Company would have resulted in too large a total for metal products and too small a total for textiles, as the total investment in the company would be classified under the major activity--metal products. For this reason the classification "merchandising" appearing in the tables should be considered in relation to companies whose chief function is merchandising. The tables do not indicate the amount of external capital behind Canadian merchandising in general. Although the above question is of some significance in the manufacturing and merchandising fields, it is negligible in the other kind of business classifications shown in the tables.

## Chapter 2. Methods of evaluating British and Foreign Investments in Canada.

### A. Companies incorporated in Canada

#### Capitalization

Reference was made above in Chapter 1. to the methods by which geographical distribution of ownership of corporate stock and bonds was obtained. Corporate stock and bonds are the evidence of ownership or proprietary interest in a corporation. Hence, if satisfactory values can be obtained for these securities, it becomes a simple matter of calculation to find the investment of an external country in a Canadian corporation.

Most bonds or other evidences of funded debt are repayable on maturity at par. Hence, for this purpose, par is a fair value to attribute to bonds.



Most issues of preferred stock have a fixed claim upon the capital and earnings of the issuing corporation. So long as the preferred dividends do not fall in arrears, the average preferred shareholder has no immediate concern in the amount of profit earned by his company. There is unlimited variety in the special provisions that have been applied to preferred shares, but the protection which is afforded to most issues has often the effect of restricting fluctuations in value and renders par or stated value a satisfactory basis for the purpose under consideration.

Common stock represents the residuary interest of the proprietor after any prior claims represented by preferred stock or funded debt have been satisfied. Various investigators have used different methods of evaluating this residuary interest. Par value, market value, and capitalized earnings have all been investigated. The measure of value for common stock adopted in this study is the equity of the common shareholder represented by the value at which the shares are carried in the company's annual report plus accumulated surplus or minus accumulated deficit.(9) Even this method is not ideal. Lack of uniformity in accounting practice results in different ways in which assets are valued and balance sheets are drawn up. When applied to a company in receivership, it may produce results more in accordance with the operations of the company before the receiver was appointed than with current operations. Although not perfect, this method probably produces a truer picture of investment values in common stock than any of the three alternatives mentioned above. It has been adopted for 1936 investigations into direct investments by the Bureau of Statistics and by the United States Department of Commerce.

#### "Capital Employed"

One other method of valuing common stock should be mentioned, the "capital employed" process used by the Bureau of Statistics in its investigation into direct investments in Canada in 1932. Companies in the manufacturing, mining and utility fields make an annual report to the Bureau of Statistics under the provision of its Industrial Census. One of the questions in the annual schedule is entitled "capital employed".(10) The purpose of the question is to arrive

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(9) In the case of companies having common and preferred stock outstanding, accumulated deficits are applied first against the common; any deficit remaining thereafter being applied against the preferred.

(10) In the schedule requesting data as of December 31, 1932, the question was worded as follows:

"CAPITAL EMPLOYED: -- The answers should show the total amount of capital employed on the last day of the year.

(a) Present value of land, buildings, fixtures, machinery, tools and other equipment (estimate value if rented)

Value..... \$.....

(b) Inventory value of materials on hand, stocks in process, fuel and miscellaneous supplies on hand.

Value..... \$.....

(c) Inventory value of finished products on hand.

Value..... \$.....

at the amount of capital employed in stated kinds of business. For example, from the point of view of an inquiry into the boot and shoe industry in Canada, it is immaterial whether capital employed in this industry is owned by the firms engaged in the business or is owned by other persons and rented to the manufacturers. In either case it is capital employed in the manufacture of boots and shoes. This feature of "capital employed" is an objection to its use for investment purposes. Particulars are on hand regarding ownership of securities issued by boot and shoe manufacturing companies, but nothing is known regarding the ownership of manufacturing machinery or other assets which may be rented to the manufacturers. Again, the Census of Industry is restricted to firms in operation in the year for which data are reported. The purpose of the inquiry is to obtain current data on number of employees, wages, value of production and other related data in addition to capital employed. Although capital employed may not drop to nil when a plant is temporarily out of operation, the other factors of production which have been mentioned must of necessity drop to nothing or to nominal figures. Obviously an incorrect picture of 1932 operations in the boot and shoe industry would be shown if employees, wages, and other data were restricted to 1932 operations and capital employed included idle plants in addition to those in operation in the year 1932. Whereas, from the point of view of an investigation into British and foreign investments in Canada, capital invested in a plant which is idle should be included if temporary suspension of operations has not seriously impaired investment values.

When data obtained in answer to the Industrial Census were used in direct investment calculations, stated value of funded debt and preferred stock (if any) was deducted from total "capital employed" and the balance was accepted as the interest of the common shareholder. Except for errors arising from rented property and from plants not in operation, this method gave fairly satisfactory results. A Census of Merchandising Establishments referring to business of 1930 gave information from which 1932 data could be estimated. Other kinds of business were taken care of by supplementary questionnaires.

It has not yet been possible to make a direct comparison between the 1932 data obtained by the "capital employed" method and similar data obtained by the method now in use. A rough comparison has been made between the 1932 data and the data in the tables in this report, which relate to the end of 1936. When adjustments regarding classification are made, the figures show close agreement considering the changes which have occurred in the four year interval between 1932 and 1936.

#### Balance Sheets

Corporation law requires all companies incorporated in Canada to draw up a balance sheet once a year. In this statement the company's assets are balanced against its share capital, funded debt and other liabilities, and the difference is shown as an accumulated surplus or deficit. An estimate of the

(10) Cont'd.

(d) Operating capital (cash, bills and accounts receivable, prepaid expenses, etc.)

Value..... \$.....

Total capital employed in this establishment.

Value..... \$..... "



amount of capital invested in a company can be obtained from either side of the balance sheet. The question entitled "capital employed" in the annual questionnaire of the Census of Industry, which was referred to above, requests information on relevant assets. The present investigation uses relevant liabilities. The two methods when applied to one company seldom give identical results, but it was found when applied to a number of companies in a common field of business the results were reasonably close.

Financial publications publish balance sheets of all the larger Canadian companies in which there is public interest. Direct investments, however, are a class of company in which there is less than average interest from a financial point of view. Considerably more than half of the Canadian companies that are controlled directly in the United States are owned in the United States to the extent of 99% or more. Financial publications cater to the investing public and seldom publish balance sheets of companies in which there is little market interest. As a means of obtaining security valuation data from such companies, the Bureau of Statistics sends an annual schedule requesting the company to abstract the necessary information from its balance sheet.

Annual financial statements are drawn up as of the end of the corporate fiscal year, whereas the information required for the tables in this report relates to the end of the calendar year. In cases where the fiscal year is not the same as the calendar year, data are taken from the end of the fiscal year which most nearly corresponds with the calendar year. In other words, if the fiscal year ends in the first half of the calendar year, the data are referred back to the end of the previous calendar year; if the fiscal year ends in the second half of the calendar year, they are referred ahead to the end of the current calendar year. In conformity with this practice, adjustments have to be made in the date of issue of bonds floated in the period between the end of the calendar year and the end of the relevant fiscal year, e.g. if a company whose fiscal year ends on March 31 puts out a bond issue in February, 1937, the bond issue is included among those issues outstanding on December 31, 1936, even though it was not in existence at that time. The reason for this is that the inclusion of the bonds in the balance sheet of March 31, 1937, affects the equity of the shareholders; and bonds and stock must be taken on the same basis if the calculations are to give a true picture of the investment in the corporation.

Where direct investments have not proved to be profitable to the subsidiary, parent companies have, in some cases, carried Canadian subsidiaries for a number of years by loans or other advances which are not reflected in the value at which securities of the subsidiaries are carried on the subsidiaries' books. If a company, financed entirely by common stock, reports an accumulated deficit greater than the stated value of its stock over a period of years, there is a presumption that it is receiving financial assistance from a parent company. In the present investigation, about 150 companies made reports of this kind. On the assumption that the information was incomplete, estimates based on "capital employed" were used in place of data reported by the companies.

Little is known regarding the extent of uncanceled advances from parent companies. On the basis of independent investigations, it is estimated that the amount of accumulated advances to Canadian subsidiaries at the end of 1936 is less than \$100 million. The questionnaire to be sent out in 1938 requesting particulars as of the end of 1937 will be extended to cover this question.

Operations out of Canada by British and Foreign Direct  
Investments in Canada

(See Part II below for a general treatment of the whole subject  
of Canadian direct investments abroad)

An anomalous situation arises in a few cases where a British or foreign direct investment in Canada finds it advantageous to carry on operations out of Canada, or where foreign subsidiaries are held for the parent company through the intermediary of the direct investment in Canada. The external operations may be in the country from which the external investment originated or in another country or countries. Lack of requisite raw material in Canada has caused several Canadian companies controlled by United States capital to make substantial investments in countries other than Canada and the United States. In most cases the external operations are conducted by companies subsidiary to the Canadian company, incorporated either in Canada or in the country in which operations are carried on. Imperial Oil Limited owns all the preferred (voting) stock and 60% of the common of International Petroleum Company Limited (11), a company with Dominion charter which carries on all its operations in South America. Aluminium Limited, either directly or indirectly, mines bauxite in British Guiana; operates a smelter and fabricating plant in Italy; has a substantial interest in two smelting plants in Norway; and owns companies in seven other European countries and the Far East. The International Nickel Company of Canada Limited has an interest of over 99% in The Mond Nickel Company Limited (12) which operates a nickel refinery at Clydach, Wales, with annual capacity of 21,000 tons of refined metal. Wholly owned subsidiaries of Ford Motor Company of Canada Limited operate assembly plants at Port Elizabeth, South Africa; Geelong, Australia; Bombay, India; Singapore, Straits Settlements; and Wellington, New Zealand.

Operations out of Canada are carried on by eight companies which come within the definition of British or foreign direct investments in Canada. These companies have total investments abroad of \$125 million, of which over 99% is due to operations of the four companies mentioned above.

Before investment data for such companies were included in Tables 1-17 on British and foreign direct investments in Canada, deductions had to be made on account of investments abroad. As mentioned above, the amount of capital in a Canadian company controlled abroad is obtained from the values at which the company's securities are carried on its own books. In the same manner, as will be seen in Part II below, the amount of a Canadian direct investment abroad is usually obtained from the value at which the investment is carried on the books of the company outside of Canada. But investments out of Canada are not always carried at the same valuation on the books of the Canadian company as on the books of the company abroad. Hence data in Tables 26 and 27 relating to Canadian direct investments abroad have not been used to adjust total investment data of companies operating in Canada and out of Canada in order to arrive

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(11) Standard Corporation Records, September 22, 1937, p. 1815.

(12) The Financial Post Survey of Corporate Securities, 1937, p. 259.



at net investment in Canada. For this purpose, the values of investments out of Canada were obtained from the books of the Canadian company wherever possible, and were deducted from total investments obtained from the same source. In a few instances where the value of investments out of Canada was not shown in the books of the Canadian company, estimates from other sources were used.

#### B. Unincorporated Canadian branches of British and foreign companies

Approximately 32.2% of the unincorporated Canadian branches of British or foreign companies are engaged in manufacturing, mining, or one of the group of businesses classed as "utility". Such companies report "capital employed" to the Census of Industry of the Bureau of Statistics every year. This valuation has been accepted for these companies in preference to an estimate based on the companies' total capitalization. With the exception of insurance companies, firms in all other fields of operation are sent a questionnaire worded in a similar manner to the "capital employed" question of the Census of Industry.

The investment of British and foreign insurance companies licensed to operate branches in Canada is valued according to the excess of assets over liabilities in Canada, as shown in the Report of the Superintendent of Insurance. These assets are limited to the assets of the Canadian branches doing business in Canada. If the home offices of the companies abroad hold other Canadian securities, these are more definitely comparable to "portfolio" investments in Canada. It should be recognized that even the assets of the branches in Canada have a certain "portfolio" character as, for the most part, they take the form of bonds of Canadian governments and municipalities. However, the fact that these investments are closely related to the business of the Canadian branches of the companies gives them a place in this study of direct investments.

### Chapter 3. Dividends and Bond Interest.

#### 1. Dividends

##### Relationship between dividend data and investment data.

Tables 18-25 inclusive give particulars of dividend and interest payments by those of the companies included in Tables 1-17 which are incorporated in Canada. These payments of interest and dividends should not be taken as a measure of the entire yield upon the direct investments in Canada. Apart from the possibility of profits being reinvested in Canada, there are other international remittances of both a current and capital nature with effects upon the Canadian balance of payments comparable to those arising from the remittance of interest and dividends. The effects of direct investments upon the balance of payments are discussed at greater length in Part III of this Report. Furthermore, unincorporated Canadian branches of companies incorporated out of Canada may contribute earnings to the head office account from which dividends may subsequently be paid, but such payments cannot be accepted as dividends on Canadian operations. To attempt to break down the income and surplus accounts of such companies and estimate the proportion of total dividend payments arising from Canadian operations would probably require more information than the companies themselves have on hand. For the sake of uniformity, this principle has been applied to companies incorporated abroad which carry on all or almost all of their operations in Canada. For example,



Hudson's Bay Company is controlled by shareholders in Great Britain, and Courtaulds (Canada), Limited, is controlled by Courtaulds Limited of London, England. Operations of Courtaulds (Canada), Limited are entirely in Canada and Hudson's Bay Company's activities are almost all in Canada, hence it might be inferred that dividends of both companies should be included in a report on direct investments in Canada. However, the situation exemplified by Hudson's Bay Company is exceptional. In most cases where Canadian operations are carried on without the intervention of a subsidiary Canadian company, the investment in Canada is supplemental to a larger investment out of Canada.

Dividends and bond interest have been distributed according to the same kind of business classifications and the same geographical areas as were used in Tables 1-17. United States investments, British investments, and investments of all other countries have been shown separately and together. The difference between dividend payments on common stock and on preferred stock was not considered significant enough to warrant separate tables for each class of stock. The result of this treatment of the subject is, for example, that Table 18 shows dividends paid by the same companies for which investment data are shown in Tables 1 and 2, and Table 19 corresponds to Tables 12 and 13.

Another feature interferes with perfect relationship between dividend data and investment data. For the same reasons that dividends from Canadian operations of British or foreign companies could not be included, it has not been possible to make deductions from dividends paid by Canadian companies on account of operations abroad. Imperial Oil Limited disbursed a total of \$119 million in dividends during the five year period ending on December 31, 1936.<sup>(13)</sup> It is well known that part of this amount is due to dividends obtained from South American investments, but it is questionable whether the total could ever be fairly divided between Canadian operations and South American operations. As mentioned in Chapter 3, total investments abroad of all companies classed as British and foreign direct investments in Canada, amount to no more than \$125 million, which is only five per cent of the total investment of such companies in Canada and out of Canada. From the point of view of investment values, the question is of small importance, but it happens that two of the eight companies involved are among the largest dividend payers in Canada. This renders the question more significant from the point of view of dividend payments.

#### Geographical Distribution of Dividend Payments.

Geographical distribution of dividends is carried out according to the same principles which govern distribution of investment values. The result is that the Tables show dividend payments to shareholders registered in Canada, the United States, Great Britain, Other Countries. For a discussion of possible differences between registered shareholders and beneficial shareholders see above in Chapter 1 under the heading "Nominee Ownership".

It was possible to make a valuable check on the accuracy of geographical distribution of dividends obtained by the above method, by comparison with data obtained from an independent source. An annual questionnaire requesting particulars of current movements of funds between parent companies out of Canada and subsidiary companies in Canada is sent to all the companies in this report which have parent companies abroad. One of the questions in this questionnaire requests the total amount of dividends paid out of Canada in the current calendar year. Totals obtained from this questionnaire for each of the years 1933, 1934,

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(13) Standard Corporation Records, September 22, 1937, p. 1818.

and 1935 were found to be within 1% of corresponding payments out of Canada obtained by the method first discussed. This check is of some value as an indication of the accuracy of geographical distribution of investment values appearing in Tables 1-17.

## 2. Bond Interest

Interest on bonds and other forms of funded debt, unlike dividends, is a fixed charge, payable not only on certain definite dates each year but also, as a rule, at specified places and in a specified currency or currencies. For this reason the ratio between total interest paid in any year and total funded debt is less liable to severe fluctuations than the ratio between total dividends and total shareholders' equity. In the 1936 tables the question of the currency in which interest is payable has been disregarded. In many cases payments were made in British or American funds or carried the option of such payment, but the additional amounts which might have to be paid on account of unfavourable exchange rates would represent only a negligible fraction of the total, and their determination would involve complications in the work of tabulation which would be entirely disproportionate to the small adjustments to be made.

## Chapter 4. Analysis of Tables

### Preliminary Note

The Tables accompanying this report include a considerable variety of data, and in order to avoid ambiguity or undue repetition of explanatory phrases it is desirable to attach a definite and restricted meaning to certain terms used. The following terms will be used frequently in this chapter, with strict adherence to the definitions given below:

Direct Investment: the value of the investments owned by security-holders, located in one of the three external geographical areas (the United States, Great Britain, and all other countries), in Canadian enterprises whose controlling interests are located in the same area.

Investment: when the word "investment" is used without the adjective "direct", it includes "direct investment" as defined above, and also the equity of minority interests, if any, located in Canada or other geographical areas other than the area of control. In short, it represents the total value of the enterprises controlled.

(This distinction between "direct investment" and mere "investment" is important. Reference to Table 5, for example, shows that a total American "direct investment" of approximately \$1,706 million establishes American control of Canadian enterprises representing a total "investment" of approximately \$2,180 million.)

Branches: includes not only unincorporated extensions in Canada of the operations of British and foreign companies, but also companies which operate mainly or wholly in Canada although they were incorporated in another country and maintain their head office there. All Canadian operations of any one such company



are treated as a single unit.

Companies or Enterprises: generally used as convenient terms to include both companies incorporated in Canada and "branches" as defined above. In the section on "Dividends and Interest Payments" the word "company" is used solely with reference to companies incorporated in Canada, but this point is made clear in the text and there is no danger of confusion.

Bonds: this word is occasionally used for convenience to cover all varieties of long-term funded debt, whether described as bonds, debentures, debenture stock or otherwise. Similarly the word "bondholders" is used as a convenient term for all holders of such securities.

Interest: restricted in this chapter to mean interest on funded debt only, and excludes such items as interest on bank loans, overdue accounts, etc.

## I. AMERICAN DIRECT INVESTMENT.

One of the most striking facts revealed by analysis of figures relating to British and foreign direct investments in Canada is the preponderance of American interest over that of other countries. This preponderance appears not only in the grand total, but also in each of the six types of business into which direct investments in Canada have been classified. Only in the financial group does investment from another source come even close to equality with the American investment: in this group 43.2 per cent of the total investment is of British origin, against an American interest of 44.7 per cent. American capital controls 62.2 per cent of the total number of companies in the financial group, representing 46.1 per cent of the total investment in the group, whereas corresponding figures for British control are--32.6 per cent of the number of companies, with 45.0 per cent of the total investment. In each of the other five groups American capital controls approximately from 70 to 90 per cent of the number of companies involved, representing from 72.3 per cent up to 98.2 per cent of the capital invested in each group.

American capital controls more than four times as many Canadian companies as does British capital, and about twenty-eight times as many Canadian companies as are controlled in all countries other than Canada, the United States and Great Britain. If one considers these externally-controlled companies in the light of total investment therein instead of actual numbers of companies, one finds that 80.3 per cent of the investment is in American-controlled companies, 18.2 per cent in companies controlled in Great Britain, and 1.5 per cent in companies controlled in other countries outside of Canada. Of course, in many of these companies a minority interest is held by Canadians, about one-sixth (16.8 per cent) of the total capital invested in all externally-controlled companies being of Canadian origin (see Figure 1.).

It is interesting to consider the above facts regarding external direct investments in Canada in conjunction with data regarding foreign investments published by the United States Department of Commerce. In their publication "American Direct Investments in Foreign Countries -- 1936" it is stated that "American direct investments in Canada were three times as large as those in any other single country." The reasons advanced for the preference thus given to Canada by Americans (applying specially to manufacturing enterprises) are stated as follows:

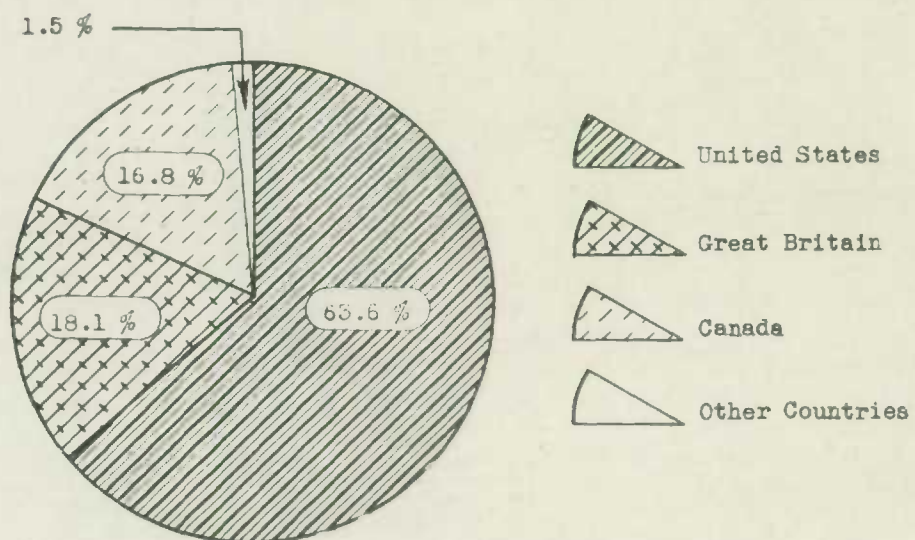


Fig. 1 -- Geographical Distribution of Ownership of Total Investment  
in Externally-controlled Canadian Companies, End of 1936.

(Facing Page 18)





"Canada itself supplied a good-sized market for manufactured goods owing to the relatively high average purchasing power of its population. However, the attractiveness of the Dominion as the location for branch and subsidiary plants of American companies was not dependent solely on the Canadian market. There was the additional advantage of being in a preferred position to serve the British Empire market from a location near enough to permit close parent company supervision."(14)

American influence has permeated the different kinds of business in Canada to varying extents, as the following table shows. The distribution by type of business of American-controlled enterprises is here given (a) according to number of units, (b) according to total value of the direct investment, and (c) according to the total investment in the enterprises in question. The three sections of the table are not identical, chiefly as a result of differences in average size of units, but partly also as a result of the participation by Canadian and other non-American interests to a greater or less extent in the securities of many American-controlled Canadian companies.

Table A--Distribution by kinds of business of American-controlled enterprises in Canada.

(a) according to number of units controlled:

<u>Kind of Business</u>	<u>Percentage</u>
Manufacturing	51.8
Merchandising	18.8
Financial	12.5
Miscellaneous	5.9
Utility	5.6
Mining	5.4
	<u>100.0</u>

(b) according to total value of American direct investment.

<u>Kind of Business</u>	<u>Percentage</u>
Manufacturing	48.2
Utility	21.3
Mining	12.8
Financial	9.2
Merchandising	5.9
Miscellaneous	2.6
	<u>100.0</u>

(c) according to total investment (including non-American minority interests)

<u>Kind of Business</u>	<u>Percentage</u>
Manufacturing	43.6
Utility	25.6
Mining	15.2
Financial	7.5
Merchandising	5.1
Miscellaneous	3.0
	<u>100.0</u>

(14) U.S. Department of Commerce, Bureau of Foreign and Domestic Commerce, "American Direct Investments in Foreign Countries--1936", page 19; Washington, 1938.

More than half of the number of American-controlled units in Canadian industry are seen from this table to be manufacturing plants, which represent nearly half of the total American direct investment and a somewhat smaller proportion (43.6 per cent) of the total valuation of all American-controlled enterprises. Utility companies take second place on the basis of either direct investment or total valuation, but they represent only 5.6 per cent of the number of units--the reason being that companies of this type are generally of large size compared with those in most other kinds of business.

The mining industry (which includes smelting and refining) takes a fairly high place in the table by value of investment, although it contains the smallest number of units--indicating the relatively large size of many of the units, and the general activity of the industry. Merchandising companies comprise almost one-fifth of the total number, but scarcely more than one-twentieth of the direct or total investment; many of these are wholly-owned by American manufacturing companies and exist solely for the distribution of the parent company's products in Canada, while others, including several well-known chain stores, are extensions of merchandising companies which serve a wide market in the United States and are run on almost identical lines in both countries. Miscellaneous companies form only a small part, on the basis of either number or value, of the total; they include such diversified businesses as construction work, correspondence schools, etc.

Companies in the financial group may be subdivided into insurance companies, investment trusts and others. Insurance companies are the most numerous, over four-fifths (80.8 per cent) of the number of companies in the group falling into this category. They represent 77.2 per cent of the direct investment and 74.7 per cent of the total investment in the group. Almost all of these are branches of American companies which have not been incorporated in Canada but are licensed to operate in this country. Investment trusts are few but of some importance, as they represent 4.8 per cent of the number, 3.9 per cent of the direct investment and 6.4 per cent of the total investment. Other financial companies (in the fields of real estate, automobile loans, etc.) account for the remaining 14.4 per cent of the number and 18.9 per cent of both the direct investment and the total investment in the group.

A question naturally arises: in how many of these companies is control entire, and in how many partial? This matter was recently studied in considerable detail by the Dominion Bureau of Statistics, with illuminating results. In the first place, of course, one deducts from the total number the 436 branches of American companies which are not incorporated in Canada. The remainder, consisting of companies with Canadian charters, are classified under four headings as follows:

(a) Companies whose stocks and bonds are owned in the United States to the extent of less than 99 per cent (34.7 per cent of the total number).

(b) Companies whose stocks and bonds are owned in the United States to the extent of 99 per cent or over (52.8 per cent).

(c) Partly-owned subsidiaries of companies in (b), less than 99 per cent of whose stocks and bonds are owned in the United States (0.7 per cent). (A partly-owned subsidiary of a company in (b) with a non-American minority interest of less than one per cent is included in (b)).

(d) Wholly-owned subsidiaries of companies in (a) and (b) (11.8 per cent).

Companies under heading (a) are, on the average, much larger than those in any of the other three classes, and are more often partly financed by bond issues, which is one factor tending towards non-American participation in their ownership. It is worthy of remark that class (b) includes more than half of the total number of companies in all four classes; if to these one adds the 436 unin-

corporated Canadian branches of American companies, one finds that ownership is virtually entire in over sixty per cent of the total number of American-controlled enterprises in Canada. To these could be added a certain number of wholly-owned subsidiaries in class (d), but even without these the trend towards complete control is unmistakable.

Minority non-American interest, where such exists in any of these companies, is (as might be expected) chiefly Canadian. In the whole field covered, such minority interest amounts to \$472,849,400 or 21.7 per cent of the total value of the investment; it is distributed as follows: 18.5 per cent held in Canada, 2.9 per cent in Great Britain, and only 0.3 per cent in other foreign countries. More than half of the minority participation by British and other foreign interests is in the mining group; Canadian participation is more diversified, being strongest in the utility group (largely on account of the ownership of over \$80,000,000 of bonds in this group by Canadian investors).

## II. BRITISH DIRECT INVESTMENT.

British direct investment in Canada is of older establishment than American, but has been generally outdistanced by the latter during the twentieth century. It has been remarked above that American direct investment in Canada is most notable in the manufacturing, utility and mining fields, where post-war activity was specially marked. The following table shows the distribution by kinds of business of British-controlled enterprises, according to number of units controlled and to direct and total investment.

Table B. Distribution by kinds of business of British-controlled enterprises in Canada.

(a) according to number of units controlled:

<u>Kind of Business</u>	<u>Percentage</u>
Financial	33.8
Manufacturing	28.8
Merchandising	28.6
Mining	4.4
Miscellaneous	2.3
Utility	2.1
	<u>100.0</u>

(b) according to total value of British direct investment:

<u>Kind of Business</u>	<u>Percentage</u>
Manufacturing	36.5
Financial	35.5
Utility	13.4
Merchandising	8.8
Mining	5.6
Miscellaneous	0.2
	<u>100.0</u>



(c) according to total investment (including non-British minority interests):

<u>Kind of Business</u>	<u>Percentage</u>
Manufacturing	41.0
Financial	32.5
Utility	12.0
Merchandising	8.2
Mining	6.1
Miscellaneous	0.2
	<u>100.0</u>

The most notable feature of this table is that financial enterprises account for approximately one-third of the total both in number and valuation. Manufacturing companies and merchandising companies are about equal in number, but the former bulk four times as large in direct investment and five times as large in total investment as the latter. As in the case of American-controlled concerns, many of the merchandising units are simply distributors of parent manufacturing companies' products, but none of them are chain store extensions of the type so prominent in the corresponding American-controlled group. Mining and utility companies are few, but not unimportant from the point of view of value of investment. These five kinds of companies include all but one-fifth of one per cent of both the direct and the total investment in all British-controlled enterprises in Canada, the almost negligible residue being apportioned among the nine companies classified as miscellaneous.

Looking at the financial group more closely, we find that insurance companies form the largest part of the group with 75.5 per cent of the number of units and 60.7 per cent of the direct, 58.4 per cent of the total valuation. There are only six investment trusts (4.5 per cent of the total number), but they constitute 6.8 per cent of the direct investment and no less than 10.0 per cent of the total valuation of the group. The remaining twenty per cent of the companies are nearly all engaged in loan and mortgage or real estate business, and account for almost one-third of both the direct and the total investment (32.5 per cent and 31.6 per cent respectively).

### III. "OTHER FOREIGN" DIRECT INVESTMENT.

Of all units of Canadian industry controlled outside the country, only 2.9 per cent of the number (representing 1.5 per cent of the total valuation) are controlled elsewhere than in the United States or Great Britain. The controlling interests of these are widely distributed: there are Canadian enterprises which are branches or subsidiaries of parent companies located in Europe (chiefly in France and Switzerland, but also in Germany, Holland, Norway and Sweden), in Asia, in Africa and in Australasia; but no branches or subsidiaries of Latin-American corporations are reported in Canada.

The industrial distribution of companies controlled in "other foreign" countries differs considerably from that of either American or British-controlled companies, as may be seen from the following table.

Table C. Distribution by kinds of business of "other foreign-controlled" enterprises in Canada.

(a) according to number of units controlled:

<u>Kind of Business</u>	<u>Percentage</u>
Merchandising	37.5
Financial	29.2
Manufacturing	19.4
Utility	5.5
Miscellaneous	4.2
Mining	4.2
	<u>100.0</u>

(b) according to total value of "other foreign" direct investment:

<u>Kind of Business</u>	<u>Percentage</u>
Financial	78.5
Utility	7.8
Manufacturing	6.1
Merchandising	6.0
Mining	1.4
Miscellaneous	0.2
	<u>100.0</u>

(c) according to total investment (including Canadian, American and British minority interests):

<u>Kind of Business</u>	<u>Percentage</u>
Financial	76.8
Utility	11.3
Manufacturing	5.0
Merchandising	5.0
Mining	1.8
Miscellaneous	0.1
	<u>100.0</u>

The total number of units under "other foreign" control is only seventy-two, and most of these are small, so that the presence of one or two large companies in the financial group is sufficient to give the latter more than three-quarters of both the direct and the total investment. There are no investment trusts in Canada under "other foreign" control; insurance companies account for 15.6 per cent of the direct investment in the financial group and "other financial companies" for the remaining 84.4 per cent. Corresponding figures for the total investment in the group are: insurance companies 11.9 per cent, others 88.1 per cent. The small group of four companies classified as "other financial" (principally engaged in loan and mortgage business) account for almost exactly two-thirds of all the "other foreign" direct investment in Canada.

Outside the financial group, "other foreign" direct investment in Canada is distributed fairly evenly among the utility, manufacturing and merchandising groups, with very small interest in mining and miscellaneous companies. The total amount of "other foreign" direct investment in these five groups barely exceeds \$6,500,000, and the total investment in them is less than \$10,000,000.

#### IV. GEOGRAPHICAL DISTRIBUTION OF CAPITAL INVESTED.

In the preceding sections of this chapter the subject of actual capital invested in Canada by other countries has been kept in the background, and attention principally directed to classification by external control. While the two subjects follow parallel lines to a certain extent, they present different pictures on account of the existence of minority interests (both Canadian and foreign) in many externally-controlled companies. In the American-controlled division these minority interests amount to 21.7 per cent of the total investment (18.5 per cent Canadian, 2.9 per cent British and 0.3 per cent "other foreign"); in the British-controlled division to 13.0 per cent (8.6 per cent Canadian, 3.8 per cent American and 0.6 per cent "other foreign"); and in the division controlled elsewhere abroad to 26.6 per cent, practically entirely Canadian. Taking all three divisions together, we find that the total value of the investment therein is owned as follows: in Canada, 16.8 per cent; in the United States, 63.6 per cent; in Great Britain, 18.1 per cent; and elsewhere abroad, 1.5 per cent.

The proportions in which the total investment from each external area in all externally-controlled companies is distributed among different kinds of business is shown in Table D. Table E presents the same basic data in another form, showing the geographical distribution of the investment in each kind of business.

Table D. Industrial distribution of external investment from different sources (including minority interests) in externally-controlled Canadian companies.

Source of Investment	Distribution of Investment	
	Kind of Business	Percentage of Total Investment
United States of America	Manufacturing	48.5
	Utility	21.1
	Mining	12.8
	Financial	9.2
	Merchandising	5.8
	Miscellaneous	2.6
		<u>100.0</u>
Great Britain	Manufacturing	35.2
	Financial	31.3
	Utility	13.7
	Mining	11.6
	Merchandising	7.7
	Miscellaneous	0.5
		<u>100.0</u>
Other Foreign Countries	Financial	61.7
	Mining	12.9
	Manufacturing	11.2
	Utility	8.7
	Merchandising	4.6
	Miscellaneous	0.9
		<u>100.0</u>

(The industrial distribution of the total investment (including Canadian as well as external participation) in all externally-controlled Canadian companies is shown diagrammatically in Figure 2.)



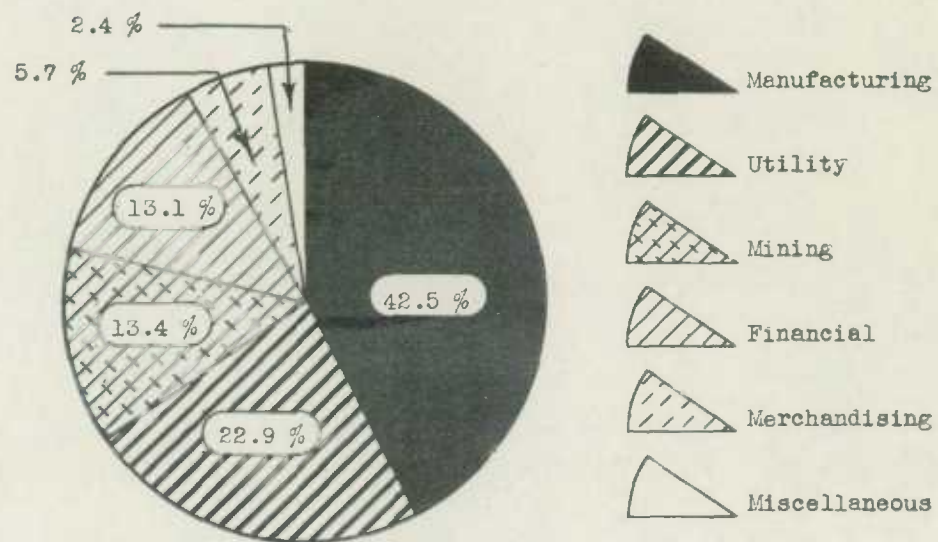


Fig. 2 -- Distribution of Total Investment in Externally-controlled Canadian Companies by Principal Types of Business, End of 1936.

(Facing Page 24)



Table E. Geographical distribution of total investment in externally-controlled Canadian companies, by kinds of business.

Kind of Business	Percentage of Total Investment owned in			
	Canada	United States	Great Britain	Elsewhere Abroad
Manufacturing	12.1	72.5	15.0	0.4
Mining	22.1	60.7	15.7	1.5
Utility	30.0	58.6	10.8	0.6
Merchandising	8.4	65.6	24.8	1.2
Financial	5.1	44.7	43.2	7.0
Miscellaneous	29.3	66.5	3.6	0.6
All kinds of Business	16.8	63.6	18.1	1.5

Curiously enough, Table D shows that each geographical area applies approximately the same percentage of its total investment to mining companies (12.8 per cent of the American investment, 11.6 per cent of the British, 12.9 per cent of the "other foreign"), but in all other types of business investment from the three sources is distributed in widely differing proportions. The small group of unrelated companies classified as "miscellaneous" has attracted a considerably larger proportion of American capital than of capital from other countries; at the other extreme, financial companies represent less than ten per cent of the American investment, but over thirty per cent of the British and over sixty per cent of the "other foreign" investment. The different relative importance of manufacturing companies in the three sections of Table D is in harmony with the remarks made in the paragraph immediately following Table A earlier in this chapter, referring particularly to external control; it will also be observed from Table E that the manufacturing group has a higher percentage of American investment and a lower percentage of "other foreign" investment than any other.

Utilities bulk largely in the American investment (principally telephone and hydro-electric power companies), but rank third, after manufacturing and financial companies, in the distribution of the total British investment. British control of Canadian utilities is confined to railway and steamship companies, but Tables D and E also take cognisance of almost \$10,000,000 of British minority interest in American-controlled utilities of more diversified types. Similarly, direct investment in Canadian utilities by "other foreign" countries is largely represented by the Canadian assets of steamship companies operating between Canada and lands beyond the Atlantic and Pacific oceans, but almost one-third of the "other foreign" utility investment shown in the tables consists of minority holdings in American-controlled utilities of other kinds.

The following data regarding geographical distribution of ownership in the various types of financial companies may be given here, as a supplement to Table E.

Kind of Business	Percentage of Total Investment owned in			
	Canada	United States	Great Britain	Elsewhere Abroad
Insurance	1.2	55.0	42.1	1.7
Investment Trusts	19.0	32.0	44.8	4.2
Other Financial	9.4	27.0	45.2	18.4



From these figures one or two significant facts emerge. The Canadian interest in externally-controlled insurance companies would appear to be surprisingly low, were it not for the circumstance that the majority of these companies operate in Canada through unincorporated branches and not through Canadian subsidiary companies. (See below under "Types of Organization".) Canadians have manifested considerable interest in externally-controlled investment trusts, as is evidenced by the fact that they own nearly one-fifth of the total investment in the eighteen companies of this type. Although none of these eighteen companies is controlled by foreign investors outside of the United States and Great Britain, such foreign investors participate in their ownership to the extent of 4.2 per cent.

The high percentage of ownership by residents "elsewhere abroad" in companies classified as "other financial" is due to heavy European (principally French) investment in the field of Canadian loans and mortgages.

#### V. TYPES OF ORGANIZATION.

There are four ways in which externally-controlled Canadian companies may be organized in order to maintain connection with the controlling interests in another country.

(1) A foreign company may operate a branch in Canada, without obtaining a Canadian charter for the latter. Under this heading one includes also such companies as the Hudson's Bay Company, which are incorporated abroad but operate wholly or mainly in Canada.

(2) A foreign company may form a Canadian subsidiary company, retaining control by ownership of a majority or the entire issued amount of the subsidiary's securities.

(3) There are many Canadian companies, a majority or all of whose issued securities are held abroad by private individuals or groups, not by a parent company. This type includes such cases as that in which the same individuals or groups own the stock of a foreign company in the same line of business and possibly operating under a similar name, but where there is no corporate connection between the Canadian and the foreign company.

(4) A Canadian company may be a subsidiary of a company of type (2) or type (3), and is then held to be under the same external control as the parent company.

Figure 3 illustrates how the total number of externally-controlled Canadian companies is distributed among these four types of organization. A large majority (76.8 per cent) are directly controlled by a parent company abroad, more than two-thirds of these (52.1 per cent of the total number) being subsidiary companies incorporated in Canada, and the remainder (24.7 per cent of the total number) being unincorporated branches licensed to do business in this country. Companies of the third type account for 12.4 per cent of the total number--in other words, of Canadian enterprises controlled abroad, more than six times as many are branches or subsidiaries of parent companies as are controlled by external non-corporate interests. Only 10.8 per cent of the total number of units are Canadian subsidiaries of companies of the second or third type--many of them being wholly-owned by the latter and incorporated merely for such purposes as holding title to real estate, etc.

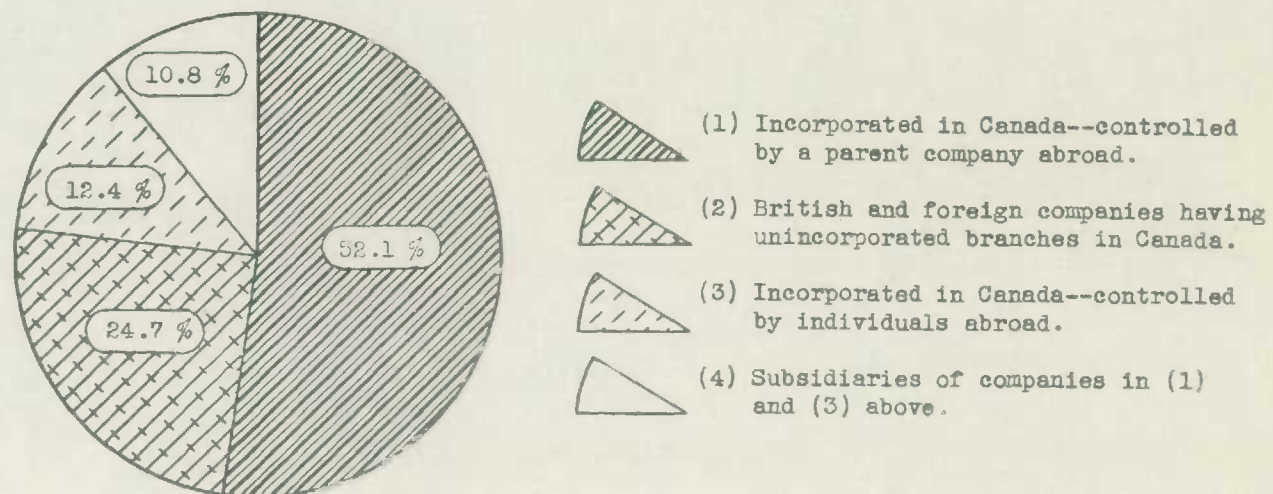


Fig. 3 -- Numerical Distribution of Externally-controlled Canadian Companies according to Type of Organization, End of 1936.

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Throughout the present investigation separate records have been kept regarding investment in concerns of the first type (see Tables 4, 9 and 15), although no attempt has been made to tabulate investment in the other three types separately. From these data we obtain the comparative information set out below in Table F.

Table F. Percentages of total value of investment in externally-controlled Canadian companies applicable to companies incorporated in Canada and to unincorporated Canadian branches of British and foreign companies. (15)

Source of Investment	Percentage of Total Investment in	
	Companies incorporated in Canada	Unincorporated Branches of External Companies
United States	88.8	11.2
Great Britain	71.3	28.7
Other Foreign Countries	87.2	12.8
All countries outside of Canada	85.0	15.0

The fact that such a comparatively large proportion of British direct investment in Canada is in enterprises which have no separate Canadian incorporation is less surprising when one recollects that the interest of British capital in this country dates far back in Canadian history. The instance of the Hudson's Bay Company, incorporated in England over two and a half centuries ago, has already been quoted, and there are other British companies still in existence which were formed for the development of Canada's resources during the Confederation era or even earlier.

Some further light is thrown upon this question by analysis of the investment in unincorporated Canadian branches of companies abroad according to the kind of business, as shown in the following table.

Table G. Percentages of external investment from different sources in unincorporated Canadian branches of external companies, as distributed among different kinds of business.

Kind of Business	Percentage of Total Investment derived from			
	United States	Great Britain	Other Countries	All Countries outside Canada
Manufacturing	23.3	3.3	18.2	14.9
Mining	2.1	1.6	-	1.8
Utility	2.5	-	0.7	1.4
Merchandising	2.7	20.2	2.3	10.0
Financial	66.3	74.4	78.8	69.9
Miscellaneous	3.1	0.5	-	2.0
	100.0	100.0	100.0	100.0

It is noteworthy that in each of the columns of this table financial companies account for a major proportion of the total, because of the large number of insurance companies included in the financial group. Out of a total

(15) See definition of the term "branches" as here used, page 17.

number of 318 externally-controlled insurance companies operating in Canada, only 30 (9.4 per cent) have obtained a Canadian charter. Another point of interest is that while 20.2 per cent of the British investment in unincorporated branches in Canada is in merchandising concerns, and only 3.3 per cent in manufacturing plants, these proportions are practically reversed for American and other foreign investment. The percentages of the total applicable to other kinds of business (mining, utility and miscellaneous) are comparatively small, indicating that in these fields the greater advantages of operating through subsidiary companies are widely recognized.

## VI. TYPES OF SECURITIES.

For the purposes of the present tabulations, investment in companies incorporated in Canada has been classified under three headings—common stock, preferred stock, and funded debt (which may be described in individual cases as bonds, debentures, debenture stock, or otherwise). In some cases the dividing line between common and preferred stocks is ill-defined, and the classification of a security as one or the other may incline to be arbitrary. In one or two cases there exists a certain vagueness of description of a liability which makes its classification as "funded debt" a debatable point, but these cases are insignificant both in number and amounts involved. Tables 1-3, 6-8, and 12-14 embody the results of this classification by types of securities.

A restricted examination only of these tables will be made here, because of the fact that all reports published by the Dominion Bureau of Statistics are so compiled that no information pertaining to any individual company is disclosed or can be deduced from published data. In all previous analyses in this chapter there has been no instance in which there was danger of disclosing such information, but in certain classifications of externally-controlled companies it has been discovered that to divide the forms of investment into common stock, preferred stock and funded debt would result in revealing data regarding one or more corporations. For that reason certain figures have been removed from the table in which they should properly have been placed and added to another table (e.g., funded debt or preferred stock has been added to common stock). The point is stressed, however, that these adjustments affect only the classification by types of securities, and do not affect in any way the total figures regarding investment values classified by geographical distribution of ownership or by kind of business. The total amount of all the items which have thus been transferred from one classification to another is approximately \$39,000,000, or less than one and one-half per cent of the grand total amount tabulated.

One point of great significance may be noted in regard to the classification of investment by types of securities. For several years (after 1931) the rates of exchange of British and United States currency were subject to considerable fluctuations, which frequently operated heavily to the disadvantage of those Canadian corporations which have been under obligation to pay interest on bonds, etc., in these currencies. There has, therefore, been a strong inducement to such corporations to call for redemption bonds with the option of payment in foreign currency (which were in many cases held abroad), obtaining the funds to do so by issuing new bonds on the Canadian market, payable in Canadian currency. The result of this has been a gradual diminution in the amount of Canadian corporation bonds held abroad during these years. Common and preferred stocks have been little affected by these conditions, except in certain cases where, instead of retiring bonds payable in external currencies, corporations exchanged new shares for these.

Another point to be borne in mind is that in some kinds of business—such as merchandising and mining—the proportion of financing done by the issue of bonds is usually small, while in others—particularly in the utility group—it



frequently occurs that the funded debt of a company is much greater than the stated value of its capital stock. For this reason the tendency of recent years to replace bonds held abroad by new issues sold in Canada affects the investment in different kinds of business to different extents: for instance, it has been already remarked that the Canadian minority interest in externally-controlled utility companies is higher than that in any other kind of business. Moreover, the effects of a depression period are more seriously felt in some kinds of business than in others, so that it is possible for one group to show a general decrease in the shareholders' equity while another shows little variation in this respect, with the total amount of funded debt in each group remaining practically constant. Differences in the geographical distribution of ownership of stocks and of bonds in the group adversely affected would then produce an apparent change of distribution of ownership of the total investment in the group during the period of depression, even though no securities had actually changed hands. To take an (imaginary) extreme case as an illustration, let us suppose that in 1930 the capital stock in a certain group (all owned in the United States) was equal in value to the funded debt (all held in Canada). If by 1936 accumulated deficits had wiped out half of the 1930 value of the capital stock without affecting the bondholders' equity, the American share of the total investment would be reduced from one-half to one-third. (Of course, this change would be reversed during a succession of prosperous years). There is no doubt that the figures in our tabulations for 1936 have been considerably affected by facts of this nature, especially in view of the circumstance that many Canadian subsidiaries of foreign companies have been maintained in existence by the parent company in spite of accumulated deficits which would have long ago caused the extinction of companies without such external support.

#### VII. DIVIDEND AND INTEREST PAYMENTS.

The amount paid in dividends on common and preferred stock and interest on funded debt by all externally controlled Canadian companies in 1936 amounted to \$142,767,100, or a return of approximately 5.25 per cent on the value of the total investment. As the total investment, however, includes unincorporated Canadian branches of external companies, whose accounts are consolidated with those of the parent company in every case, a truer picture is obtained by comparing the total of dividend and interest payments with the total investment in externally-controlled companies incorporated in Canada; the figures then show a return of 6.0 per cent on that investment. To preserve this more accurate perspective, unincorporated branches of external companies will be disregarded henceforth throughout this discussion of dividend and interest payments, and these payments considered solely in relation to the investment in Canadian-incorporated companies--such investment being conveniently referred to as the "corporate investment".

In view of the fact that many companies paid no dividend in 1936 and some even defaulted on bond interest, the return of 6.0 per cent quoted above may seem unduly high, but it must be borne in mind that in many cases arrears of preferred dividends and bond interest which had been deferred during the depression years were paid off in whole or in part during 1936. The data also include some large sums which were paid out of accumulated surpluses in the form of dividends to parent companies located in other countries.

Canadian shareholders and bondholders received 23.3 per cent of the total amount of these payments, the remainder being distributed among the United States, Great Britain and other countries to the extent of 61.4 per cent, 13.7 per cent, and 1.6 per cent respectively. The high proportion of payments to Canadian beneficiaries (as compared with only 19.2 per cent Canadian interest in the total corporate investment) is due to various circumstances, such as substantial Canadian holdings in a few of the largest corporations which paid dividends or bond interest



during the year. British capital, on the whole, received the smallest return (5.6 per cent) on its investment in Canada during 1936; American capital was only slightly more fortunate with 5.7 per cent, while other foreign capital with a return of 6.5 per cent, was well favoured in this respect. Canadian minority interests, however, fared better than any of these, receiving the high average return of 7.3 per cent on the total value of their investment in Canadian companies controlled outside Canada.

Figure 4 shows the geographical distribution of the total amount of dividend and interest payments by all the companies under consideration. It may be compared with Figure 1 only if one bears in mind that Figure 1 has reference to all externally-controlled Canadian enterprises, including unincorporated branches. A diagram illustrating the geographical distribution of ownership of corporate investment alone would, of course, differ slightly from Figure 1.

The greatly varying rates of dividends and interest paid by individual companies, and the varying proportions of securities of even closely-related companies held by investors in different areas, make any detailed comparison between the tables of investment data and of data regarding dividend and interest payments of doubtful significance. For example, one finds that the return on corporate investment varies thus according to locality of control: American-controlled companies, 6.3 per cent; British-controlled companies, 4.2 per cent; companies controlled elsewhere abroad, 5.0 per cent. To make any deductions of value from these figures would be impracticable without examining data relating to individual companies. However, one may give (as a matter of interest only) the following table showing the average returns on corporate investment in different kinds of business in 1936.

Table H. Dividends and interest paid in 1936 by externally-controlled Canadian companies in different kinds of business, expressed as percentages of total corporate investment in each kind of business.

<u>Kind of Business</u>	<u>Return on Total Corporate Investment</u>
Manufacturing	6.2 per cent
Mining	10.7 " "
Utility	3.4 " "
Merchandising	2.9 " "
Financial	2.9 " "
Miscellaneous	2.0 " "

The chief point of interest of this table lies in the high return of 10.7 per cent on the total corporate investment shown for mining companies, an outcome of the increased activity in this industry during recent years (particularly in gold mining).

More importance may be attached to a comparison of the actual amounts paid in dividends and interest by each kind of business. This comparison is strikingly illustrated in Figure 5, which shows that more than half (53.0 per cent) of all dividend and interest payments by externally-controlled Canadian companies was paid by companies engaged in manufacturing processes. Mining and smelting industries accounted for the greater part of the remainder (26.8 per cent of the total), utilities coming third with 14.5 per cent. Merchandising, financial and miscellaneous companies follow in that order, their respective shares of 2.4, 2.4, and 0.9 per cent forming an unimposing fraction of the total.

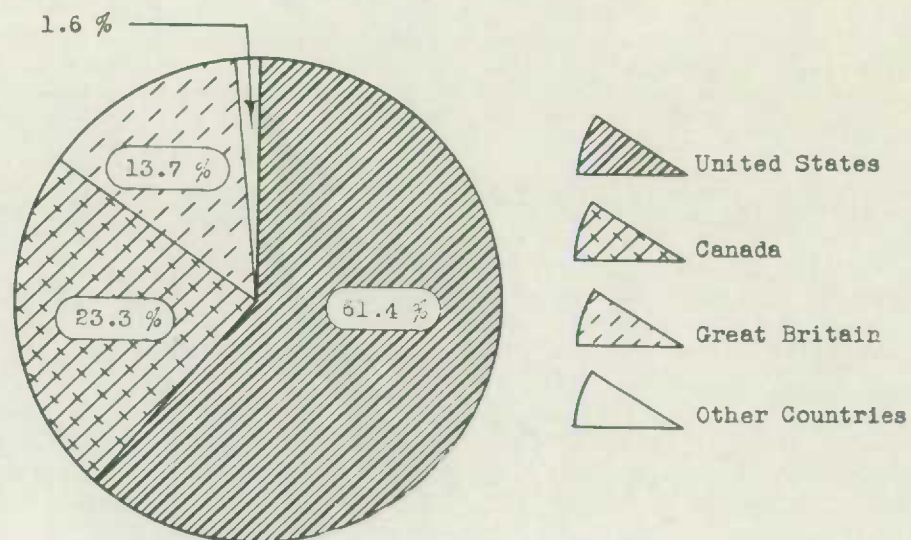


Fig. 4 -- Geographical Distribution of Total Amount of Interest and Dividend Payments by Externally-controlled Canadian Companies, Calendar Year 1936.

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Of the entire amount of these payments (\$142,767,100), less than one-sixth (16.5 per cent) was in the form of interest on funded debt, the remaining 83.5 per cent being paid as dividends on common and preferred stock; but the proportions of these two types of payment varied widely in different kinds of business. At one extreme we have the utility group, which paid interest in 1936 to almost exactly double the amount of the dividends which they paid in that year; at the other extreme we have merchandising companies, whose dividends exceeded fortyfold their disbursements in interest. Comparative data on this subject are shown in the following table.

Table K. Dividends and interest paid by externally-controlled Canadian companies in 1936: percentages of total for each kind of business paid as dividends and as interest.

Kind of Business	Percentage of total payments as above made in form of	
	Dividends	Interest
Manufacturing	92.7	7.3
Mining	95.6	4.4
Utility	33.3	66.7
Merchandising	97.6	2.4
Financial	95.0	5.0
Miscellaneous	45.8	54.2
All kinds of Business	83.5	16.5

In comparing these figures one with another it must be borne in mind that they are affected by various factors, of which two are most important: (1) the relative amounts of financing done in different kinds of business by bond and stock issues, and (2) the relative prosperity of different kinds of business. Obviously the wide disparity shown in the table between figures for the utility and mining groups is largely due to the first factor, since a reference to the investment tables reveals that while the total investment in the utility group is fairly evenly divided between stocks and bonds, in the mining group the value of stocks is nearly twelve times as great as that of funded debt. On the other hand, in the miscellaneous group funded debt amounts to only one-sixth of the value of common and preferred stocks, but interest bulks much larger than dividend payments: the reason being that in this heterogeneous group many companies found that conditions in 1936 did not warrant declaration of dividends although they were fully able to meet their fixed obligations.

The following table shows how the total interest and dividend payments made by each kind of business were distributed geographically.

Table L. Dividends and interest paid by externally-controlled Canadian companies in 1936: geographical distribution of payments made by each kind of business.

Kind of Business	Percentages of Total Payments made to			
	Canada	United States	Great Britain	Elsewhere
Manufacturing	18.5	67.6	13.7	0.2
Mining	25.9	59.0	13.1	2.0
Utility	37.6	49.1	13.0	0.3
Merchandising	8.6	76.6	9.2	5.6
Financial	19.1	16.4	30.9	33.6
Miscellaneous	52.9	41.7	5.3	0.1
All Kinds of Business	23.3	61.4	13.7	1.6

The proportion of these amounts which was paid to Canadian beneficiaries was in almost every group higher than the Canadian-owned proportion of the corporate investment, which is a favourable commentary on the character of the securities held by Canadians. Some companies whose stock was chiefly held abroad were unable to pay dividends, but were able to meet interest charges on their bonds, which were principally or entirely held in Canada. The miscellaneous group, for instance (as was remarked above), paid out more in interest than in dividends in 1936; and as bond issues by this group were practically all held in Canada, the Canadian share of the total payments was approximately 53 per cent (as against Canadian interest of only 32.6 per cent in the total corporate investment in the group).

The proportions of the total payments in each group made to the United States, Great Britain and other foreign countries varied greatly, and (as might be expected in the light of the foregoing remarks) not always in harmony with the proportionate distribution of ownership in the corporate investment. The largest share of the payments in each group went to the United States, except in the miscellaneous group where, as previously noted, Canadians received more than half of the total payments, and in the financial group where the United States took only 16.4 per cent of the amount, Canada 19.1 per cent, Britain 30.9 per cent and other foreign countries (chiefly France) no less than 33.6 per cent. These figures may be contrasted with the distribution of ownership of the total corporate investment in the financial group, which is expressed in the following percentages: Canada 15.1 per cent, the United States 26.4 per cent, Great Britain 41.0 per cent, and other countries 17.5 per cent.

Merchandising companies show the highest proportion of payments to American recipients, with manufacturing companies second—a state of affairs which is in harmony with the relative preponderance of American ownership in the corporate investment (not the total investment) in these groups. (The actual amount paid to the United States by the manufacturing group, however, was more than half (58.4 per cent) of the total payments to Americans by companies in all groups, while the merchandising group accounted for only 3.0 per cent of that total.)

Although "other foreign" countries secured a share of the total interest and dividend payments (1.6 per cent) which compared favourably with their share in ownership of the total corporate investment, their holdings in companies controlled in the United States were largely responsible for this satisfactory showing. Canadian companies controlled in these "other foreign" countries and operating in the manufacturing, mining, utility and miscellaneous fields paid neither dividends nor interest on any of their securities during 1936; nevertheless, of the total amount of dividends and interest paid to these countries in that year by externally-controlled Canadian companies, practically one-third (33.1 per cent) was in the form of dividends on their minority holdings in American-controlled mining companies. These American-controlled mines also accounted for practically the whole of the payments to Great Britain by the mining group, which amounted to 25.6 per cent of the total British receipts from all kinds of business.

#### VIII. SIZE OF EXTERNALLY-CONTROLLED COMPANIES

Table 17 gives in considerable detail data regarding sizes of all American-controlled Canadian enterprises (exclusive of the financial group) as at December 31st, 1932. These figures are not strictly comparable with any of those which have been examined previously in this chapter, both because they refer to a date four years earlier and because they have been based on figures for value of capital employed, as reported to the Dominion Bureau of Statistics, rather than on capital invested. The use of "capital employed" for this purpose enabled

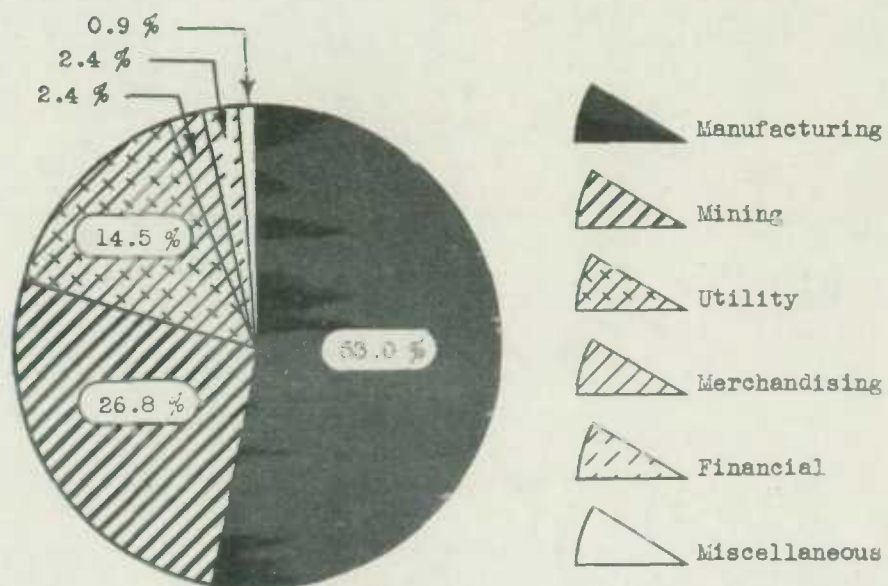


Fig. 5 -- Distribution of Total Amount of Interest and Dividend Payments by Externally-controlled Canadian Companies, according to Type of Business, Calendar Year 1936.

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the Bureau to place externally-controlled companies and unincorporated branches on the same basis for comparison as to size. While many changes have certainly taken place during the period 1932-1936, both in the number of American-controlled Canadian enterprises and in their distribution among the size-groups, the general pattern is probably so little altered that Table 17 may be instructively considered in conjunction with the 1936 tables. This table was originally published in "Canadian-American Industry", from which the following comment is quoted: (16)

".....Attention may be called to several exceedingly important relationships revealed very clearly in Table.... The most prevalent American-controlled company in Canada is apparently one employing from \$50,000 to \$199,999 capital. Twenty-nine per cent of all companies, and 31 per cent of the manufacturing companies, are of this size. But, as one would expect, very few mining or public utility companies are that small. The next most prevalent size of company is the very smallest; that employing a capital under \$50,000. But it must be observed that although these relatively small branch companies--those employing a capital under \$200,000--comprised more than half of the grand total and of the total manufacturing in 1932, they employed little more than 2 per cent of the total capital..... The reason is fairly obvious: in branch companies, as in industry as a whole, both in Canada and in the United States, the 'typical company' in terms of numbers is small, but overwhelmingly the greater proportion of both capital and products are accounted for by a relatively few large enterprises. Thus, as is shown in Table...., 19 per cent of the grand total of American-owned companies in Canada, and 14 per cent of the manufacturing companies, employ a capital of \$1,000,000 and over. Further, companies in that class employ 90 per cent of all capital used by American-owned companies and 82 per cent of the capital used in manufacturing....."

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(16) Marshall, Southard and Taylor, "Canadian-American Industry", page 26, Yale University Press, New Haven, 1936.

## PART II - CANADIAN DIRECT INVESTMENTS ABROAD

### Field Covered by the Study

An appraisal of Canadian direct investments abroad must utilize principally the sources of information available in Canada. It is necessary to trace these investments, for the most part, from their Canadian origins and to obtain information from the Canadian investors rather than from the branches or subsidiaries abroad. This has tended to influence the scope of the investment data obtained. With few exceptions, it is necessary to depend upon reports of the existence of particular investments from Canadian sources. In some respects, however, the available material is increased, as, proceeding from this source, it is possible to include some cases of admitted direct investment where the Canadian investment interest is less than a majority holding.

Accordingly, the tables of Canadian direct investments abroad, shown in this report, include not only investments in branches and subsidiaries in which there is a majority Canadian interest in the capital, but also those instances where affiliation or other active interest in a foreign company could be traced to a Canadian company. In these latter cases, the foreign company is customarily engaged in the same kind of business abroad as the Canadian company is engaged in in Canada. Included also as direct investments abroad are a few companies which are controlled by substantially the same shareholders who control the affiliated Canadian company.

Not all of the direct investments are in branches, subsidiaries or affiliates of Canadian companies whose principal operations are in Canada, their external operations being only supplementary. There are a number of instances of companies of Canadian incorporation whose entire operations are conducted outside of Canada. Some of these are controlled by Canadian shareholders and are included in the tables of Canadian direct investments abroad. It is well to note, however, that some companies operating entirely abroad, although incorporated in Canada are not controlled by Canadian capital. These have not been included as direct investments abroad, since where there is a minority Canadian interest only it is more properly considered a portfolio investment abroad. This principle has been followed even if the company was originally organized by Canadian enterprise.

Although most cases of Canadian direct investments in other countries fall into the class of companies whose principal operations are in Canada, there is a group of companies operating in Canada with branches or subsidiaries outside of Canada, which may not be considered in quite the same light as the main class of Canadian companies with direct investments abroad. This particular group of Canadian companies in turn falls in the class of United States direct investments in Canada. In determining the position of the external investments of these foreign-owned Canadian subsidiaries with regard to Canadian direct investments abroad, the circumstances in each case had to be considered individually. In doing so, one of the principles followed was whether the direct investment abroad was of a kind which would have an influence upon the Canadian balance of international payments, as this is one of the important criteria in determining the significance of international investments. Sometimes the subsidiaries abroad are merely nominally owned and controlled by the Canadian company, their stock being only formally held by the Canadian company. In these cases the capital originally invested in the foreign subsidiaries was from a parent organization outside of Canada and any subsequent financial transactions are between the foreign subsidiary and the foreign parent company of the Canadian company. There is no real reason for treating such subsidiaries abroad as



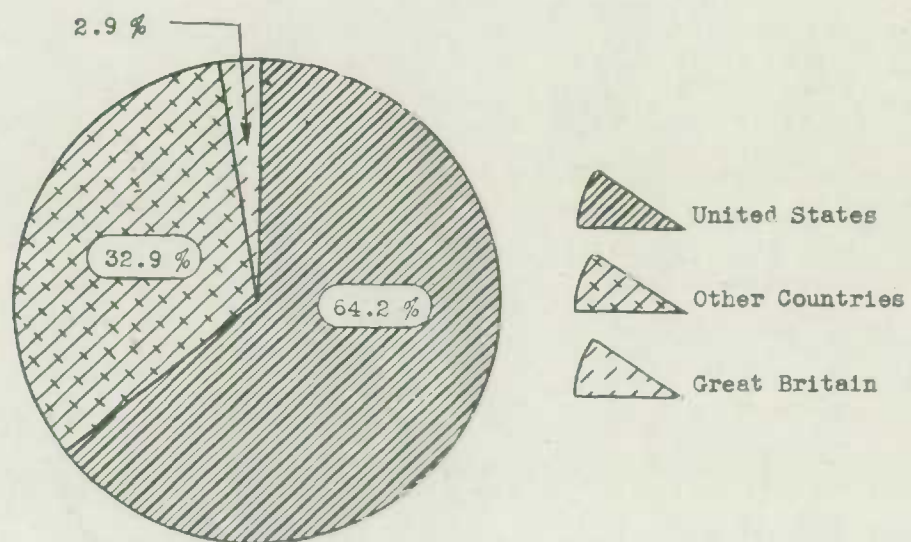


Fig. 6 -- Geographical Distribution of Canadian  
Direct Investments Abroad, End of 1936.

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Canadian direct investments outside of Canada, as, in such cases, not only is the capital invested non-Canadian in its origins, but, neither are there any effects upon the Canadian balance of international payments arising from the operations of the subsidiary.

To follow a principle based only on the ownership of the capital involved is too rigid a procedure, however, since it overlooks the economic effects of the operations of some companies, which effects may be quite independent of the ultimate ownership. There are situations where the company abroad, the subsidiary of a company in Canada, has substantially the same effects upon the Canadian balance of payments regardless of whether that company in Canada is controlled by Canadian or foreign capital. Accordingly, there are some important instances where direct investments have been included in the tables although they are the investments of Canadian companies which are controlled outside of Canada. Whenever this has been done there has been some special reason for doing so. In some cases the capital invested abroad was clearly the investment of capital originating from Canadian production and, considered from the economic point of view, represents an investment of Canadian capital outside of Canada, even though the ultimate ownership may rest in, say, the United States. Or the foreign subsidiaries may be subsequently financed by the Canadian company, or interest, dividends, and other remittances may be made directly to the Canadian company. One large company operating outside of Canada has been included, partly because the dividends it pays to its Canadian parent company have been an important source of that company's dividend payments to its parent company in the United States, and if these latter payments are to be regarded as remittances from Canada to the United States, they must consequently be offset by the relevant receipts.

Although the value of Canadian direct investments abroad may not, therefore, be considered as entirely representing the Canadian ownership of industrial and other enterprises abroad because of these exceptional cases, from a broader point of view these instances do represent an expansion of Canadian activities abroad.

A group of Canadian concerns with important operations outside of Canada have not been included in these tables of direct investments. This is the financial group of companies, the Canadian insurance companies, chartered banks, brokers, investment dealers and investment companies with activities outside of Canada. There are reasons why the investments abroad, of these concerns, are not in the same category as those which have been included. Canadian insurance companies with branches in other countries have liabilities outside of Canada, arising principally from the fiduciary interests of the policyholders, which exceed the assets held outside of Canada. Although in some countries, such as the United States, the assets exceed the liabilities, leaving a net investment, the net assets there might be considered as being held against the excess of liabilities in overseas countries. Consequently, the investments of Canadian insurance companies held outside of Canada at their branches are not taken as Canadian direct investments abroad. In 1936 there were 32 Canadian insurance companies doing business outside of Canada, 15 writing life insurance only abroad, 16 writing fire and other classes of insurance and one writing both life and fire insurance. But, in the same year, the assets of Canadian life insurance companies that were held outside of Canada were valued at over \$645 million, while the liabilities abroad exceeded \$871 million. The assets of Canadian fire and other insurance companies in other countries are relatively small.

The net assets abroad of the Canadian chartered banks are also excluded from the tables of direct investments. In 1936, six of the chartered banks operated branches outside of Canada, there being 13 branches or agencies in the United States,



7 in the United Kingdom and 125 in other countries, mostly in the Latin-American countries. The assets of the banks abroad are constantly fluctuating, representing as they do the external balances of the Canadian branches as well as the assets connected with the business of the branches abroad. Many are of a short-term character and are not comparable to investments abroad of industrial and other firms included in the tables.

Likewise, the assets of the branches and subsidiaries outside of Canada of Canadian investment dealers and brokers are mostly of a floating type and any investment companies of foreign incorporation owned by residents of Canada are more comparable to portfolio than to direct investments.

The investments by Canadians in residential properties and other unproductive classes of real estate in other countries are also excluded.

#### Valuation of Investments

The value of investment shown in the tables is, in the case of the common and preferred stock of subsidiaries, the value at which these equities are shown in the books of the subsidiary abroad, as contrasted with the value at which they may be carried in parent company balance sheets. The value used for common stocks is the equity of the common shareholders, taking account of accumulated surpluses or deficits as well as, in some cases, other relevant items, such as inter-company advances. Bonds and debentures and preferred stocks are shown at their nominal values and the value of unincorporated branches is represented by the net assets.

#### Analysis of Tables 26 and 27

An analysis of the tables on Canadian direct investments abroad discloses the concentration of these in the United States, 64% of the total value being represented by investments in that country. About two-thirds of the value of these investments in the United States is in railways, reflecting the extension of the two principal Canadian railway systems into neighbouring regions of the United States. The other important groups of direct investments there fall in the manufacturing, mining and petroleum groups. Investments in the former group arise from the expansion of some Canadian industries into the United States market, while in the latter group there are the many investments made in subsidiaries engaged in mining and the extraction of petroleum in the United States by Canadian companies employing raw material from these sources in their Canadian operations.

Canadian direct investments in the United Kingdom are small in value, as might be expected from the nature of the trade between that country and Canada. Canadian investments in the other British countries are included in the category "other countries". Most of these are subsidiaries of Canadian companies engaged in manufacturing in various parts of the Commonwealth, particularly in the Dominions. The other part of the investments in "other countries" is concentrated in the Latin-American countries. The largest parts of the value of these investments are in the petroleum industry in the northern countries of South America and in public utilities scattered throughout that region and the West Indies and Central America.

The table showing the forms of organization employed by Canadian firms with direct investments abroad reveals a marked preference for carrying on operations abroad through wholly owned companies incorporated in the country where they

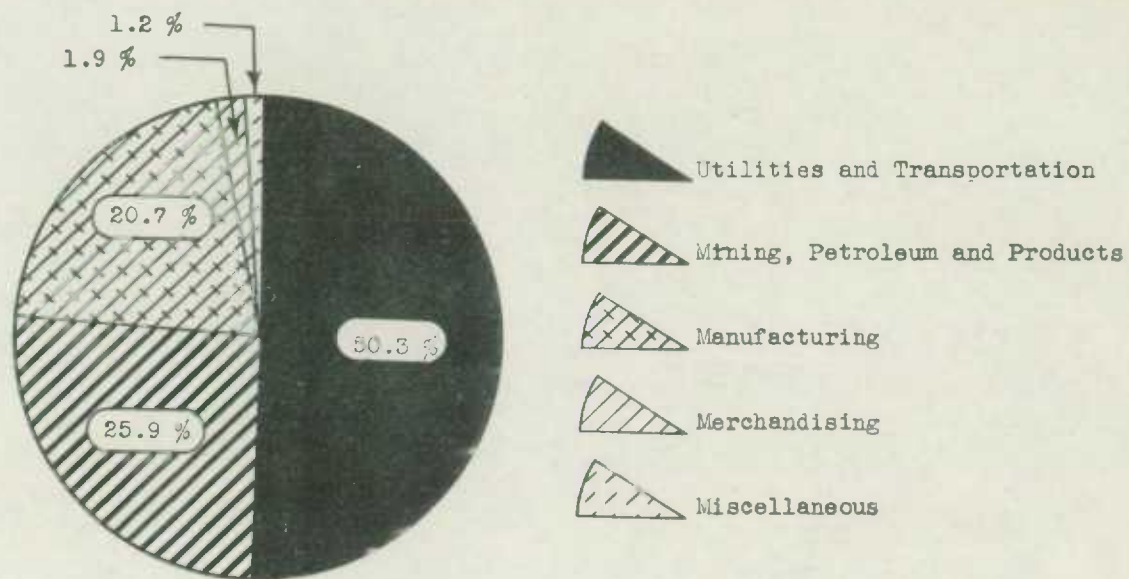


Fig. 7 -- Distribution by Types of Business of Canadian Direct Investments Abroad, End of 1936.

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operate. About three-quarters of the total investment is held through this form of organization with another twenty per cent or so in British or foreign companies in which there are also some British or foreign shareholders. Investments in unincorporated branches and mining claims, oil leases etc. are relatively negligible. As would be expected, most of the securities through which the direct investments are held are equity securities, bonds and debentures constituting only about twenty-two per cent of the investment.

### PART III - DIRECT INVESTMENTS AND THE CANADIAN

#### BALANCE OF INTERNATIONAL PAYMENTS

Direct investments give rise to international movements of capital and current remittances with characteristics of their own. The tendency noted in the introduction for a considerable amount of international lending in recent years to take the form of an expansion abroad of the enterprise and industry of the larger creditor nations through channels of direct investment rather than as formerly through the underwriting of bonds and debentures is a development of recent decades. As a result, the effects of these investments upon the balances of international payments of both creditor and debtor nations are quite different from the effects of the more traditional international lending through the underwriting of foreign bonds and debentures. As foreign direct investments in Canada are on an unusually large scale, it is to be expected that the effects of these upon the Canadian balance of international payments should be very definitely discernible. The changes in the value of direct investments, however, should not be taken as reflecting net movements of funds influencing the balance of payments, as there are many factors influencing the value of these investments which are internal in their origin.

The position of a debtor country in which a considerable part of the indebtedness is represented by foreign-owned direct investments is quite different from that of a debtor country whose obligations are in the form of bonds and debentures that, in their servicing and redemption, give rise to rigid contractual claims for interest and principal. Instead of carrying with them contractual claims, the current payments arising from direct investments are more like the returns on investments received by a proprietor or owner of an equity. As a consequence, the international payments of both a current and capital nature, arising from direct investments, are more closely related to the changing national income of the debtor economy and do not give rise to the same strains as are produced by the contractual payments of interest and principal which are associated with an economy in which international indebtedness takes the form of bonds and debentures. In the latter case the strains often become acute when the income of the debtor economy dwindles. But when international indebtedness takes the form of direct investments, the resulting international payments are usually reduced automatically by a contraction in economic activity and the weakness in foreign exchange rates frequently resulting from such conditions in a debtor country.

Furthermore, the foreign owners of direct investments are likely to have a different attitude to the external value of the currency of the debtor country than the foreign owner of bonds payable in a foreign currency. Normally their interests in this connection are more akin to those of a resident of the debtor country. Dividends and other remittances not being subject to the same rigid requirements as interest may be postponed for favourable exchange rates. In fact, there is some reason to believe that under some circumstances many of the international current payments and capital movements connected with direct investments have equilibrating effects upon the balance of payments of a debtor nation. Of course, not all current payments arising from direct investments have effects of this kind. Many are prompted by much the same circumstances as other commercial transactions and are not normally influenced by fluctuations in exchange rates. Some of the payments for merchandise imported from parent companies fall in this class. As the parent organization usually has incurred considerable expenses in the production or purchase of parts or materials shipped to the branch, it is sometimes the policy of the company to require payment by the branch in



the usual time required in commercial transactions. There are sufficient payments that may be deferred until favourable conditions develop to give direct investments a significance in this connection however, as well as the general relationship between earnings of direct investments and commodity exports. There are also the inducements for the owners of direct investments to reinvest profit and otherwise improve future earning power, although, in general, it appears from a study of Canadian experience that even with this expansion of the investments in Canada, there are large withdrawals of funds in years when business activity is high.

In recent years the Dominion Bureau of Statistics has conducted an investigation into these international transactions with the purpose of revealing their effects upon the Canadian balance of payments and the results have been incorporated in the annual statements of the balance of payments issued by the Bureau. Although these data do not lend themselves to detailed presentation in this report, the more important features will be outlined here.

It must be realized that these transactions embrace a very wide sphere. For instance, the capital movements fall into such diverse classes as, new issues of the securities of Canadian subsidiaries taken outside of Canada, the retirements of these securities, both long and short term loans and advances of a direct character to branches and subsidiaries and their repayment, loans and advances by the branches or subsidiaries in Canada to the parent organizations abroad and their repayment. The loans and advances may take the form of shipments of merchandise, the provision of services, or cash. Among the current transactions, besides the interest and dividends on securities held abroad which are obvious media by which international investments are serviced, there are many other forms of remittance to the parent companies abroad by less easily identified transactions. For instance, the Canadian producing units may export merchandise from Canada under circumstances in which some of the proceeds are received by the companies' offices abroad and never remitted to Canada. The considerable extent to which some commodities are exported from Canada under these conditions is not generally known. Then there are the various payments for services and sometimes exchanges of services. Finally, in considering the whole matter of current international payments by the branches or subsidiaries in Canada, from the point of view of the balance of payments, it should be recognized that these do not necessarily coincide with the profits or losses of the Canadian units in the conventional accounting sense.

Detailed data have been collected by the Bureau on the movements of funds connected with foreign direct investments in Canada for each year since 1926. These data include an analysis of the movements into the various classes of transaction indicated above. For the sake of simplicity, only the broad outlines of the movements of funds will be shown here. The accompanying table shows the approximate gross movements of funds in and out of Canada in the years from 1926 to 1936 on account of transactions associated with British and foreign direct investments in Canada. It should be pointed out that receipts and payments for merchandise exported or imported by these concerns are not included when these international transactions are carried out in the normal commercial manner, as, in any balance of payments study, these transactions are already represented by the statistics of Canada's external trade in merchandise. Merchandise transactions have only been included in the data on movements of funds when they have been executed in such a way as to influence the balance of payments study in an extraordinary way. Instances of these influences arise when merchandise is shipped to a Canadian branch or subsidiary on consignment by the parent organization in another country and only paid for, if at all, in some subsequent year. Or, conversely, some Canadian branches and subsidiaries export merchandise from Canada



and are never paid directly for these exports as the buyer abroad is instructed to pay the parent company in the United States. These unusual merchandise transactions are, in their effects upon the balance of payments, much like inflows or outflows of funds and have been accordingly included in the accompanying table of movement of funds.

The statistics on movements of funds shown in this table have been specially selected to show the transactions connected with direct investments as a whole. Consequently, the net movements are not the same as those shown in the special item appearing in the capital account of recent official statements of the Canadian Balance of International Payments and described as "Net Capital Transactions of International 'Branch Plants' etc." This latter item, for example, excludes the dividends and interest paid by the direct investments in Canada to the owners of the securities abroad as the interest and dividends on direct investments is included in the item of total interest and dividends paid by all classes of British and foreign investments in Canada, which appears among the current transactions of the balance of payments.

Movements of Funds Between Canada and Other Countries Arising  
from British and Foreign Direct Investments in Canada  
1926 - 1936.

(In millions of dollars)

	Approximate Gross Movements <sup>x</sup>		Net Movements	
	Inflow	Outflow	Inflow	Outflow
1926	113.3	80.6	32.7	
1927	110.6	87.3	23.3	
1928	97.8	109.6		11.8
1929	123.6	149.9		26.3
1930	112.5	147.6		35.1
1931	65.2	128.3		63.1
1932	38.3	107.5		69.2
1933	37.1	152.7		115.6
1934	44.8	146.3		101.5
1935	41.9	170.8		128.9
1936	57.3	206.0		148.7

<sup>x</sup> For some companies the net inflow or outflow only have been included in the gross inflow and outflow.

This table shows the very striking changes that have taken place in the movements of funds connected with direct investments during the period covered. Probably the most significant of these has been the transition from net inflows in 1926 and 1927 to the net outward movement appearing in 1928 which has expanded almost continually since then. There has been a shift from a net inflow of \$32.7 million in 1926 to a net outflow of \$148.7 million in 1936. Accompanying this change in the direction of the movement, there have been marked changes in both the total inflow and the total outflow of funds. The heavy inflows of funds were concentrated in the years before 1931, while the total outflow has fluctuated, with some exceptions, more in accordance with general business activity, although the longer term trend appears to be upward. The maximum inflow was in 1929 when it amounted to \$123.6 million while the lowest annual volume of \$37.1 million was in 1933. The outflow has grown from \$80.6 million in 1926 to \$206.0 million in 1936.

The total inward movement represents capital movements of various kinds. The greatest contraction has taken place in the inflow of long-term capital. The inflow due to the sale of bonds in the United States was heaviest in 1926 and 1927. Direct inflows of other long-term capital were also heavy and remained so until 1930, a marked contraction appearing in 1931. In 1932 and 1933 the inflow of capital was at its lowest point and only showed an appreciable increase in 1936 when the influx was still about half the volume of the inflow in the years before 1931. The volume of the inflow of short-term capital has fluctuated less, although since 1931 it has been more important proportionately because of the smaller inflow of long-term capital.

Capital is transferred to branches and subsidiaries in Canada by means of shipments of merchandise as well as by transfers of funds. In the transmittal of long-term capital to Canada by means of merchandise, the merchandise has usually been in the form of capital goods, being made up of machinery, equipment and other forms of durable goods, although some long-term capital was also provided by shipments of parts and materials to be sold or manufactured by the branches in Canada. Shipments like the latter are also a frequent means by which short-term advances are made, furnishing, as they do, a convenient method of supplying the branch or subsidiary with working capital when required.

Outward movements of funds have been more diverse in character, including both capital movements and current remittances. Dividends form the largest single type of outward remittance from Canada each year and, of course, have been flexible, reflecting as they have the wide changes in earnings during the period from 1926-1936. Payments for interest and for services provided by the parent organization were smaller and more rigid in volume. Outward movements that could be definitely classified as capital have been customarily substantial and have expanded considerably since 1933, especially payments that represented the repayment of short term advances. Other outward movements arising principally from the export of merchandise for which the branch or subsidiary has not been paid, have been particularly heavy since 1933 also. Some of these outward movements of merchandise are difficult to designate as either capital or current payments. Often there are at least the appearances of capital transactions, although, on the other hand, they closely reflect the growth in earnings of the investments in Canada. In any case, they give rise to debits against Canada which are an important consideration in tracing the effects of some of the increased exports of commodities from Canada in recent years upon the Canadian balance of international payments. The sudden expansion in 1933 in the outflow of funds, it should be pointed out, was partly the result of some specially large short-term transactions by a few firms. It is a reflection, in part, of these unusual transactions, rather than a movement characteristic of the transactions of all firms in that year. The large outflows of 1934 and subsequent years, however, were definitely reflections of more widespread changes in the volume of these outflows and no doubt were a consequence of increased earnings.

These data on movements of funds disclose the marked changes in the effects of direct investments in Canada upon the Canadian balance of international payments in recent years. The extent of the capital inflow in the period of rapid development preceding 1931, the sharp contraction in the inflow of capital since then, and the subsequent large outflows of funds in recent years coinciding with the growth in the export balance of Canada's commodity trade are all factors of importance in any study of Canada's commercial and financial transactions with other countries during the period covered. Particular attention should be drawn to the important fact that, to a considerable extent, accompanying the growth in Canadian exports in recent years, especially metal exports, there have been "invisible" debits which also must be taken account of. These debits,

offsetting in part the credits from the balances of commodity exports, arise from the large payments of dividends to companies and other shareholders residing outside of Canada, as well as from large repayments of capital and the other current debits in Canada's balance of payments resulting from the increase in the earnings of direct investments in Canada, which, to an important degree, are closely related to the Canadian export trade.



# BRITISH AND FOREIGN DIRECT INVESTMENTS IN CANADA: TABLE 1

Investment in Canadian operations of companies carrying on some or all of their operations in Canada which are branches of or controlled<sup>x</sup> by companies incorporated out of Canada, or are controlled<sup>x</sup> by individuals domiciled out of Canada.<sup>xx</sup>

## A. United States Control

### Equity of Common Shareholders in Companies Incorporated in Canada

End of 1936

(Values in thousands of dollars)

Type of Business	Total Investment	Distribution of Ownership			
		Canada	United States	Great Britain	Other Countries
TOTAL .....	1,408,881.0	231,030.7	1,128,162.9	43,192.8	6,494.6
Manufacturing .....	737,754.1	77,281.7	645,344.0	14,290.1	838.3
Mining .....	280,430.2	61,668.1	190,989.6	23,486.4	4,286.1
Utility .....	219,685.5	71,873.7	143,179.9	3,609.5	1,022.4
Merchandising .....	99,363.0	9,128.6	90,142.1	59.5	32.8
Financial .....	28,905.2	4,696.1	22,957.9	1,242.4	8.8
Miscellaneous .....	42,743.0	6,382.5	35,549.4	504.9	306.2

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<sup>x</sup> Concentration in one external country of 50% or more of the total investment in a Canadian company is accepted as prima facie evidence of control.

<sup>xx</sup> Subsidiaries of Canadian companies which come within the above definition are themselves considered as coming within the definition.

BRITISH AND FOREIGN DIRECT INVESTMENTS IN CANADA: TABLE 2

Investment in Canadian operations of companies carrying on some or all of their operations in Canada which are branches of or controlled<sup>x</sup> by companies incorporated out of Canada, or are controlled<sup>xx</sup> by individuals domiciled out of Canada.

A. United States Control

Equity of Preferred Shareholders in Companies Incorporated in Canada

End of 1936

(Values in thousands of dollars)

Type of Business	Total Investment	Distribution of		Ownership	
		Canada	United States	Great Britain	Other Countries
TOTAL .....	188,756.1	61,644.0	112,713.0	13,778.3	620.8
Manufacturing .....	79,607.2	20,417.1	57,382.3	1,557.1	250.7
Mining .....	27,165.4	4,526.7	12,837.8	9,440.8	360.1
Utility .....	70,094.9	31,156.2	36,993.7	1,945.0	-
Merchandising .....	3,506.2	468.6	2,997.6	40.0	-
Financial .....	311.0	206.0	105.0	-	-
Miscellaneous .....	8,071.4	4,869.4	2,396.6	795.4	10.0

<sup>x</sup> Concentration in one external country of 50% or more of the total investment in a Canadian company is accepted as prima facie evidence of control.

<sup>xx</sup> Subsidiaries of Canadian companies which come within the above definition are themselves considered as coming within the definition.

# BRITISH AND FOREIGN DIRECT INVESTMENTS IN CANADA: TABLE 3

Investment in Canadian operations of companies carrying on some or all of their operations in Canada which are branches of or controlled<sup>x</sup> by companies incorporated out of Canada, or are controlled<sup>xx</sup> by individuals domiciled out of Canada.

## A. United States Control

### Par Value of Bonds, Debentures, Debenture Stock and Other Forms of Long Term Funded Debt of Companies Incorporated in Canada

End of 1936

(Values in thousands of dollars)

Type of Business	Total Investment	Distribution of Ownership			
		Canada	United States	Great Britain	Other Countries
TOTAL .....	389,456.5	111,069.1	273,368.3	4,871.9	147.2
Manufacturing .....	86,393.8	10,902.0	75,217.6	274.2	-
Mining .....	19,990.8	9,411.7	10,579.1	-	-
Utility .....	264,133.6	80,349.4	179,417.7	4,222.0	144.5
Merchandising .....	3,353.1	746.2	2,603.5	0.7	2.7
Financial .....	7,343.0	1,520.0	5,448.0	375.0	-
Miscellaneous .....	8,242.2	8,139.8	102.4	-	-

<sup>x</sup> Concentration in one external country of 50% or more of the total investment in a Canadian company is accepted as prima facie evidence of control.

<sup>xx</sup> Subsidiaries of Canadian companies which come within the above definition are themselves considered as coming within the definition.



BRITISH AND FOREIGN DIRECT INVESTMENTS IN CANADA: TABLE 4

Investment in Canadian operations of companies carrying on some or all of their operations in Canada which are branches of or controlled<sup>x</sup> by companies incorporated out of Canada, or are controlled<sup>xx</sup> by individuals domiciled out of Canada.

A. United States Control

Investment in Unincorporated Canadian Branches of Companies Incorporated out of Canada

End of 1936

(Values in thousands of dollars)

Type of Business	Total Investment	Distribution of Ownership			
		Canada	United States	Great Britain	Other Countries
TOTAL .....	192,710.1	-	192,710.1	-	-
Manufacturing .....	44,929.3	-	44,929.3	-	-
Mining .....	4,018.5	-	4,018.5	-	-
Utility .....	4,806.3	-	4,806.3	-	-
Merchandising .....	5,098.0	-	5,098.0	-	-
Financial .....	127,817.2	-	127,817.2	-	-
Miscellaneous .....	6,040.8	-	6,040.8	-	-

<sup>x</sup> Concentration in one external country of 50% or more of the total investment in a Canadian company is accepted as prima facie evidence of control.

<sup>xx</sup> Subsidiaries of Canadian companies which come within the above definition are themselves considered as coming within the definition.

# BRITISH AND FOREIGN DIRECT INVESTMENTS IN CANADA: TABLE 5

Investment in Canadian operations of companies carrying on some or all of their operations in Canada, which are branches of or controlled<sup>x</sup> by companies incorporated out of Canada, or are controlled<sup>xx</sup> by individuals domiciled out of Canada.

## A. United States Control

Total Investment - (Sum of Tables 1 to 4 inclusive)

End of 1936

(Values in thousands of dollars)

Type of Business	Number of Companies	Total Investment	Distribution of Ownership			
			Canada	United States	Great Britain	Other Countries
TOTAL .....	1,998	2,179,803.7	403,743.8	1,706,954.3	61,843.0	7,262.6
Manufacturing .....	1,035	948,684.4	108,600.8	822,873.2	16,121.4	1,089.0
Mining .....	108	331,604.9	75,606.5	218,425.0	32,927.2	4,646.2
Utility .....	111	558,720.3	183,379.3	364,397.6	9,776.5	1,166.9
Merchandising .....	376	111,320.3	10,343.4	100,841.2	100.2	35.5
Financial-Total.....	250	164,376.4	6,422.1	156,328.1	1,617.4	8.8
Insurance.....	202	122,854.0	2,239.0	120,595.0	18.0	2.0
Investment Trusts	12	10,532.7	2,728.8	6,197.7	1,599.4	6.8
Other.....	36	30,989.7	1,454.3	29,535.4	-	-
Miscellaneous .....	118	65,097.4	19,391.7	44,089.2	1,300.3	316.2

<sup>x</sup> Concentration in one external country of 50% or more of the total investment in a Canadian company is accepted as prima facie evidence of control.

<sup>xx</sup> Subsidiaries of Canadian companies which come within the above definition are themselves considered as coming within the definition.

# BRITISH AND FOREIGN DIRECT INVESTMENTS IN CANADA: TABLE 6

Investment in Canadian operations of companies carrying on some or all of their operations in Canada which are branches of or controlled<sup>x</sup> by companies incorporated out of Canada, or are controlled<sup>x</sup> by individuals domiciled out of Canada.<sup>xx</sup>

## B. British Control

### Equity of Common Shareholders in Companies Incorporated in Canada

End of 1936

(Values in thousands of dollars)

Type of Business	Total Investment	Distribution of Ownership			
		Canada	United States	Great Britain	Other Countries
TOTAL .....	220,250.8	29,959.9	12,240.6	175,974.9	2,075.4
Manufacturing .....	136,431.7	19,118.2	9,491.8	107,028.4	793.3
Mining .....	19,823.1	4,359.1	1,131.4	14,154.8	177.8
Utility .....	16,465.0	1,327.9	526.6	14,610.5	-
Merchandising .....	8,461.0	2,326.2	68.0	6,066.8	-
Financial .....	38,716.0	2,814.9	1,016.3	33,780.5	1,104.3
Miscellaneous .....	354.0	13.6	6.5	333.9	-

<sup>x</sup> Concentration in one external country of 50% or more of the total investment in a Canadian company is accepted as prima facie evidence of control.

<sup>xx</sup> Subsidiaries of Canadian companies which come within the above definition are themselves considered as coming within the definition.

N.B. In order that confidential information may not be revealed, data totalling \$16 million have been transferred from Tables 7, 8 and 9 to Table 6.



# BRITISH AND FOREIGN DIRECT INVESTMENTS IN CANADA: TABLE 7

Investment in Canadian operations of companies carrying on some or all of their operations in Canada which are branches of or controlled<sup>x</sup> by companies incorporated out of Canada, or are controlled<sup>x</sup> by individuals domiciled out of Canada.<sup>xx</sup>

## B. British Control

### Equity of Preferred Shareholders in Companies Incorporated in Canada

End of 1936

(Values in thousands of dollars)

Type of Business	Total Investment	Distribution of Ownership			
		Canada	United States	Great Britain	Other Countries
TOTAL .....	43,899.3	10,301.4	3,970.2	28,840.3	787.4
Manufacturing .....	40,479.1	10,198.3	3,970.2	25,539.0	771.6
Mining .....	(1)	(1)	(1)	(1)	(1)
Utility .....	(1)	(1)	(1)	(1)	(1)
Merchandising .....	3,420.2	103.1	-	3,301.3	15.8
Financial .....	(1)	(1)	(1)	(1)	(1)
Miscellaneous .....	(1)	(1)	(1)	(1)	(1)

<sup>x</sup> Concentration in one external country of 50% or more of the total investment in a Canadian company is accepted as prima facie evidence of control.

<sup>xx</sup> Subsidiaries of Canadian companies which come within the above definition are themselves considered as coming within the definition.

(1) Included with Equity of Common Shareholders. (See Table 6)

BRITISH AND FOREIGN DIRECT INVESTMENTS IN CANADA: TABLE 8

Investment in Canadian operations of companies carrying on some or all of their operations in Canada which are branches of or controlled<sup>x</sup> by companies incorporated out of Canada, or are controlled<sup>x</sup> by individuals domiciled out of Canada.<sup>xx</sup>

B. British Control

Par Value of Bonds, Debentures, Debenture Stock, and  
Other Forms of Long Term Funded Debt of Companies Incorporated in Canada

End of 1936

(Values in thousands of dollars)

Type of Business	Total Investment	Distribution		of Ownership	
		Canada	United States	Great Britain	Other Countries
TOTAL .....	88,634.9	2,122.9	2,600.8	83,891.2	20.0
Manufacturing .....	21,022.6	1,193.4	113.8	19,700.4	15.0
Mining .....	8,188.7	-	487.0	7,701.7	-
Utility .....	42,905.3	-	-	42,905.3	-
Merchandising .....	(1)	(1)	(1)	(1)	(1)
Financial .....	16,518.3	929.5	2,000.0	13,583.8	5.0
Miscellaneous .....	(1)	(1)	(1)	(1)	(1)

<sup>x</sup> Concentration in one external country of 50% or more of the total investment in a Canadian company is accepted as prima facie evidence of control.

<sup>xx</sup> Subsidiaries of Canadian companies which come within the above definition are themselves considered as coming within the definition.

(1) Included with Equity of Common Shareholders. (See Table 6)

BRITISH AND FOREIGN DIRECT INVESTMENTS IN CANADA: TABLE 9

Investment in Canadian operations of companies carrying on some or all of their operations in Canada which are branches of or controlled<sup>x</sup> by companies incorporated out of Canada, or are controlled<sup>xx</sup> by individuals domiciled out of Canada.xx

B. British Control

Investment in Unincorporated Canadian Branches of Companies Incorporated out of Canada

End of 1936

(Values in thousands of dollars)

Type of Business	Total Investment	Distribution		of Ownership	
		Canada	United States	Great Britain	Other Countries
TOTAL .....	141,474.6	-	-	141,474.6	-
Manufacturing .....	4,610.1	-	-	4,610.1	-
Mining .....	2,235.8	-	-	2,235.8	-
Utility .....	(1)	-	-	(1)	-
Merchandising .....	28,617.9	-	-	28,617.9	-
Financial .....	105,258.2	-	-	105,258.2	-
Miscellaneous .....	752.6	-	-	752.6	-

<sup>x</sup> Concentration in one external country of 50% or more of the total investment in a Canadian company is accepted as prima facie evidence of control.

<sup>xx</sup> Subsidiaries of Canadian companies which come within the above definition are themselves considered as coming within the definition.

(1) Included with Equity of Common Shareholders. (See Table 6)



# BRITISH AND FOREIGN DIRECT INVESTMENTS IN CANADA: TABLE 10

Investment in Canadian operations of companies carrying on some or all of their operations in Canada which are branches of or controlled<sup>x</sup> by companies incorporated out of Canada, or are controlled<sup>x</sup> by individuals domiciled out of Canada.<sup>xx</sup>

## B. British Control

Total Investment (Sum of Tables 6 to 9 inclusive)

End of 1936

(Values in thousands of dollars)

Type of Business	Number of Companies	Total Investment	Distribution of Ownership			
			Canada	United States	Great Britain	Other Countries
TOTAL .....	388	494,259.6	42,384.2	18,811.6	430,181.0	2,882.8
Manufacturing .....	112	202,543.5	30,509.9	13,575.8	156,877.9	1,579.9
Mining .....	17	30,247.6	4,359.1	1,618.4	24,092.3	177.8
Utility .....	8	59,370.3	1,327.9	526.6	57,515.8	-
Merchandising .....	111	40,499.1	2,429.3	68.0	37,986.0	15.8
Financial - Total .....	131	160,492.5	3,744.4	3,016.3	152,622.5	1,109.3
Insurance .....	99	93,761.0	401.0	646.0	92,714.0	-
Investment Trusts.....	6	16,126.2	2,324.8	2,340.5	10,356.2	1,104.7
Other .....	26	50,605.3	1,018.6	29.8	49,552.3	4.6
Miscellaneous .....	9	1,106.6	13.6	6.5	1,086.5	-

<sup>x</sup> Concentration in one external country of 50% or more of the total investment in a Canadian company is accepted as prima facie evidence of control.

<sup>xx</sup> Subsidiaries of Canadian companies which come within the above definition are themselves considered as coming within the definition.

# BRITISH AND FOREIGN DIRECT INVESTMENTS IN CANADA: TABLE 11

Investment in Canadian operations of companies carrying on some or all of their operations in Canada which are branches of or controlled<sup>x</sup> by companies incorporated out of Canada, or are controlled<sup>x</sup> by individuals domiciled out of Canada.<sup>xx</sup>

## C. Control in Countries other than Canada, the United States or Great Britain

### Total Investment

End of 1936

(Values in thousands of dollars)

Type of Business	Number of Companies	Total Investment	Distribution of Ownership			
			Canada	United States	Great Britain	Other Countries
TOTAL .....	72	41,569.6	11,027.3	48.1	21.8	30,472.4
Manufacturing .....	14	2,085.5	225.8	0.9	5.5	1,853.3
Mining .....	3	754.0	320.0	6.3	-	427.7
Utility .....	4	4,678.7	2,313.8	-	-	2,364.9
Merchandising .....	27	2,083.8	202.1	40.9	9.2	1,831.6
Financial - Total .....	21	31,913.6	7,964.3	-	7.1	23,942.2
Insurance .....	17	3,813.0	84.0	-	-	3,729.0
Investment Trusts...	-	-	-	-	-	-
Other .....	4	28,100.6	7,880.3	-	7.1	20,213.2
Miscellaneous .....	3	54.0	1.3	-	-	52.7

<sup>x</sup> Concentration in one external country of 50% or more of the total investment in a Canadian company is accepted as prima facie evidence of control.

<sup>xx</sup> Subsidiaries of Canadian companies which come within the above definition are themselves considered as coming within the definition.

N.B. In order that confidential information may not be revealed, Table 11 is the only table published regarding investment in companies controlled elsewhere than in Canada, the United States and Great Britain. The amount of common stock included in this table is \$18.5 million and of data under other headings (preferred stock, funded debt, and investment in unincorporated branches of external companies) \$23 million. All of these data are included also in Table 12 (total equity of common shareholders in all externally-controlled companies).

BRITISH AND FOREIGN DIRECT INVESTMENTS IN CANADA: TABLE 12

Investment in Canadian operations of companies carrying on some or all of their operations in Canada which are branches of or controlled<sup>x</sup> by companies incorporated out of Canada, or are controlled<sup>x</sup> by individuals domiciled out of Canada.<sup>xx</sup>

Total British and Foreign Control

Equity of Common Shareholders in Companies Incorporated in Canada

End of 1936

(Values in thousands of dollars)

Type of Business	Total Investment	Distribution of Ownership			
		Canada	United States	Great Britain	Other Countries
TOTAL .....	1,670,701.4	272,017.9	1,140,451.6	219,189.5	39,042.4
Manufacturing .....	876,271.3	96,625.7	654,836.7	121,324.0	3,484.9
Mining .....	301,007.3	66,347.2	192,127.3	37,641.2	4,891.6
Utility .....	240,829.2	75,515.4	143,706.5	18,220.0	3,387.3
Merchandising .....	109,907.8	11,656.9	90,251.0	6,135.5	1,864.4
Financial .....	99,534.8	15,475.3	23,974.2	35,030.0	25,055.3
Miscellaneous .....	43,151.0	6,397.4	35,555.9	838.8	358.9

<sup>x</sup> Concentration in one external country of 50% or more of the total investment in a Canadian company is accepted as prima facie evidence of control.

<sup>xx</sup> Subsidiaries of Canadian companies which come within the above definition are themselves considered as coming within the definition.

N.B. In order that confidential information may not be revealed, data totalling \$39 million have been transferred from Tables 13, 14 and 15 to Table 12.



# BRITISH AND FOREIGN DIRECT INVESTMENTS IN CANADA: TABLE 13

Investment in Canadian operations of companies carrying on some or all of their operations in Canada which are branches of or controlled<sup>x</sup> by companies incorporated out of Canada, or are controlled<sup>xx</sup> by individuals domiciled out of Canada.

## Total British and Foreign Control

### Equity of Preferred Shareholders in Companies Incorporated in Canada

End of 1936

(Values in thousands of dollars)

Type of Business	Total Investment	Distribution of Ownership			
		Canada	United States	Great Britain	Other Countries
TOTAL .....	232,655.4	71,945.4	116,683.2	42,618.6	1,408.2
Manufacturing .....	120,086.3	30,615.4	61,352.5	27,096.1	1,022.3
Mining .....	27,165.4	4,526.7	12,837.8	9,440.8	360.1
Utility .....	70,094.9	31,156.2	36,993.7	1,945.0	-
Merchandising .....	6,926.4	571.7	2,997.6	3,341.3	15.8
Financial .....	311.0	206.0	105.0	-	-
Miscellaneous .....	8,071.4	4,869.4	2,396.6	795.4	10.0

<sup>x</sup> Concentration in one external country of 50% or more of the total investment in a Canadian company is accepted as prima facie evidence of control.

<sup>xx</sup> Subsidiaries of Canadian companies which come within the above definition are themselves considered as coming within the definition.

N.B. In order that confidential information may not be revealed, data totalling \$16 million have been transferred from Table 13 to Table 12.

BRITISH AND FOREIGN DIRECT INVESTMENTS IN CANADA: TABLE 14

Investment in Canadian operations of companies carrying on some or all of their operations in Canada which are branches of or controlled<sup>x</sup> by companies incorporated out of Canada, or are controlled<sup>x</sup> by individuals domiciled out of Canada.<sup>xx</sup>

Total British and Foreign Control

Par Value of Bonds, Debentures, Debenture Stock, and Other Forms of Long Term  
Funded Debt of Companies Incorporated in Canada

End of 1936

(Values in thousands of dollars)

Type of Business	Total Investment	Distribution of Ownership			
		Canada	United States	Great Britain	Other Countries
TOTAL .....	478,091.4	113,192.0	275,969.1	88,763.1	167.2
Manufacturing .....	107,416.4	12,095.4	75,331.4	19,974.6	15.0
Mining .....	28,179.5	9,411.7	11,066.1	7,701.7	-
Utility .....	307,038.9	80,349.4	179,417.7	47,127.3	144.5
Merchandising .....	3,353.1	746.2	2,603.5	0.7	2.7
Financial .....	23,861.3	2,449.5	7,448.0	13,958.8	5.0
Miscellaneous .....	8,242.2	8,139.8	102.4	-	-

<sup>x</sup> Concentration in one external country of 50% or more of the total investment in a Canadian company is accepted as prima facie evidence of control.

<sup>xx</sup> Subsidiaries of Canadian companies which come within the above definition are themselves considered as coming within the definition.

N.B. In order that confidential information may not be revealed, data totalling \$18 million have been transferred from Table 14 to Table 12.

BRITISH AND FOREIGN DIRECT INVESTMENTS IN CANADA: TABLE 15

Investment in Canadian operations of companies carrying on some or all of their operations in Canada which are branches of or controlled<sup>x</sup> by companies incorporated out of Canada, or are controlled<sup>x</sup> by individuals domiciled out of Canada.<sup>xx</sup>

Total British and Foreign Control

Investment in Unincorporated Canadian Branches of Companies Incorporated out of Canada.

End of 1936

(Values in thousands of dollars)

Type of Business	Total Investment	Distribution of Ownership			
		Canada	United States	Great Britain	Other Countries
TOTAL .....	334,184.7	-	192,710.1	141,474.6	-
Manufacturing .....	49,539.4	-	44,929.3	4,610.1	-
Mining .....	6,254.3	-	4,018.5	2,235.8	-
Utility .....	4,806.5	-	4,806.3	-	-
Merchandising .....	33,715.9	-	5,098.0	28,617.9	-
Financial .....	233,075.4	-	127,817.2	105,258.2	-
Miscellaneous .....	6,793.4	-	6,040.8	752.6	-

<sup>x</sup> Concentration in one external country of 50% or more of the total investment in a Canadian company is accepted as prima facie evidence of control.

<sup>xx</sup> Subsidiaries of Canadian companies which come within the above definition are themselves considered as coming within the definition.

N.B. In order that confidential information may not be revealed, data totalling \$5 million have been transferred from Table 15 to Table 12.



BRITISH AND FOREIGN DIRECT INVESTMENTS IN CANADA: TABLE 16

Investment in Canadian operations of companies carrying on some or all of their operations in Canada which are branches of or controlled<sup>x</sup> by companies incorporated out of Canada, or are controlled<sup>x</sup> by individuals domiciled out of Canada.<sup>xx</sup>

Total British and Foreign Control

Total Investment (Sum of Tables 12, 13, 14 and 15)

End of 1936

(Values in thousands of dollars)

Type of Business	Number of Companies	Total Investment	Distribution of Ownership			
			Canada	United States	Great Britain	Other Countries
TOTAL .....	2,458	2,715,632.9	457,155.3	1,725,814.0	492,045.8	40,617.8
Manufacturing .....	1,161	1,153,313.4	139,336.5	836,449.9	173,004.8	4,522.2
Mining .....	128	362,606.5	80,285.6	220,049.7	57,019.5	5,251.7
Utility .....	123	622,769.3	187,021.0	364,924.2	67,292.3	3,531.8
Merchandising .....	514	153,903.2	12,974.8	100,950.1	38,095.4	1,882.9
Financial - Total .....	402	356,782.5	18,130.8	159,344.4	154,247.0	25,060.3
Insurance .....	318	220,428.0	2,724.0	121,241.0	92,732.0	3,731.0
Investment Trusts...	18	26,658.9	5,053.6	8,538.2	11,955.6	1,111.5
Other .....	66	109,695.6	10,353.2	29,565.2	49,559.4	20,217.8
Miscellaneous .....	130	66,258.0	19,406.6	44,095.7	2,386.8	368.9

<sup>x</sup> Concentration in one external country of 50% or more of the total investment in a Canadian company is accepted as prima facie evidence of control.

<sup>xx</sup> Subsidiaries of Canadian companies which come within the above definition are themselves considered as coming within the definition.

BRITISH AND FOREIGN DIRECT INVESTMENTS IN CANADA: TABLE 17

United States Control

Classification by Size of Business

End of 1932

Number of companies in each of five size-of-business groups expressed  
as a percentage of number of companies in all groups.

Capital employed in each of five size-of-business groups expressed as  
a percentage of capital employed in all groups.

Type of Business	Capital Employed Under \$50,000		Capital Employed \$50,000 - \$199,999		Capital Employed \$200,000 - \$499,999		Capital Employed \$500,000 - \$999,999		Capital Employed \$1,000,000 and over	
	Number of Companies	Capital Employed	Number of Companies	Capital Employed	Number of Companies	Capital Employed	Number of Companies	Capital Employed	Number of Companies	Capital Employed
	% of total	% of total	% of total	% of total	% of total	% of total	% of total	% of total	% of total	% of total
TOTAL .....	24	x	29	2	17	3	11	5	19	90
Manufacturing	24	1	31	3	19	6	12	8	14	82
Mining .....	12	x	12	x	10	1	19	3	47	96
Utility .....	9	x	9	x	16	1	10	1	56	98
Merchandising	31	1	36	6	12	7	6	7	15	79
Miscellaneous	16	1	18	2	24	8	21	14	21	75

x Less than one per cent.

BRITISH AND FOREIGN DIRECT INVESTMENTS IN CANADA: TABLE 18

A. United States Control

Dividends Paid on Common and Preferred Stock

Dividends paid in cash by companies incorporated in Canada which carry on some or all of their operations in Canada.

Calendar Year 1936

(Amounts are expressed in thousands of dollars)

Type of Business	Total Dividends Paid <sup>x</sup>	Dividends paid to shareholders registered in			
		Canada <sup>x</sup>	United States	Great Britain	Other Countries
TOTAL .....	106,898.6	25,929.0	73,022.1	7,062.4	885.1
Manufacturing .....	60,315.3	12,072.8	46,376.7	1,795.6	70.2
Mining .....	36,573.0	9,417.6	21,420.5	4,968.1	766.8
Utility .....	6,317.1	3,945.5	2,037.8	286.8	47.0
Merchandising .....	2,790.4	210.7	2,579.7	-	-
Financial .....	429.2	145.4	271.5	11.9	0.4
Miscellaneous .....	473.6	137.0	335.9	-	0.7

<sup>x</sup> Less dividends paid by Canadian subsidiary companies to Canadian parent companies.



BRITISH AND FOREIGN DIRECT INVESTMENTS IN CANADA: TABLE 19

Total British and Foreign Control

Dividends Paid on Common and Preferred Stock

Dividends paid in cash by companies incorporated in Canada which carry on some or all  
of their operations in Canada.

Calendar Year 1936

(Amounts are expressed in thousands of dollars)

Type of Business	Total Dividends Paid <sup>x</sup>	Dividends paid to shareholders registered in			
		Canada <sup>x</sup>	United States	Great Britain	Other Countries
TOTAL .....	119,266.7	27,361.9	73,927.3	16,167.8	1,809.7
Manufacturing .....	70,133.1	13,367.6	47,098.3	9,524.4	142.8
Mining .....	36,573.0	9,417.6	21,420.5	4,968.1	766.8
Utility .....	6,906.3	3,980.0	2,178.4	700.9	47.0
Merchandising .....	3,385.1	283.4	2,588.4	320.1	193.2
Financial .....	1,711.6	174.6	287.3	590.5	659.2
Miscellaneous .....	557.6	138.7	354.4	63.8	0.7

<sup>x</sup> Less dividends paid by Canadian subsidiary companies to Canadian parent companies.

N.B. In order that confidential information may not be revealed, no separate tables are published regarding dividends paid by companies controlled in Great Britain or elsewhere abroad other than Table 18 (United States Control).

BRITISH AND FOREIGN DIRECT INVESTMENTS IN CANADA: TABLE 20

A. United States Control

Interest on Funded Debt

Interest paid on Funded Debt by companies incorporated in Canada which  
carry on some or all of their operations in Canada.

Calendar Year 1936

(Amounts are expressed in thousands of dollars)

Type of Business	Total Interest Paid <sup>x</sup>	Interest paid to security-holders resident in			
		Canada <sup>x</sup>	United States	Great Britain	Other Countries
TOTAL .....	19,164.6	5,460.4	13,576.7	121.0	6.5
Manufacturing .....	4,637.8	595.2	4,022.7	19.9	-
Mining .....	(X)	(X)	(X)	(X)	(X)
Utility .....	11,901.2	3,803.7	8,006.0	85.5	6.0
Merchandising .....	79.5	10.5	69.0	-	-
Financial .....	251.6	50.8	186.2	14.6	-
Miscellaneous .....	(X)	(X)	(X)	(X)	(X)

<sup>x</sup> Less interest paid by Canadian subsidiary companies to Canadian parent companies.

(X) Figures are withheld to avoid disclosing individual operations, but are included in the totals.

BRITISH AND FOREIGN DIRECT INVESTMENTS IN CANADA: TABLE 21

Total British and Foreign Control

Interest on Funded Debt

Interest paid on Funded Debt by companies incorporated in Canada which  
carry on some or all of their operations in Canada.

Calendar Year 1936

(Amounts are expressed in thousands of dollars)

Type of Business	Total Interest Paid <sup>x</sup>	Interest Paid to Security-holders resident in			
		Canada <sup>x</sup>	United States	Great Britain	Other Countries
TOTAL .....	23,500.4	5,918.7	13,668.4	3,407.4	505.9
Manufacturing .....	5,525.7	616.2	4,024.1	884.8	0.6
Mining .....	1,682.7	495.2	1,139.1	48.4	-
Utility .....	13,815.0	3,803.7	8,006.0	1,999.3	6.0
Merchandising .....	84.6	15.3	69.0	0.3	-
Financial .....	1,732.2	483.3	276.5	473.6	498.8
Miscellaneous .....	660.2	505.0	153.7	1.0	0.5

<sup>x</sup> Less interest paid by Canadian subsidiary companies to Canadian parent companies.

N.B. In order that confidential information may not be revealed, no separate tables are published regarding interest on funded debt paid by companies controlled in Great Britain or elsewhere abroad other than Table 20 (United States Control).



BRITISH AND FOREIGN DIRECT INVESTMENTS IN CANADA: TABLE 22

A. United States Control

Dividends on Common and Preferred Stock and Interest on Funded Debt

Dividends (in cash) and Interest on Funded Debt paid by companies incorporated in Canada which carry on some or all of their operations in Canada.

Calendar Year 1936

(Amounts are expressed in thousands of dollars)

Type of Business	Total Dividends and Interest Paid <sup>x</sup>	Payments to Security-holders resident in			
		Canada <sup>x</sup>	United States	Great Britain	Other Countries
TOTAL .....	126,063.2	31,389.4	86,598.8	7,183.4	891.6
Manufacturing .....	64,953.1	12,668.0	50,399.4	1,815.5	70.2
Mining .....	(X)	(X)	(X)	(X)	(X)
Utility .....	18,218.3	7,749.2	10,043.8	372.3	53.0
Merchandising .....	2,869.9	221.2	2,648.7	-	-
Financial - Total .....	680.8	196.2	457.7	26.5	0.4
Insurance....	(X)	(X)	(X)	(X)	(X)
Investment Trusts	(X)	(X)	(X)	(X)	(X)
Other .....	(X)	(X)	(X)	(X)	(X)
Miscellaneous .....	(X)	(X)	(X)	(X)	(X)

<sup>x</sup> Less dividends and interest paid by Canadian subsidiary companies to Canadian parent companies.

(X) Figures are withheld to avoid disclosing individual operations, but are included in the totals.

BRITISH AND FOREIGN DIRECT INVESTMENTS IN CANADA: TABLE 23

B. British Control

Dividends on Common and Preferred Stock and Interest on Funded Debt

Dividends (in cash) and Interest on Funded Debt paid by companies incorporated in Canada which carry on some or all of their operations in Canada.

Calendar Year 1936

(Amounts are expressed in thousands of dollars)

Type of Business	Total Dividends and Interest Paid <sup>x</sup>	Payments to Security-holders resident in			
		Canada <sup>x</sup>	United States	Great Britain	Other Countries
TOTAL .....	14,897.4	1,443.3	988.2	12,391.8	74.1
Manufacturing .....	10,705.7	1,315.8	723.0	8,593.7	73.2
Mining .....	(X)	(X)	(X)	(X)	(X)
Utility .....	2,503.0	34.5	140.6	2,327.9	-
Merchandising .....	358.4	38.0	-	320.4	-
Financial - Total .....	1,197.9	53.3	106.1	1,037.6	0.9
Insurance .....	548.0	13.2	15.8	519.0	-
Investment Trusts .....	242.7	32.7	90.3	119.0	0.7
Other .....	407.2	7.4	-	399.6	0.2
Miscellaneous .....	(X)	(X)	(X)	(X)	(X)

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<sup>x</sup> Less dividends and interest paid by Canadian subsidiary companies to Canadian parent companies.

(X) Figures are withheld to avoid disclosing individual operations, but are included in the totals.

N.B. In order that confidential information may not be revealed, separate tables are not published for the dividends and interest combined in the above table. These separate items are, however, included in the grand totals for their respective classifications in Tables 19 (Dividends) and 21 (Interest).

BRITISH AND FOREIGN DIRECT INVESTMENTS IN CANADA: TABLE 24

C. Control in Countries other than Canada, the United States and Great Britain

Dividends on Common and Preferred Stock and Interest on Funded Debt

Dividends (in cash) and Interest on Funded Debt paid by companies incorporated in Canada which carry on some or all of their operations in Canada.

Calendar Year 1936

(Amounts are expressed in thousands of dollars)

Type of Business	Total Dividends and Interest Paid <sup>x</sup>	Payments to Security-holders resident in			
		Canada <sup>x</sup>	United States	Great Britain	Other Countries
TOTAL .....	1,806.5	447.9	8.7	-	1,349.9
Manufacturing .....	-	-	-	-	-
Mining .....	-	-	-	-	-
Utility .....	-	-	-	-	-
Merchandising .....	241.4	39.5	8.7	-	193.2
Financial - Total .....	1,565.1	408.4	-	-	1,156.7
Insurance .....	(X)	(X)	-	-	(X)
Investment Trusts .....	(X)	(X)	-	-	(X)
Other .....	(X)	(X)	-	-	(X)
Miscellaneous .....	-	-	-	-	-

<sup>x</sup> Less dividends and interest paid by Canadian subsidiary companies to Canadian parent companies.

(X) Figures are withheld to avoid disclosing individual operations, but are included in the totals.

N.B. In order that confidential information may not be revealed, separate tables are not published for the dividends and interest combined in the above table. These separate items are, however, included in the grand totals for their respective classifications in Tables 19 (Dividends) and 21 (Interest).



BRITISH AND FOREIGN DIRECT INVESTMENTS IN CANADA: TABLE 25

Total British and Foreign Control

Dividends on Common and Preferred Stock and Interest on Funded Debt

Dividends (in cash) and Interest on Funded Debt paid by companies incorporated in Canada which carry on some or all of their operations in Canada.

Calendar Year 1936

(Amounts are expressed in thousands of dollars)

Type of Business	Total Dividends and Interest Paid <sup>x</sup>	Payments to Security-holders resident in			
		Canada <sup>x</sup>	United States	Great Britain	Other Countries
TOTAL .....	142,767.1	33,280.6	87,595.7	19,575.2	2,315.6
Manufacturing .....	75,658.8	13,983.8	51,122.4	10,409.2	143.4
Mining .....	38,255.7	9,912.8	22,559.6	5,016.5	766.8
Utility .....	20,721.3	7,783.7	10,184.4	2,700.2	53.0
Merchandising .....	3,469.7	298.7	2,657.4	320.4	193.2
Financial - Total .....	3,443.8	657.9	563.8	1,064.1	1,158.0
Insurance .....	797.1	92.4	177.2	519.7	7.8
Investment Trusts .....	483.9	121.7	216.4	144.8	1.0
Other .....	2,162.8	443.8	170.2	399.6	1,149.2
Miscellaneous .....	1,217.8	643.7	508.1	64.8	1.2

<sup>x</sup> Less dividends and interest paid by Canadian subsidiary companies to Canadian parent companies.

TABLE 26

## CANADIAN DIRECT INVESTMENTS ABROAD IN BRANCHES, SUBSIDIARIES, ETC.,

BY TYPES OF ORGANIZATION AND KINDS OF SECURITIES, END OF 1936.

(Values in thousands of dollars)

Type of Organization and Country	Number of Canadian Parent Companies <sup>x</sup>	Number of Subsidiaries etc., Abroad	Total Investment \$	Common Stocks \$	Preferred Stocks \$	Bonds and Debentures \$	Other (Net Assets, Loans, Advances, etc.) \$
<u>All Countries--</u>							
Incorporated Subsidiaries,							
Wholly-owned .....	61	181	379,874.2	244,031.9	31,062.8	76,164.7	28,574.8
Other Controlling equities....	31	79	98,446.7	44,867.9	13,177.9	36,697.7	3,703.2
Unincorporated Branches,							
Agencies, etc.....	18	27	5,372.6	-	-	-	5,372.6
Miscellaneous--(Mining and Oil Companies, Leases, Claims, etc.)..	18	19	14,122.8	-	-	-	14,22.8
	111	306	497,776.3	288,899.8	44,240.7	112,862.4	51,773.4
<u>United States--</u>							
Incorporated Subsidiaries,							
Wholly-owned .....	48	119	219,993.9	104,615.6	31,062.8	68,414.7	15,900.8
Other Controlling equities...	26	62	90,420.3	37,841.5	13,177.9	35,697.7	3,703.2
Unincorporated Branches,							
Agencies, etc.....	9	10	172.7	-	-	-	172.7
Miscellaneous--(Mining and Oil Companies, Leases, Claims, etc.)..	16	16	8,906.8	-	-	-	8,906.8
	91	207	319,493.7	142,457.1	44,240.7	104,112.4	28,683.5

<sup>x</sup> Number of Canadian parent companies do not add exactly as several companies operate in more than one area, and with more than one type of organization.

TABLE 26 (Continued)

## CANADIAN DIRECT INVESTMENTS ABROAD IN BRANCHES, SUBSIDIARIES, ETC.,

BY TYPES OF ORGANIZATION AND KINDS OF SECURITIES, END OF 1936.

(Values in thousands of dollars)

Type of Organization and Country	Number of Canadian Parent Companies <sup>x</sup>	Number of Subsidiaries etc., Abroad	Total Investment \$	Common Stocks \$	Preferred Stocks \$	Bonds and Debentures \$	Other (Net Assets, Loans Advances, etc.) \$
<u>United Kingdom---</u>							
Incorporated Subsidiaries,							
Wholly-owned .....	10	18	12,871.1	1,486.5	-	4,000.0	7,384.6
Other Controlling equities...	4	5	912.8	912.8	-	-	-
Unincorporated Branches,							
Agencies, etc.....	8	8	483.5	-	-	-	483.5
Miscellaneous--(Mining and Oil Companies, Leases, Claims, etc.)	-	-	-	-	-	-	-
	22	31	14,267.4	2,399.3	-	4,000.0	7,868.1
<u>Other Countries---</u>							
Incorporated Subsidiaries,							
Wholly-owned .....	16	45	146,969.2	137,929.8	-	3,750.0	5,289.4
Other Controlling equities..	7	11	7,113.6	6,113.6	-	1,000.0	-
Unincorporated Branches,							
Agencies, etc.....	4	9	4,716.4	-	-	-	4,716.4
Miscellaneous--(Mining and Oil Companies, Leases, Claims, etc.)	3	3	5,216.0	-	-	-	5,216.0
	25	68	164,015.2	144,043.4	-	4,750.0	15,221.8

<sup>x</sup> Number of Canadian parent companies do not add exactly as several companies operate in more than one area, and with more than one type of organization.



TABLE 27  
CANADIAN DIRECT INVESTMENTS ABROAD  
IN  
BRANCHES, SUBSIDIARIES, ETC., BY TYPES OF BUSINESS, END OF 1936.

(Values in thousands of dollars)

Type of Business Abroad	All Countries			United States		
	Number of Canadian Parent Companies <sup>x</sup>	Number of Subsidiaries etc., Abroad	Value of Investment	Number of Canadian Parent Companies <sup>x</sup>	Number of Subsidiaries etc., Abroad	Value of Investment
TOTAL INVESTMENT ABROAD..	111	306	\$ 497,776.3	91	207	\$ 319,493.7
Merchandising .....	24	34	9,500.9	12	14	3,937.4
Manufacturing .....	49	132	102,940.5	44	91	72,839.2
Mining, Petroleum and Products	30	53	129,422.4	30	43	32,271.7
Utilities, Transportation and Miscellaneous .....	18	87	255,912.5	9	59	210,445.4

Type of Business Abroad	United Kingdom			Other Countries		
	Number of Canadian Parent Companies <sup>x</sup>	Number of Subsidiaries etc., Abroad	Value of Investment	Number of Canadian Parent Companies <sup>x</sup>	Number of Subsidiaries etc., Abroad	Value of Investment
TOTAL INVESTMENT ABROAD..	22	31	\$ 14,267.4	25	68	\$ 164,015.2
Merchandising .....	8	8	699.2	7	12	4,864.3
Manufacturing .....	10	19	8,165.0	8	22	21,936.3
Mining, Petroleum and Products	-	-	-	6	9	97,150.7
Utilities, Transportation and Miscellaneous .....	4	4	5,403.2	11	25	40,063.9

<sup>x</sup> Number of Canadian parent companies do not add exactly as several companies operate in more than one area, and with more than one type of business.



