



HENRY KOCH, Business Editor

Why investors avoiding Canada

Remember the days when West German investors sunk piles of money into the Kitchener-Waterloo area?

Well, many of those investors, the ones who put their money into apartment developments, for instance, are now directing their dollars or deutsch marks into American projects.

They find they have fewer hassles in a healthier investment climate.

Few are better aware of this situation than Peter E. Held of Toronto, a partner with Dunwoody and Co., chartered accountants.

Mr. Held is consultant to the West German government on the German-American tax treaty and consultant on foreign investments to private groups in Germany, Switzerland, Holland and South Africa.

He says foreign investment in Canada has been dealt such a crucial body blow by constrictive government regulations in the past 12 months that the deteriorating condition "may well prove to be terminal."

The climate for foreign investors in Canada has been deteriorating drastically since the start of the 1970s. In 1970 foreign investment here amounted to more than \$900 million. In the first quarter of this year it shrunk to a mere \$5 million and is still declining.

"Continuous government legislation since last year has left the foreign investors disenchanted to the point where they are no longer looking toward Canada."

Mr. Held blames economic circumstances, along with the general atmosphere controlling Canadian conditions as the influencing factors for this situation.

He points out, for example, that Canada is second only to Italy in its records of strikes and labor unrest. "It is not an appealing picture for the foreign investor."

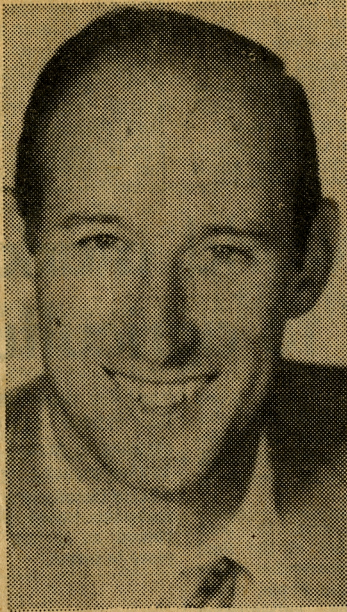
A big investment deterrent has been the Foreign Investment Review Act which gives Ottawa the power to approve or reject all new foreign business ventures in Canada.

"Investors feel that they simply don't want to spend the time and effort in meeting the rigid requirements imposed on them."

Then there's the 1972 Income Tax Act which penalizes foreign investors in Canadian business by depriving many of them of special allowances and reserves normally available to Canadian businessmen and taxpayers.

Another investment deterrent is provincial tax on capital, payable in addition to income taxes. Although this tax applies to Canadian corporations, many foreign investors just can't understand it.

Heaped on top of the rest is the 20-per-cent Ontario land transfer tax on land



Peter Held says attitude of governments must change to lure investors.

and buildings in Ontario bought by non-Canadians. (The Quebec tax is worse, a hefty 33 1-3 per cent.)

Mr. Held says this tax is "decidedly discriminatory," since it is payable only by foreigners who may want to buy property in Ontario or Quebec.

He says the tax contravenes, in the case of West German investors, terms of the Canada-Germany tax agreement, which clearly stipulates that West German investors shall not be subject to "more burdensome taxes" than Canadian citizens.

Other investment deterrents include the Ontario land speculation tax (payable by all) and the Ontario Rent Review Act. "This (last one) has served to frighten off the remnants of foreigners who were still willing to take a chance on the purchase of property in Ontario."

Possibly the greatest single impediment to foreign investment, Mr. Held adds, is the federal anti-inflation legislation.

"This has scared away many investors who feel that they might not be able to fully recover additional business costs incurred by them in future years. They're also apprehensive of the unrest and dissatisfaction caused by this legislation."

The high rate of inflation, coupled with the high cost of borrowing, "have dealt what amounts to the coup de grace."

Example: A 12-per-cent return on

mortgage money with a tax rate of 50 per cent leaves a residue of six per cent. Assuming the rate of inflation to be 10 per cent, this return would result in a four-per-cent loss on capital invested.

"This could hardly be described as an attractive proposition for any investor . . ."

Unless radical changes are made—and made soon—foreign investment in Canada is unlikely to increase. "Since Canada is very much dependent on outside capital coming in, there is an obvious need for an immediate change in government attitude."

What the foreign investor needs, Mr. Held maintains, is a clear indication and an assurance "That we are moving away from our nationalistic trend of thinking."

At the moment the situation could best be described in a little ditty written a few years back for a Spring Thaw musical comedy review:

*"Invest your money in Canada,
Watch it go down the drain."*

Waterloo's Equitable Life Insurance Co. of Canada is now selling life insurance in Bermuda and at Canadian Armed Forces bases in Lahr and Baden-Baden, West Germany, as well as across Canada.

Firm goes international

"Going international," Don L. MacLeod, Equitable's marketing vice-president said, "has provided the company with new business of high quality and rapid growth, with good potential for future sales and recruiting opportunities."

Who's news

Gerry Ellig of Walkerton has been appointed general sales manager of the Kitchener division of Weston Bakeries Ltd. Mr. Ellig, 45, has been with the company's Walkerton distribution centre for 21 years and has served in various sales and office capacities, latterly as branch sales manager. He's married with three daughters and a son.

Mr. Ellig succeeds R. L. (Bill) Rabb, who's been appointed general sales manager of the Essex division.

Eighth acquisition

Butler-Dalton Insurance Agencies Ltd., 501 Krug St., Kitchener, has purchased the portfolio of business of the Hagarty Insurance Agency Ltd. of Brampton.

This is Butler-Dalton's eighth such acquisition in seven years "and enables us to expand our services to another of the major marketing areas of Ontario," Ronald G. Dalton, vice-president, said.

Tim Hagarty, former owner of Hagarty Insurance, has joined Butler-Dalton as agency manager, with responsibility for the administrative operations of the combined group of agencies.