

## Ottawa unlikely to step in

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Mill manager Josh Wheeler examines a pile of processed potash at the Mosaic Potash Colonsay mine storage facility in Colonsay, Saskatchewan

REUTERS/David Stobbe

Carrie Tait, **Financial Post** · Tuesday, Aug. 17, 2010

CALGARY -- As important as Potash Corp. of Saskatchewan is to the province's corporate history, any sentimental attachment to the company gave way Tuesday to the realities of global business.

Potash Corp. found itself in play after Australian giant BHP Billiton Ltd. made a US\$38.6-billion bid, threatening to make the Canadian company a division of a foreign buyer.

The company, the world's biggest fertilizer producer, was formed as a provincial Crown corporation 35 years ago before being privatized in 1989, and plays a major role in Saskatchewan's economy.

Calls to the federal government to block any takeover on the grounds it should be protected because it would not have a "net benefit" to Canada or that it puts control of a strategic resource in the hands of foreigners are unlikely to woo Ottawa. The Harper government Tuesday said it will review the deal as it would any other big transaction.

"Canadians are actually buying more of the rest of the world than the rest of the world is buying of us," said Peter Phillips, a professor at the University of Saskatchewan's Johnson-Shoyama Graduate School of Public Policy. "We can't have it both ways."

Indeed, Western Canadian companies are making themselves at home in Australia, BHP's homeland. Agrium Inc., a Calgary-based fertilizer outfit with strong ties to Saskatchewan, on Monday made a \$1.1-billion offer for grain handler AWB Ltd. Viterro Inc., the revamped Saskatchewan Wheat Pool, snatched ABB Grain Ltd., another Australian company, last fall for US\$1.4-billion.

Grant Devine, the former Progressive Conservative premier who oversaw Potash Corp.'s privatization, says Ottawa should not

shield the company from being bought.

“I’m not really supportive of that move,” he said. “We invest worldwide and ... so if we are expected to be able to do that, we have to allow people to invest in us.”

In the spring of 2008, Jim Prentice, then Canada’s Industry Minister, squashed the proposed takeover of satellite company MacDonald, Dettwiler and Associates Ltd. by a U.S. company because it lacked a net benefit for Canada.

It is a stretch, experts say, to argue Potash Corp. should be protected in the same way.

Because its potash mines are in Saskatchewan, the jobs will remain. Opponents might point to Vale Inco Ltd., which bought nickel-miner Inco Ltd.; Xstrata PLC, which purchased Falconbridge Ltd.; and U.S. Steel Corp., which picked off Stelco Inc., as examples of why Canadians should be wary of foreign takeovers.

Vale and Xstrata cut jobs in Sudbury, even though keeping employees was part of why Ottawa gave the deals the green light.

Tony Clement, the Minister of Industry, spoke out against U.S. Steel’s plan to shutter two of its Canadian plants in 2009, again pointing to U.S. Steel’s promises.

Murray Fulton, an economist at University of Saskatchewan’s Johnson-Shoyama Graduate School of Public Policy, says the job argument will not fly in Potash Corp.’s case.

In the case of Stelco, for example, the industry is flat, and perhaps declining. The fertilizer industry, on the other hand, is soaring, meaning the job market will grow.

“That might be part of the calculus that the government might be looking as well.”

Provincial legislation demands that Potash Corp.’s headquarters remain in Saskatchewan, but Bill Boyd, the province’s Minister of Energy and Resources, said a subsidiary would solve that particular problem.

Otherwise, Saskatchewan has no power to block the deal.

“We are supportive of the market forces at play, but we are also recognizing this is an unsolicited offer that has been rejected by the board of directors of Potash Corp.,” Mr. Boyd said.

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