

# Canada Considers Blocking Foreign Potash Buyout

ROB GILLIES, Associated Press Writer

TORONTO (AP) — The premier of Saskatchewan publicly questioned Monday whether a foreign takeover of Canada's Potash of Saskatchewan is good for his province or Canada after meeting with BHP Billiton's chief executive.

Premier Brad Wall's remarks Monday came on the same day Canadian Prime Minister Stephen Harper told Parliament that foreign takeovers are not automatically approved.

Australia's BHP Billiton Ltd. launched a hostile \$130-per-share takeover bid last month after Potash directors rejected its offer. Chinese state-owned companies are also interested in making a rival bid.

Harper's federal government can block a foreign takeover if it's not a "net benefit" to Canada. Harper has asked for Wall's input.

Wall is wary of both a Chinese and BHP takeover of Potash.

"The question needs to be, 'Are Saskatchewan people, are Canadians better off as a result of this, is our economy stronger as a result of this very large deal?'" Wall said.

"We're doing our homework, we'll see what all of that due diligence tells us, but as of today I'm having a hard time answering that question in the affirmative."

Wall said his meeting with BHP Billiton CEO Marius Kloppers was friendly and frank, but he was no more supportive of the hostile takeover bid for Saskatchewan's biggest company than he was beforehand.

"This government's position has not been to give a blank check to foreign takeovers," Harper said in Parliament. "There is a law in place. I have spoken about the particular case with the premier of Saskatchewan and obviously we will examine his concerns as we do the review that is required under the Foreign Investment Review Act."

Harper's government blocked a U.S. company's takeover of the space and satellite division of MacDonald, Dettwiler and Associates Ltd., Canada's leading space technology firm, in 2008. It was the first time Canada has rejected a foreign takeover outright since the Canada Investment Act took effect in 1989.

But Harper's Conservative government is a staunch supporter of free trade and has allowed recent Chinese investment in Canada's oil sands sector.

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Potash Corp. is the world's largest fertilizer company and one of the Saskatchewan's largest revenue-generating companies. The provincial government collects royalties from the resource.

Saskatchewan's resource minister has said a state-owned Chinese buyer would want to overproduce and drive down prices, which would hurt the province financially.

The province also doesn't want BHP Billiton to pull out of the Canpotex potash marketing cartel if it gets the company. Canpotex represents Saskatchewan's three largest potash producers in sales of potash outside North America. BHP Billiton has said it would pull out of the cartel and sell potash itself.

The Saskatchewan government is worried that BHP Billiton would operate at full capacity and lower potash prices, leading to less revenue for the province.

Kloppers was vague on BHP Billiton's plans for Canpotex at a news conference following the official opening of the company's new potash headquarters in Saskatoon, Saskatchewan on Monday.

Kloppers said he is in Canada for a week to "personally present the credentials" of BHP Billiton. He is expected to travel to Ottawa Wednesday.

BHP Billiton is waiting for approval from Canadian and American competition authorities, as well as the federal Canadian government, before it asks PotashCorp shareholders to vote on the bid. Currently, the bid expires on Oct. 19, but Kloppers said this can be pushed back if necessary.

Kloppers said they have no plans to change what he called is the only bid on the table. He called reports about another bid for Potash as "speculation and rumors."

"The reality is there is only one cash bid on the table, which is ours," Kloppers said.

He said BHP Billiton will go ahead with plans to build a planned potash mine in Saskatchewan even if its bid for Potash Corp. succeeds.

Shares of Potash closed up \$1.19 to 148.47 in trading on the New York Stock Exchange. Potash shares soared to over \$230 just before the global recession hit in 2008.

China has expressed unease that a BHP Billiton takeover of Potash might create a "potash monopoly" that would boost prices and hurt China, a major importer of the mineral used in fertilizer.

BHP Billiton is hoping to diversify its assets and profit from what it expects will be rising fertilizer demand in China and India.

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