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RESPONSE OF THE FEDERAL
GOVERNMENT TO THE
RECOMMENDATIONS OF THE
CONSULTATIVE TASK FORCE ON
**THE CANADIAN PROCESSED
FRUIT AND VEGETABLE
INDUSTRY**



Government
of Canada

Gouvernement
du Canada



[Canada]

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CONSULTATIVE TASK FORCE
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CANADIAN PROCESSED FRUIT AND VEGETABLE INDUSTRY

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Members of the Consultative Task Force on the Fruit and Vegetable Industry	

INTRODUCTION

In February 1978, Canada's First Ministers initiated a process of private sector consultations on measures to improve the performance of, and the outlook for, the manufacturing, construction and tourism sectors in the Canadian economy. Twenty-three industry task forces composed of representatives of management, labour and the academic community were formed. Provincial government representatives also participated. By August 1978, each task force had completed a series of meetings and submitted a report reflecting conditions in their industry to the Federal and Provincial Ministers of Industry and to the public. These reports covered a broad range of themes and the recommendations contained in them are viewed by the federal government as important elements in the development of future industrial policies.

Following the work of the industry sector task forces, an Overview Committee was established consisting of five representatives from the Canadian Labour Congress, five from the business community, one from the academic community and a chairman from the private sector. This group worked from the task force reports, identified common viewpoints, and presented policy recommendations applicable both to the economy generally and to specific industries. The Overview Committee presented its report to Governments in October 1978.

In reviewing the prospects for industrial growth over the next number of years, the reports prepared by the industry task forces and the Overview Committee addressed two objectives in particular. The first, was to improve the competitiveness and productivity of Canadian industry. The second was to create long-term employment.

In assessing these reports, and the Government's responses, a number of themes emerge which are of particular importance and which might be viewed as providing a framework for the recommendations of business and labour as well as the responses of the federal government. These themes focus on measures to increase industrial competitiveness, especially by building on comparative advantage, the support of regional economic development goals and the enhancement of Government, business and labour cooperation.

While the substance of what has emerged from the task force and Overview Committee reports is of utmost importance, the Government believes that the emerging process of Government/private sector consultation is of equal value. In this regard, the federal government views the results of these consultations as a significant framework for evaluating existing policies and programs and for designing new ones.

As part of its commitment to the consultative process, the Government has undertaken to respond to the recommendations of each of the twenty-three task forces and to those of the Overview Committee. An initial Government response was released in November 1978 entitled "Action for Industrial Growth - A First Response". A specific response to the task force recommendations with respect to taxation measures was included in the Budget Papers of November 16, 1978. On February 21, 1979, the Government released its response to the forty-six recommendations made by the Overview Committee. The Government agreed with and outlined measures in relation to the overwhelming majority of these recommendations. This document, Response of the Federal Government to the Recommendations of the Consultative Task Force on the Canadian Fruit and Vegetable Industry, constitutes one of the twenty-three detailed federal government responses paralleling the task force reports and should be viewed as part of the ongoing consultative process.

It is recognized that the implementation of policy initiatives indicated in these responses will, in many cases, take some time and that a few other policy issues have yet to be fully addressed. The Government will, therefore, be continuing to respond to the industry task force reports. The Government also believes that continuing consultations between business, labour and Government on specific industry sector problems are a vital part of this further work. Finally, the Government recognized that in responding to the recommendations, not all participants of each task force will be satisfied. In a number of instances, dissenting reports were submitted along with or after completion of the task force report. The Government is committed to addressing all recommendations contained in these reports.

PART I

GOVERNMENT RESPONSE TO TASK FORCE RECOMMENDATIONS - AN OVERVIEW

The task force advanced recommendations under eight main heads: rationalization; environmental regulations; industrial development incentives; research and development; land use policies; unemployment insurance; minimum wages and marketing boards.

The task force stated that rationalization is best brought about by the adjustment of firms to evolving market forces. While the Government agrees with this, it also feels that it must not take place in a manner detrimental to regional development which is an overriding Canadian priority. The federal government will continue to offer adjustment assistance programs to assist industries, regions and communities affected by rationalization brought about by market forces. With respect to trade policy, safeguard measures will be improved. The investment tax credit has been extended and increased to encourage long-term investment.

The task force was concerned with the increasing costs of pollution control. The Enterprise Development Program (EDP) of the Department of Industry, Trade and Commerce is already sufficiently broad to include expenditures for environmental protection purposes under the innovation and adjustment assistance elements of the program. The Department of the Environment is taking positive action with respect to some of the task force recommendations and is examining the scope for addressing others. In particular, regulations based on best practicable technology will be valid for five-year periods. The budget of the Minister of Finance of November 16, 1978 extended indefinitely the two-year write-off for air and water pollution abatement equipment.

With respect to industrial development incentives, the federal government will improve its consultations with other levels of government to harmonize programs and eliminate overlapping. On November 1, 1978 the Prime Minister announced the creation of the Board of Economic Development Ministers. The Board will consolidate and co-ordinate present and future policies of "economic program" departments, and will improve the delivery of these programs and services to industry. The federal government's policy is not to commit public funds to projects which would normally proceed without assistance and it recognizes that its RDIP assistance should be granted in a manner which does not create or contribute to fragmentation or excess capacity.

The federal government welcomes the emphasis that industry places on increasing expenditures on research and development. This is also a high priority of government. The Minister of Finance in his last budget announced additional measures to encourage research and development.

Parliament has passed legislation with respect to Unemployment Insurance regulations which addresses the concern expressed by the task force.

While the task force recognized that growers have a right to bargain collectively through marketing boards, it expressed grave concern regarding some of the functions and practices of boards. The Government, after appropriate consultation with provincial governments, decided that a study of marketing board activities should be undertaken in order to identify ways and means to improve the functioning of the boards. It is expected that the Economic Council of Canada will conduct this study as part of its major study of the burden of government regulation on industry. The Government is also proposing major amendments to the Agricultural Stabilization Act which will enhance the income stability of agricultural producers.

The Government was impressed with the broad measure of agreement between the task force members. It particularly welcomed the initiatives which the industry proposes to undertake and stands ready to give all possible assistance for their achievement.

PART II

DETAILED RESPONSE TO TASK FORCE RECOMMENDATIONS

SCOPE FOR RATIONALIZATION

1. Recommendation

It is the view of the task force that rationalization is an inevitable and natural process which is best brought about by the adjustment of firms to evolving market forces. Indeed, no industry specific governmental interventions are required to catalyze or to accelerate rationalization in the processed fruit and vegetable industry.

Government Response (Agree in part)

At their meeting on November 7, 1978, federal and provincial industry Ministers discussed the Overview Committees's findings on the question of rationalization. The Committee's recommendations and Government's response both endorse the need for rationalization. While the initiative for rationalization must be left with the private sector, the Government will support such initiatives by providing support facilities and, along with industry, help in easing hardships created by plant shutdowns occurring because of rationalization. The Ministers' view was that the overall economic and taxation environment was the principal influence on rationalization. They also emphasized that rationalization must not take place in a manner detrimental to regional development efforts. They agreed with the Committee that any competition legislation must be designed so as to encourage rationalization while protecting the public interest from market abuse. They agreed that facilities are needed to assist smaller firms to develop joint services and to permit governments to participate in assisting the rationalization process in certain circumstances. Adjustment assistance programs are being implemented by the federal government to assist industries, regions and communities affected by rationalization brought about by market forces.

2. Recommendation

At the same time, the industry does require that governments strive to maintain an environment which is conducive to orderly processes of rationalization and development. In this regard, three areas are of pre-eminent concern:

- a) in trade policy, safeguard measures should be refined in ways which will shield the industry from disorderly external market conditions. Further, an adequate level of protection should be provided for products in which the Canadian industry is not at present competitive but which must be retained if average total processing costs over the full range of products are to be minimized and the viability of the industry is to be assured.

Government Response (Agree)

The Government accepts the recommendation with respect to safeguard measures. This is confirmed in the Government's white paper on food strategy of June 1977. General safeguard measures are being addressed in the context of the GATT Multilateral Trade Negotiations. GATT Article XXVIII Negotiations to implement where appropriate the recommendations of the Tariff Board with respect to tariffs on a wide range of fresh and processed fruit and vegetables have been concluded and the resulting new tariff schedule was introduced as a ways and means motion by the Minister of Finance on March 12, 1979.

In addition, the Government is committed to taking expeditious action on injurious imports compatible with our international rights and obligations. Specifically, its efforts in this area include:

- a) improved execution of the streamlined timetable measures already taken by the Department of Finance, the Anti-Dumping Tribunal and Revenue Canada in anti-dumping and countervail legislation;
- b) continued development by the Government of more efficient domestic procedures and administration of regulations/legislation dealing with injurious imports, taking into account changes resulting from the MTN.

2. Recommendation

- b) macro and micro-economic policies should be pursued which will permit and encourage firms to make the heavy investments in reorganization, modernization and expansion that industry rationalization will entail in the years ahead.

Government Response (Agree)

The federal government is taking steps to encourage long-term investment in the reorganization, modernization and expansion of competitive industries. The Budget Measures introduced by the Minister of Finance on November 16, 1978, also contribute to strengthening the Government's commitment. The investment tax credit is being extended indefinitely and the rates of credit are being increased from the current five, seven and one half and 10 per cent to new levels of seven, 10 and 20 percent. The higher rates apply to designated slower growth areas. This is also the objective of a wide range of programs, for example, the Initiatives for Industrial Adjustment and Development announced by the Minister of Industry, Trade and Commerce on October 13, 1978, and the Measures to Assist Small Business announced by the Minister of State for Small Business on May 23, 1978.

The Minister of State for Economic Development announced on March 8, 1979 that the Government intends to establish a loan reinsurance scheme to free an extra one billion dollars in long term loans for "junior" industrial companies.

2. Recommendation

- c) It is imperative that the adverse impacts of various framework policies and regulatory activities be recognized and minimized.

Government Response (Agree)

The Industry Sector Consultative Task Forces were specifically established as a forum to discuss framework policies with industry.

At the request of First Ministers, the Economic Council is examining the rationale for regulation, alternatives to regulation, implementation procedures across government departments and levels of government, and will publicize its findings. The Council's study will include specific studies on marketing boards, and the processing, distribution and retail food sectors.

The Department of Consumer and Corporate Affairs, in consultation with other concerned departments, has set out an interim work program on regulatory review for federal departments. This will:

- a) assess the applicability of Socio-Economic Impact Analysis (SEIA) to existing regulations;
- b) design a framework for internal policy review of existing regulatory activity where the SEIA approach may not be appropriate;
- c) suggest those federal regulatory activities where evaluation along the lines of a) and b) above should be undertaken immediately;
- d) recommend a centralized reporting structure that ensures such reviews take place;
- e) suggest how the problems created by the shared nature of certain regulatory activities among federal departments and among federal and provincial governments should be resolved.

The Treasury Board is directing individual departments to implement consultation at the problem definition stage with interested parties on proposed new safety, health and fairness regulations where such consultation does not at present take place and where an emergency or unusual circumstance does not exist.

3. Recommendation

One area which may require some attention is the provision of assistance to particular communities in which processing is important and which would be hard hit by plant closure.

Government Response (Agree)

The federal government accepts this recommendation. The Department of Labour is conducting an inquiry into the problems of single industry communities. The report of the inquiry is expected to be published in 1979.

The Department of Regional Economic Expansion has also studied the problems of single industry communities in considerable depth, and its findings were published in 1977 as an occasional paper entitled, "Single Industry Communities."

Efforts are being made by the Government to identify additional developmental opportunities and to help provide the necessary services to attract and develop new economic activities for these communities.

There are, for example, subsidiary agreements, signed with the Provinces of Nova Scotia, New Brunswick, Quebec, and Ontario, which contain specific program measures designed to assist communities with limited economic activities, to expand and diversify their economic base by helping to provide essential industrial infrastructure and services or by supporting particular industrial activities. In addition, the Regional Development Incentives Program also provides financial incentives to support manufacturing and processing activities in many of these communities.

On October 13, 1978, the Minister of Industry, Trade and Commerce announced an expanded program of Initiatives of Industrial Adjustment and Development. While this program is general in nature its provisions are available to firms which face plant closure in small communities.

- a) Industry restructuring to meet future opportunities including those arising from the MTN. The Enterprise Development Program's loan guarantee ceiling is increased from \$350 million to \$1 billion, with special emphasis on small and medium firms.
- b) Innovation systems: under EDP, the annual budget for grants to encourage high risk research, design and development increase from \$25 to \$60 million and the EDP cost-sharing ratio changed to 75 per cent of direct costs from 50 per cent of total costs.

- c) Promotion of rationalization: to facilitate rationalization, \$20 million will be made available for 100 per cent loan guarantees to forestall bankruptcies until viable takeovers can be arranged, \$4 million will be made available for consulting studies to promote mergers, and a risk reducing insurance mechanism will be implemented to encourage mergers and acquisitions. Only firms which can demonstrate long-term potential viability will be given this short term assistance.
- d) MTN related restructuring: to finance restructuring necessitated by injury arising from the multilateral trade negotiations, new instruments will be added to EDP: \$20 million for 100 per cent loan insurance annually, \$5 million per year in direct loans, and \$2 million per year in consulting services.
- e) MTN panel: to ensure ready access to EDP, companies requiring adjustment assistance due to the MTN will have access to a specialized panel of the Enterprise Development Board.

The Government recognizes the impacts of plant closures on employees and communities, and has introduced measures to address these, including retraining programs, funding for emergency job creation, mobility assistance and measures to encourage the joint management/union planning of manpower adjustments. In 1979-80, the Government has proposed expanded initiatives in all these adjustment areas. Specific proposals include:

- a) an increase in funds allocated to government training programs, with emphasis on expanding on-site industrial training and apprenticeship support. (In 1979-80, for example, the Canada Manpower Industrial Training Program is expected to expand by \$20 million);
- b) a new Special Response Component of Canada Works to permit the federal government to respond quickly in local crisis situations by providing funding for temporary job creation or assistance leading to permanent job creation;
- c) the introduction of increased funding and flexibility into the Canada Manpower Mobility Program to permit its use in specific situations of employment dislocation or expansion;
- d) the development of a new computerized National Job Bank which will help match supply and demand geographically and support mobility;
- e) an expanded Manpower Consultative Service, to encourage companies and unions jointly to plan and implement manpower adjustments;
- f) the introduction of a new Portable Wage Subsidy, to be "carried" by employees who are laid off as a result of industrial employment dislocations, to facilitate their re-employment elsewhere.

4. Recommendation

Viewed in a national context, one existing form of intervention by governments may inhibit rationalization. Some members of the task force hold the view that federal and provincial regional subsidies and development grants may lead to excess capacity and the distortion of inter-regional competition in the national market. Other members view the current system of regional incentive grants as playing a vital role in redressing regional economic imbalances. An elaboration of the task force's view on this subject is provided in the section entitled Industrial Development Incentives.

Government Response (Agree in part)

The response to this recommendation will be found under the section entitled Industrial Development Incentives (recommendation 12).

IMPACT OF ENVIRONMENTAL REGULATIONS

5. A mechanism be established which would encourage close co-operation and consultation between the federal and provincial governments, industry and other affected parties on matters relating to environmental controls.

The principal objectives would be as follows:

- a) agreement on realistic standards;
- b) standardization of regulations throughout federal, provincial, regional and municipal jurisdictions;
- c) justification of any proposed change by cost-benefit analysis;
- d) agreement on a reasonable time frame to implement changes;
- e) establishment of a specific period of time during which regulations would not be changed.

Government Response (Agree in principle)

The federal government is responding to these concerns as follows:

- Cost-benefit analysis: the socio-economic impact analysis, which includes cost-benefit analysis, is being applied to all new major regulations and major changes in existing regulations in the health, safety and fairness areas.

In response to the Overview Committee, the federal government has noted that it is conscious of the difficulties underlying labour's concern regarding the serious limitations in utilizing cost-benefit analysis in determining the adequacy of certain regulations. Significant difficulties do exist in assigning quantitative values that reflect a broad societal consensus. The Government is committed therefore to making such studies publicly available prior to implementing regulatory changes that might arise from them. This will give interested parties a chance to publicly question the values so assigned.

- Implementation: wherever possible implementation of federal environmental protection regulations is being undertaken by provincial agencies; in seven provinces this is accomplished under the provisions of federal/provincial agreements.
- The Department of the Environment is examining current relationships with provinces to determine improvements in these arrangements to respond to the concerns of industry regarding overlap, and to move federal government policy towards provincial responsibility for the implementation of federal environmental protection regulations. It is to report on this examination in 1979.
- The federal government has undertaken that new or expanded plants which have complied with Best Practicable Technology will not be required to comply with revised BPT for five years after coming into operation if BPT requirements are changed in the interim: this provision would not apply if something of overriding importance were to occur in the intervening period.
- The Department of Environment is reviewing implementation strategies and will develop environment priorities which would allow compliance schedules to vary according to priority requirements and will report on this review.

6. Recommendation

As a long-term objective, the Government should seek to reach international understandings on pollution standards and cost absorption.

Government Response (Agree)

The federal government makes every possible effort to reach international understandings on pollution standards and cost absorption. Canada is a party to the Organization for Economic Cooperation and Development's (OECD) Guiding Principles Concerning International Economic Aspects of Environmental Policies. These provisions are available to deal with any particular trade problems between OECD members. Canada will also apply these guidelines in its trade relations with countries outside the OECD.

7. Recommendation

Until recommendation 5 is implemented, governments should seek ways to offset the cost of environmental regulations in order to assist the industry to remain competitive.

Government Response (Agree in part)

The Enterprise Development Program (EDP) already encompasses environmental protection objectives in that capital equipment costs of restructuring projects (which may involve more advanced pollution abatement technology) are eligible for consideration under the adjustment assistance element of the program. In addition, R & D expenditures undertaken for environmental protection purposes qualify for consideration under the innovation assistance element of the EDP. In addition, capital expenditures for environmental protection qualify for consideration under the Regional Development Incentives Program (RDIP) to the extent that they are part of an investment program for modernization or expansion.

Under the RDIP, capital costs incurred to abate air, water or other pollution may of course be included in the approved capital costs of a project that is otherwise eligible for incentive assistance provided that the pollution abatement equipment is an integral part of that project.

However, because the objective of the RDIP is to stimulate and preserve productive employment opportunities in the slower-growth regions, an incentive would not be authorized for any project which involved only the installation of pollution abatement equipment or the modernization or upgrading of existing pollution control equipment.

The budget of November 16, 1978, contained specific measures to offset the costs of environmental regulations.

The income tax provisions currently contain a fast write-off for capital expenditures incurred to control air and water pollution. Such expenditures (on both structures and machinery and equipment) may be fully written off over two years at 50 per cent per year as opposed to a write-off at rates ranging between five and 20 per cent (on a declining balance basis) that would otherwise apply. This two year write-off provision has been extended indefinitely. The tax incentive reduced federal and provincial revenues by some \$20 million a year.

Over the next few years there will be an increased need for industry to make major investments in pollution abatement equipment. In addition to the two year write-off, such investments also qualify for the federal investment tax credit. This credit is being extended indefinitely and the rates of credit are being increased from the current five, seven and one half and 10 per cent to new levels of seven, 10 and 20 per cent. The higher rates apply to designated slower growth areas.

8. Recommendation

Provision should be made in tax regulations to compensate companies for land utilized for pollution abatement.

Government Response (Disagree)

Capital cost allowance is a system of depreciation whereby a taxpayer may claim the cost of a depreciable asset at an annual rate as a deductible expense against income generated from the business in which the asset is used. Land is not a depreciable asset as it retains its economic, useful life. It would be inappropriate to depreciate land through the CCA system given the objectives of the system.

The processed fruit and vegetable industry benefits substantially from government tax incentives applicable to the manufacturing and processing industry in Canada. Some of the incentives are: low corporate rate of tax for M & P, two-year write-off for machinery and equipment, investment tax credit and 3% inventory allowance.

9. Recommendation

The level of research on pollution abatement being carried out by governments should be still further augmented.

Government Response (Agree in principle)

Government research budgets are under review in line with the Government's commitment to reduce expenditures by the public sector. The level of research on pollution abatement will be carefully examined in that review. Research to improve the use of waste products, while minimizing pollutants is to be given high priority. The Government is also taking measures to stimulate an increased level of research by the private sector.

INDUSTRIAL DEVELOPMENT INCENTIVES

10. Recommendation

Federal and provincial government incentive programs should be harmonized to reduce their number and complexity, to eliminate overlapping, and to increase their effectiveness.

Government Response (Agree in principle)

Federal government departments and agencies continually consult with the provinces and industry on this subject. However, it is recognized that consultations could be improved and efforts will continue toward that end.

The Board of Economic Development Ministers will concern itself with the effective and co-ordinated delivery of federal economic programs and services. The work of the industry task forces and the Overview Committee has shown Ministers that many of the Government's programs and services are either not as well known and understood or not as well integrated with each other or not as responsive as they need to be. This is at present a major component of the Board's work program and two activities are underway. The first is to make information about the Government's industrial and economic support programs more easily available to businessmen. The second is the development of a compendium of economic development policies and programs of the Government of Canada. This compendium will enable the Government to determine where overlaps or conflicts in programs exist, where further program development is required and eventually how federal and provincial programs might be better integrated.

At their meeting on November 27-29, 1978, First Ministers agreed that it is essential to continue to discuss and co-ordinate federal and provincial approaches to Canada's economic problems through an improved federal/provincial framework for consultations, discussions and concerted decisions.

11. Recommendation

The commitment of public funds to projects which would normally proceed without assistance should be eliminated.

Government Response (Agree)

The federal government's policy is not to commit public funds to projects which would normally proceed without assistance.

This is of course only one of the criteria which must be considered in assessing projects for assistance, and on which judgements must be made, taking into account the representations of the applicant. As decisions often involve a careful balancing of views and factors, it is understandable that there may sometimes be a perception that a project might have proceeded without assistance.

12. Recommendation

Before RDIP assistance is given to projects which increase capacity in the industry, the Government should ensure full compliance with regulations requiring an evaluation of the potential impact on the existing industry.

Government Response (Agree in principle)

The Government is concerned with the issue of overcapacity. For this reason, among others, it is the policy of the Department of Regional Economic Expansion to discuss possible initiatives with affected parties except where such discussions are not considered feasible or would compromise confidential business information. Careful monitoring and continuous consultations with the Department of Industry, Trade and Commerce in the project evaluation process mean that the incidence of overcapacity due to the incentives policy is increasingly rare. Each project for which a grant is sought is examined to ensure that it responds to a growth opportunity and does not simply displace existing production. For major government assisted industrial projects, extensive consultations among departments and other groups take place before decisions are reached.

13. Recommendation

Governments should consult industry associations and individual firms when designing new programs applicable to that industry.

Government Response (Agree in principle)

At the Federal-Provincial Conference of Ministers of industry on November 7, 1978, the Ministers noted that the Overview Committee had recommended that public policy decision making must remain in the hands of governments and that a consultative mechanism as such could not share this responsibility. To assist this process, however, the committee recommended that consultations on specific issues be an on-going process. Industry Ministers agreed that a continuation of the consultative process is essential.

The Government intends to consult, wherever practicable, with industry regarding the design of programs. For example, the Minister of Industry, Trade and Commerce has established a committee of prominent businessmen to assess the adequacy, accessibility and relevance of government export promotion services and to examine the interface between these and other related government programs. The Government has also established an Agricultural Export Market Development Task Force and a Task Force on Labour Mobility.

To facilitate and encourage such consultation, the Canada Employment and Immigration Commission (CEIC) has established a multipartite Employment and Immigration Advisory Council, including labour and management representation, to advise on manpower policies. In addition, in the identification of training requirements, the CEIC supports a strong sectoral approach, and is prepared to participate with sectoral groups in the identification of sectoral training needs, programs, and policies.

14. Recommendation

Governments should ensure that incentive programs do not discriminate between applicants on grounds of legal entity or ownership.

Government Response (Agree in principle)

While it is not a normal practice of the federal government in its incentive programs to discriminate between applicants on grounds of legal entity or ownership there may be occasions when to do so is deemed to be in the public interest.

Insofar as this recommendation was inspired by the Fruit and Vegetable Storage Construction Assistance Program, it should be noted that this program was originally designed to meet the special needs of co-operatives. As part of the recent reductions in Government spending it was announced that this program would be phased out effective April 1, 1979. However, this cutback has been reconsidered and the program will be extended. Possible alterations of the terms and conditions for its extension will include an examination of what business entities should be eligible for assistance.

LEVELS OF RESEARCH AND DEVELOPMENT ACTIVITY

15. Recommendation

Provided that satisfactory profit levels can be re-established, individual firms should expand their expenditures on research and development and make fuller use of existing incentives and opportunities for in-house and co-operative research programs.

Government Response (Agree)

The federal government welcomes the emphasis that industry places on expanding expenditures on research and development. As has been stated many times this is a government priority.

In his budget of November 16, 1978, the Minister of Finance announced additional measures to encourage research and development as follows:

- The basic investment tax credit for R & D will be doubled from five to 10 per cent. In the Atlantic Provinces and the Gaspé it will be doubled to 20 per cent.
- A special R & D tax credit of 25 per cent will apply for small business corporations in all parts of Canada.
- These R & D incentives are in addition to substantial new measures announced in 1978, and reflect a broad concern of the industry task forces.

16. Recommendation

- The fruit and vegetable processing industry, through its national and regional trade associations, should explicitly determine its research needs and priorities, and seek to ensure that these are addressed by scientists, technologists and economists in federal and provincial research agencies, and the universities.
- Particular attention should be paid to research on those commodities and their derivative products which are of pivotal importance to a viable Canadian processing industry but in which competitiveness is now weak (e.g. tomatoes and peaches), and on those products in which Canada has and can retain a clear comparative advantage (e.g. potatoes, blueberries, raspberries, sweet corn, snap beans).
- A systems approach to commodity and product development is recommended which identifies and embraces the critical issues of various cultural practices, harvesting and handling methods, processing techniques and market practices needed to assure that the industry continuously enhances its competitive efficiency.

Government Response (Agree)

The federal government accepts the principle of these recommendations. The Government would welcome an initiative by the industry to determine its research needs and priorities and, when they have been identified, federal departments concerned would be pleased to discuss with the industry how best its needs can be met.

The subject of these recommendations was considered further at the Horticulture Seminar held in Ottawa March 12-14, 1979.

17. Recommendation

Processors should work closely with producers' marketing boards in the articulation and implementation of an expanded and more sharply-focussed research and development program, and the two groups should view such a program as a key feature of a joint development strategy for their industry.

Government Response (Agree)

While this recommendation requires industry action, the federal government would welcome and encourage closer co-operation between processors and producers' marketing boards.

LAND USE POLICIES

18. Recommendation

- Provincial governments should introduce effective measures:
 - a) to control and slow the conversion of prime farm land to other uses;
 - b) to provide land owners with compensation in lieu of capital gains in order to protect the land base;
 - c) to establish land banks.
- Land used for farming should continue to be taxed on its agricultural use value.
- Provided land is retained for agricultural use, governments should not place restrictions on ownership or leasing of land by either Canadian or foreign-owned processing firms. Furthermore, the right of processors to grow their own raw product requirements should not be limited.

Government Response (Provincial jurisdiction)

It is recognized that within provincial boundaries land use is a provincial responsibility and federal legislative encroachment in this area will be avoided. The federal government recognizes that efficient food production depends upon the preservation of high quality agricultural land, and will support action to protect such lands from urban encroachment and other competing uses, wherever possible.

UNEMPLOYMENT INSURANCE REGULATIONS

19. Recommendation

It is recommended that qualifying periods not be reduced from current levels.

Government Response (Agree)

The Government, after hearing views from many parties including those of labour which were opposed to U.I. amendments, has introduced amendments to the Unemployment Insurance Program. These changes to the U.I. Act (Bill C-14) included five measures intended both to reduce and disincentives to work and to encourage workers to establish more stable work patterns and develop longer work attachments to the labour force. These changes are: higher entrance requirements for individuals with repeat claims in a 52-week period, additional entrance requirements for new entrants

and re-entrants to the labour force, an increase in minimum insurability, (20 hours of work per week will now be needed for such work to be insurable), a reduction of weekly benefit rate to 60 per cent of average insurable earnings, and a recovery of a portion of U.I. benefits from high income claimants.

MINIMUM WAGE LEGISLATION

20. Recommendation

While recognizing that it is not politically or economically practical to adjust minimum wage legislation to accommodate the special needs of the processed fruit and vegetable industry, it is recommended that provincial governments with high minimum wage rates consider appropriate measures to offset this disadvantage.

Government Response (Provincial jurisdiction)

The recommendation of the task force falls under provincial jurisdiction and would require provincial action.

POWERS AND PRACTICES OF MARKETING BOARDS FOR FRUIT AND VEGETABLE CROPS

21. Recommendation

- The task force would view with alarm any move to national marketing boards with supply management powers and strongly recommends against government moves of this nature for any processing crops.
- While members of the task force recognize the rights of growers to bargain collectively, they are opposed to boards having the powers to unilaterally set prices, restrict output and exclude growers from fruit and vegetable production.
- Marketing boards should not have jurisdiction over the raw products grown by processors.
- There is an urgent need for improved systems of surveillance and regulation of producers' marketing boards. In particular, the processing sector should be more adequately represented on regulatory agencies and these bodies should be required to develop strategies which foster the long-term viability of the food industry as a whole as well as of its component parts.

Government Response (Under review)

Concerns which have been expressed regarding the effects of marketing board supply management and pricing activities are being addressed in several ways.

Government has approved in principle proposals for (i) widened representation on the National Farm Products Marketing Council, (ii) new terms of reference for the Council. These proposals have been designed to strengthen the Council's supervisory role and make its activities more visible to the public. These changes were announced January 4, 1979.

The two food-related industry sector task forces made several recommendations concerning marketing boards. The report A Climate For Growth: A First Set of Proposals in Response To The Industry Sector Consultations, approved by the Government and adopted by First Ministers, includes, among others, the statement that:

"The federal government, after appropriate consultation with provincial governments, in recognition of the large number of marketing boards under their jurisdiction, will undertake or commission a study of marketing board activities, including the impact on the efficiency and competitive position of the primary and processing sectors, in order to identify ways and means to improve the functioning of marketing boards."

The Economic Council of Canada, as part of its study of government regulation, will examine the objectives, activities and powers of marketing boards in the context of other government interventions in agriculture. First Ministers have endorsed the report containing the Council's proposals. It is expected that the Economic Council's study will meet the requirements of the study proposed above. The Steering Group on Food Policy will provide advice to the Council to ensure that its study takes into account the concerns raised by the task force.

There is no easy answer to the concerns raised by the task force with respect to marketing boards. The system of marketing boards has matured in Canada on the basis of social, economic and regional development needs. At this stage governments can only consider the specific needs to improve the functioning of boards. The task force itself recognized that marketing boards have a useful role to play in the sale of commodities by combining the selling needs of their members into a single agency, thus improving bargaining strength.

22. Recommendation

Provinces should review their arbitration procedures with a view to appointing knowledgeable unbiased individuals who respect the legitimate needs of efficient producers and processors as well as their long-term common interests.

Government Response (Provincial jurisdiction)

This recommendation falls under provincial jurisdiction and would require provincial action.

23. Recommendation

The processing industry must make a vigorous and concerted effort to replace the current adversarial approach with a more co-operative relationship between producers and processors.

Government Response (Agree)

While this recommendation requires industry action, the federal government would encourage closer co-operation between producers and processors.

It should be noted that at the Horticultural Seminar held in Ottawa March 12-14, 1979 the Workshop on processing vegetables expressed the opinion that "without exception and in spite of the pronouncements in the task force report, grower/processor relationships are not adversarial but rather constructively cooperative". The report also recognized the concerns of processors at the prospect of marketing boards being given power to set terms and conditions of sale.

24. Recommendation

The task force strongly recommends that the problem of price and income instability be addressed by means of appropriate agricultural programs rather than by the creation of marketing boards with monopoly powers.

Government Response (Agree in part)

This subject will be addressed by the Economic Council study of the regulatory activities of marketing boards. The study will examine the objectives, activities and powers of marketing boards in the context of other government interventions in agriculture.

It should also be noted that proposed changes to the Agricultural Stabilization Act would contribute to the objective desired by the task force.

Basically, amendments to the Agricultural Stabilization Act proposed by the federal government would see farm prices supported in the following manner. Farmers' cash costs of production, plus 100 per cent of the average margin over the previous five years, would be guaranteed. The margin is the difference between average Canadian cash costs of production and average Canadian market prices. The proposed stabilization changes would cover slaughter beef cattle, beef cow-calf, sheep, hogs, corn, soybeans and oats and barley produced outside the Canadian Wheat Board designated area. No change is being considered for the industrial milk and cream programs. The financing of the new approach is similar to the federal Western Grain Stabilization Program. It allows for voluntary producer participation. Producers are expected to pay one-third of the actuarial program costs. The federal government will be responsible for the remaining two-thirds, plus administration costs.

Stabilization for commodities not named in the Act will be discussed in on-going federal/provincial consultations. In the meantime, the present provisions for supporting these commodities through designation will be continued.

25. Recommendation

The task force regrets that producers' marketing boards have been excluded from the provisions of the revised Competition Act and would recommend that this decision be reconsidered. Failing this, it is recommended that the Public Competition Advocate play a vigorous role in all matters pertaining to agricultural marketing regulation by producers' marketing boards.

Government Response (Agree in part)

Bill C-13 provides that all agricultural producers, whose activities are governed by marketing agencies, come under the exemption provisions applying to the regulated industry sector provided that the marketing agencies are subject to supervision by an independently-appointed, public supervising agency. It should be noted that; (1) the entire regulated sector is covered by the same exemption provided that similar qualifications are met; (2) that regulated industries, including farm marketing boards, are not given a general exemption from all provisions of the Act; and, (3) that federal agencies must achieve their objectives in the manner least restrictive of competition where these objectives can be met in more than one manner.

Section 27.1 (1) of the proposed legislation ensures that the Competition Policy Advocate may make representations to any federal board, commission or other agency at their request or on his initiative or on direction from the Minister of Consumer and Corporate Affairs.

ANNEX I

MEMBERS OF THE CONSULTATIVE TASK FORCE ON
THE PROCESSED FRUIT AND VEGETABLE INDUSTRY

CHAIRMAN

G.L. Nix
General Manager, York Farms
Division of Canada Packers Limited
Toronto, Ontario

SECRETARY

Campbell Stuart
Director General
Agriculture, Fisheries and Food Products Branch
Department of Industry, Trade and Commerce
Ottawa, Ontario

MEMBERS

D.E. Baker
Agricultural Marketing Director
Market Development Centre
Charlottetown, Prince Edward Island

J.P. Barré
Directeur-général
A. Lassonde & Fils Inc.
Rougemont, Québec

A.C. Bornemisa
Senior Policy Co-ordinator
Policy and Priorities Division
Ontario Ministry of Industry
and Tourism
Toronto, Ontario

R.N. Butler
Manager of Program Co-ordination
Nova Scotia Department of Development
Halifax, Nova Scotia

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Berryland Canning Company Limited
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General Manager
Morden Fine Foods Limited
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President
M.W. Graves & Company Limited
Berwick, Nova Scotia

C. Mitchell McLean
Vice-President
C.M. McLean Limited
Charlottetown, Prince Edward Island

P. Marceau
Directeur
Aliments et biens de Consommation
Ministère de l'Industrie et
du Commerce du Québec
Québec, Québec

C.R. Morris
Vice-President
McCain Foods Limited
Florenceville, New Brunswick

G. Ouellette
Manager, Agro-Business Services
Division
Commerce and Industry Services Branch
New Brunswick Department of Commerce
and Development
Fredericton, New Brunswick

MEMBERS

B.C. Parker
President
Libby, McNeill & Libby of Canada Limited
Don Mills, Ontario

W. Reno
Research Director
Canadian Food and Allied Workers
Don Mills, Ontario

J. Tourillon
Président
David Lord Limitée
Montréal, Québec

A.W. Walker
Président
Hardee Farms International Limited
Toronto, Ontario

M. Wallace
Senior Consultant
New Enterprise Formation
Manitoba Department of Industry
and Commerce
Winnipeg, Manitoba

T.K. Warley
Professor
Faculty of Agricultural Economics
University of Guelph
Guelph, Ontario



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