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RESPONSE OF THE FEDERAL  
GOVERNMENT TO THE  
RECOMMENDATIONS OF THE  
CONSULTATIVE TASK FORCE ON  
**THE CANADIAN CEMENT AND  
CONCRETE INDUSTRY**



Gouvernement  
du Canada

Government  
of Canada



*Canada*

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TO THE RECOMMENDATIONS OF THE  
CONSULTATIVE TASK FORCE  
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CANADIAN CEMENT AND CONCRETE INDUSTRY

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Members of the Consultative Task Force on Cement and Concrete	

## 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 and territorial 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 23 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 Cement and Concrete 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 recommendations of the Consultative Task Force on the Canadian Cement and Concrete Industry emphasized that:

"...governments must create a climate favourable to investment by a firm posture of fiscal responsibility, by the reduction of a serious inflation, by the removal of economic uncertainty, and ... by less government intervention in the affairs of business."

The federal government is aware of the need for a vigorous industrial base in order to meet Canada's social and economic development goals, and has undertaken a number of measures in answer to the recommendations of the task force. In the main part, these have been Government actions that help develop a climate of business confidence and stability.

During the past half year the federal government has dealt with several issues raised by the task force. The trend of rising government expenditures has been broken by reductions in staff and elimination or reduction of programs.

The November, 1978 budget, as recommended by the task force, avoided major changes in taxation, and gave tax incentives for location of business in underdeveloped regions. The budget also had new provisions of interest to the task force for pollution control equipment, investment tax credits, capital gains tax on transference of small business ownership, and reduction of sales tax.

Manpower training programs are being modified to give more skill training and training within industry, and significantly more funds are being made available for this purpose. The Government has sought to make the Unemployment Insurance program more effective and this has resulted in a marked reduction in expenditures on this program -- the savings are expected to be \$150 million in 1978-79, \$655 million in 1979-80, and \$935 million in 1980-81.

The federal government continues to pursue several of the proposals of the task force. The rate of increase in pay of federal public servants has been moderated in recent months. The recommendation for free trade in cement and concrete products has been taken into account by Canada's negotiators at the current Multilateral Trade Negotiations, and the outcome should be known within a few months.

The United Cement, Lime and Gypsum Workers International Union submitted a separate report on the issues addressed by the task force, giving a different set of recommendations.

In the following sections, the Government response to each of the recommendations of the task force and those of the labour report is given in detail.

PART II

DETAILED RESPONSE TO TASK FORCE RECOMMENDATIONS

GOVERNMENT FINANCE

1. Recommendation

The task force was unanimous that the single most important contribution to improve the competitive position of Canadian industry must come from governments, federal, provincial and municipal, by reducing the public sector's spending as a percentage of Gross National Product. The return to balanced budgets, on the average over a period of several years, is essential to providing the right economic climate for future growth. Cost cutting admittedly is difficult and unpopular, but it must be done. As one member of our task force so vividly stated, "When we say cut costs, we mean CUT, as opposed to a reduction in the rate of growth of spending."

To achieve the necessary cuts in government expenditure, action is needed to reduce overlapping of functions by the three levels of government. This should be supplemented by co-ordination of taxation by the three levels; each government level, preoccupied with its own affairs, is often unaware of the total tax burden faced by business firms.

To achieve a sound industrial base, governments must create a climate favourable to investment by a firm posture of fiscal responsibility, by the reduction of a serious inflation, by the removal of economic uncertainty, and, in our view, by less government intervention in the affairs of business.

Government Response (Agree in part)

The Government has introduced legislation which would link compensation levels in the public sector with those of the private sector. This legislation is intended to not only ensure equivalence in private and public sector wages, but also to protect public sector wages from lagging behind the private sector in a way which would be disadvantageous to public servants. In defining wage settlements in the public sector, the Government will continue to rely primarily on collective bargaining.

The federal government has made a commitment to keep the rise in government spending below the growth of GNP and reduce existing and planned expenditures by \$2.5 billion. It has announced that there will be a reduction of jobs in the federal public service.

While there almost always seems to be need for greater coordination of fiscal policy, it should be recognized that mechanisms to achieve this end have existed for some time and have been strengthened recently. Federal and Provincial Ministers of Finance have been meeting on a regular basis since the mid-1960's. The economic and fiscal outlook is discussed at these meetings and the discussions are supported by data prepared by federal and provincial officials.

More recently at the February, 1978 Conference of First Ministers, the need for increased coordination in setting economic objectives and developing policies to attain these objectives was recognized. This was reaffirmed at the November, 1978 Conference of First Ministers on the Economy. First Ministers agreed to convene their next meeting on the economy in late 1979 and have instructed appropriate ministers and officials to convene the necessary forums to address specific problems raised at the Conference.

With respect to tax systems there already exists a significant degree of harmonization of federal and provincial income taxes. Income tax collection agreements have been in effect between the federal and nine provincial governments since 1962. These enable federal and provincial governments to exercise their right to levy income taxes within a framework which simplifies the tax system and enables national goals to be met. The tax collection agreements provide for consistency in federal and provincial laws, a common formula to allocate income by province, and the completion of only one tax form covering both federal and provincial taxes. The arrangements have proved to be flexible to meet the evolving priorities of federal and provincial governments.

## CORPORATE INCOME TAX

### 2. Recommendation

Broadly speaking, the task force felt that the corporate tax structure was competitive and workable, and should not be changed significantly at this time.

Capital cost allowances generally are considered satisfactory, but the allowances for buildings at five per cent per annum do not recognize the effect of inflation, and it is recommended that the rate be adjusted to 10 per cent.

The task force concurs with other resource industry task forces that pollution control facilities are not revenue-producing assets, but in fact result in increased operating costs. The resource industries have in common many operating and financial conditions. It is recommended that pollution control assets be granted a higher rate of investment tax credit than that available on production machinery and equipment.



The present five per cent investment tax credit on eligible assets actually works out to two to three per cent as the amount of the tax credit reduces the capital cost of the asset for purposes of tax calculation. To encourage plant investment in Canada, the rate must be at least equal to the corresponding provision in the United States. The task force recommends an improvement in the effective rate to stimulate investment and, to ensure that the credits are fully utilized, there should be generous carry-back and carry-forward provisions for unused credits.

In the opinion of the task force, the capital gains legislation has introduced a significant complexity to Canadian business, and to the Canadian people, with little or no benefit. With the present rate of inflation, the capital gains tax often results in a tax on capital and not on real gain.

The task force recommends the elimination of capital gains taxes.

Government Response (Agree in part)

In the Budget Papers, it is stated that at this time attention needs to be given to stability in taxation and simplification of the tax system, and that changes of a far-reaching nature need to be resisted. This is in accord with the recommendation of the task force.

The Government does recognize the distortions that arise from use of historic cost accounting in an inflationary environment. It has come to be generally accepted that inflation not only leads to an overstatement of profit because of first-in first-out inventory and historic cost depreciation accounting, but also to an understatement of profit because accounting conventions overstate the real cost of corporation borrowing during an inflationary period.

When the implications of debt financing are recognized, along with the full implication of accelerated capital cost allowances, the investment tax credit and the three per cent inventory adjustment, the overall level of Canadian corporation taxation does not differ greatly from what it would be under a comprehensive system of inflation accounting. Again, the need to maintain tax system stability indicates caution in any early movement to a comprehensive system of inflation accounting. There would also be many considerations in such a move related, for example, to the resulting changes in tax burden on particular sectors, to tax complexity, to the interaction between the corporate and personal tax, and to the harmonization of Canada's tax system with that in other countries.

The Government will continue to support the development of appropriate inflation accounting systems in the private sector because of the importance of accurate information on business operations for the efficient operation of the economy, and the possibility that the existence of such information would allow a fairer distribution of the total corporate tax burden among sectors.

With respect to the task force recommendation on investment tax credit for pollution control assets, this recommendation was not acted upon directly but other changes in the recent Budget do give relief, in this area of expenditures, to corporations. The Budget proposes that the two-year write-off of water and air pollution equipment, scheduled to expire in 1979, be extended indefinitely. Such investments also qualify for the federal investment tax credits, which are being extended indefinitely, and which are being increased from five, seven and one-half, and 10 per cent to new levels of seven, 10 and 20 per cent, according to geographic region.

The papers accompanying the November, 1978 budget considered recommendations on carry-forward of losses and investment tax credit. The investment tax credit may be carried forward to reduce tax for up to five years. Given the discretion in timing available to taxpayers in claiming capital cost allowances, this provides for full utilization of the amounts in all but exceptional circumstances. Many sectors, in arguing for extension of the carry-forward, referred to the United States, where the period is seven years. However, it should be noted that in that country CCA must be claimed in full in each year, giving taxpayers significantly less flexibility in the claiming of deductions.

The five-year time period in Canada matches the period for tax reassessments. To change the connection among the two types of carry-forwards and the reassessment period would entail considerable administrative difficulties for the taxpayers and taxation authorities, without significantly aiding many taxpayers.

The federal government believes that tax equity requires inclusion of capital gains in income subject to tax. Substantial reductions in tax on capital gains would add greatly to the complexity of the tax system by re-opening a significant gap between the tax treatment of this income source and distributions from corporations in the form of dividends. This would necessitate re-introduction of rules to avoid tax abuse and thus act to negate the 1977 tax changes which simplified the corporate tax structure in the area of surplus stripping and corporate reorganization.

To minimize the effect on incentives, the introduction of capital gains in 1972 included only one-half of gains on income and was accompanied by significant reductions in the marginal tax rates on higher incomes and by the elimination of federal estate and gift taxes.

As well, recent budgets have increased the dividend tax credit, provided for tax-free rollovers for gains on shares in small business corporations, and provided for liberalized deductibility of capital losses against other income. Capital gains are also eligible for the \$1,000 investment income deduction.

The federal government has put in place more effective methods to encourage private investment that avoid the serious repercussions of removal of tax on capital gains.

### PERSONAL INCOME TAX

#### 3. Recommendation

With regard to personal taxation in Canada, the task force concludes that compared with the United States, Canada does not provide sufficient incentive in its tax rates to stimulate the entrepreneur or to retain highly specialized industrial personnel in this country.

It is recommended that the total personal income tax rate should not exceed 50 per cent.

The task force recommends allowance of mortgage interest payments as a deduction for personal income tax. The benefits would be threefold:

- For young families establishing a home, it would represent an incentive to save and continue to invest in a private residence, and it would also provide the social benefits associated with community and home ownership.
- For the country as a whole, it would provide a stimulus to a whole new market in the use of replacement mortgage money to renovate existing private residences, including the replacement of household durable goods.
- For the construction industry, the suppliers of material to the construction industry, and for the suppliers of durable goods (stoves, refrigerators, carpets), it would provide a more stable market than that experienced with the cycles of new housing construction.

#### Government Response (Disagree)

The Government has considered the task force recommendation that the total personal income tax rate should not exceed 50 per cent. It is assumed that this proposal refers to marginal, rather than average, rates of taxation. The Government recognizes that the potential effects of taxation in decreasing personal initiatives must be kept in mind in framing budgetary policy. The Government has introduced significant personal tax cuts. Automatic indexing

is a unique feature of Canada's tax system resulting in substantial automatic annual reductions in personal income tax levels. The budget further reduces personal taxes on employees by increasing the employment expense deduction. A comparison of the American and Canadian tax systems shows that personal tax levels in Canada are lower than in the United States in a majority of cases. The comparison also shows that, through the dividend tax credit and other measures, Canada's tax treatment of personal investment income is also favourable.

The Government has given extensive consideration to the recommendation that mortgage interest payments be allowed as a deduction for personal income tax calculations. The Government has presented its views of such a deduction. A consideration of proposals made to date for mortgage interest deductibility shows them to be generally regressive, discriminatory against tenants, and produce economically perverse effects on housing, capital markets, and interest rates.

#### SALES TAX

##### 4. Recommendation

The cement and concrete industry concurs with the construction industry and other industry sectors that sales taxes on construction materials and equipment generally place a heavy impost on the cost of construction in Canada, over and above the indisputable effect of climate and a short construction season. High initial construction costs are a critical factor in investment location decisions and should be reduced whenever possible in the interest of maintaining a competitive position with the United States.

In effect, sales taxes on construction materials and equipment represent a tax on capital.

The Cement and Concrete Industry Task Force recommends that all construction materials and equipment should be exempt from sales taxes.

This exemption would lower the cost of shelter, and of investment in new plant, and would therefore both stimulate construction of dwellings and improve the competitive standing of Canadian industry.

##### Government Response (Disagree)

The Government cannot agree with recommendations to eliminate the federal sales tax on construction materials. The tax has been reduced from 12 to five per cent. The Government has a range of programs affecting housing and is not of the view that further

stimulus to housing through reduced sales taxation would be appropriate at this time. With respect to non-residential construction, the enhanced investment tax credit acts to lower costs and provide stimulus to the construction sector in much the same way as would a reduction in commodity taxes.

#### PROVINCIAL - MUNICIPAL ASSESSMENT LEGISLATION

##### 5. Recommendation

In addition to federal and provincial corporate taxes, municipal taxes have also increased substantially in recent years and now represent a significant cost to industry.

As a result of assessment practices in many provinces, pollution abatement equipment can be subject to municipal taxes. As mentioned in the comments on corporate income tax, pollution abatement equipment is not a revenue-producing asset. Examples of such equipment in the cement industry are structures enclosing dust precipitators, covered clinker storage halls, covered clinker conveyors, and enclosed conveyor transfer towers.

The task force recommends that all structures associated with pollution abatement be considered exempt equipment for assessment purposes, and thus not subject to municipal tax.

##### Government Response (Provincial jurisdiction)

Recommendations of the task force are under consideration by provincial governments and it is understood that some provincial governments are preparing responses to task force recommendations that come within their jurisdiction.

#### ENVIRONMENT

##### 6. Recommendation

The genuine and informed social concerns for the environment, as expressed by the public of Canada, are shared by the cement and concrete industry. However, Governments must recognize that substantial sums of money are required by industry to effect change, and that for industry to remain competitive change must come slowly.

In the opinion of the Cement and Concrete Industry Task Force, the federal government guidelines for environmental protection are realistic and serve as excellent guidelines for the provinces. The industry can work within the present federal guidelines. However, it would not welcome any further changes in the Environmental Protection Guidelines without co-operative consultation as was done in the initial instance of development. Radical changes would upset the economic stability of the entire industry. More restrictive guidelines could be far more costly than the cost of compliance with the present guidelines and the additional cost of more restrictive guidelines could well outweigh the benefits.

The committee would also recommend that more co-operation between various levels of government on environmental protection is needed and desirable.

Government Response (Agree in principle)

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 change that might arise from them. This will give interested parties a chance to publicly question the values so assigned.

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.

Compliance schedules for existing industry will be allowed to vary according to environmental priorities in consultation with the provincial agencies. In addition, the federal government has undertaken that plants complying with existing requirements when they come on stream will not face demands for higher standards for a minimum of five years unless emergencies develop.

The task force concern about the cost of compliance is, at least in part, answered by new tax concessions and new grant arrangements. The two-year write-off provision, for capital expenditures incurred to control air and water pollution, will be extended indefinitely under the new federal budget. In addition to the two-year write-off, pollution control investments also qualify for the federal investment tax credit. Expenditures for research, development, and demonstration now qualify for assistance under the Enterprise Development Program, while capital expenditures for environmental protection now qualify for consideration under the RDI Act (DREE) to the extent that they are part of an investment project for modernization or expansion. Research to improve use of waste products, while minimizing pollutants, is to be given high priority in Government assisted industrial projects. These measures in total will lessen impediments that pollution control requirements put on the expansion and operation of resource-based industries.

#### TRADE AND TARIFFS

##### 7. Recommendation

Unlike most other industry products, and probably due to the high weight, low value aspect of cement and concrete, tariffs have not been a major trading factor for the industry in recent years. Under normal economic conditions, the products are not shipped a great distance.

It is the opinion of the task force that a total free trade stance should be adopted for all cement and concrete products.

##### Government Response (Under review)

The views of the task force regarding free trade have been brought to the attention of the Co-ordinator for the Multilateral Trade Negotiations and have been taken into account in the development of Canada's position. It is expected that the MTN will be concluded by mid-1979.

#### COMPETITION ACT

##### 8. Recommendation

This task force believes that there should be a general moratorium on Government intervention in business and that a significant step in this direction would result from the complete withdrawal of Bill C-13.

There are a number of proposals in Bill C-13 which, if implemented, would cause substantial disruption to the cement, concrete, and aggregate industries. The attempt to legislate pricing and delivery policies is particularly objectionable; the task force feels very strongly that these important matters should be determined in the marketplace and not by Government. This task force wishes to go on record as giving broad support to the representations made by the Canadian Construction Association to the House of Commons Standing Committee on Finance, Trade and Economic Affairs and the Senate Committee on Banking, Trade and Commerce.

Government Response (Disagree)

The Government is giving consideration to task force recommendations in its formulation of future competition legislation.

REGIONAL DEVELOPMENT

9. Recommendation

The task force recognizes that in a number of areas in Canada the Department of Regional Economic Expansion (DREE) has provided excellent infrastructure for industrial development, such as roads, harbours, dock facilities and industrial parks. In the opinion of the task force, this work should continue as the main function of DREE.

On the other hand, the DREE program of grants to companies is not believed to be constructive. From across Canada, task force members cited situations where the DREE subsidization of private enterprises resulted in the disruption of normal markets, and in some cases the shutdown of competing enterprises. A fundamental difficulty is that those who are administering a program of grants cannot be familiar with the industries in a business management context, and they cannot be truly knowledgeable about local market conditions.

The task force recommends that the program of giving DREE grants to companies should be stopped. The task force is of the opinion that, in most cases, entrepreneurs who seek financing for valid business purposes are usually accommodated by the commercial banks.

The task force recommends the use of income tax incentives as a more appropriate and effective means of stimulating regional development.



Government Response (Agree in part)

The Government welcomes the recognition by the task force of its efforts to provide industrial infrastructure essential for regional economic development in Canada. The Government does not agree, however, that its incentives program (RDIP) has not been constructive or that the program should be replaced by tax incentives. In most countries of the world, grants to industry are acknowledged as being an effective instrument to channel investment and job-creation in selected areas of the country. Since it began in 1969, the incentives program has stimulated an expected eligible investment of more than \$3 billion, involving about \$670 million in incentives.

The Government shares the concern of the task force that the grants should not disrupt or fragment normal market conditions. During the course of evaluating each application for grant assistance, the Government attempts to avoid creating or contributing to conditions of fragmentation or overcapacity within the industry. The analysis of each project includes an assessment of such factors as viability, industrial sensitivity, environmental impact and the potential economic impact of the project on the region concerned. Every effort is made to ensure that the project being evaluated responds to a growth opportunity and would not simply displace existing production. It is also important to note that substantial consultation takes place with the provincial governments throughout the process of evaluating applications.

The evaluation is conducted by analysts familiar with local market conditions. The decentralized reorganization of the Department of Regional Economic Expansion (DREE) which took place in 1974 now enables DREE officials in the provincial and regional offices to evaluate and decide on almost all of the industrial incentive applications originating in the province.

Concerning the recommendation that tax incentives would be more effective than the present system of grants, the Government agrees that tax incentives are effective, but holds the view that each mechanism has its role and each has its own special advantages. Among the principle advantages of the grants system is the fact that, compared to the alternative incentive mechanisms, its costs and benefits are clearly visible and it is relatively easily administered. Tax incentives, unless they are applied universally to firms (in which case many firms would receive windfall gains) would require more financial information from applicants than the present system. Another advantage of grants is that they provide direct cash flow, which is of particular value to new firms.

On the other hand, the Government agrees with the view that tax incentives are an essential instrument of regional development. Some regionally selective tax incentives already exist in the form of the investment tax credit, employment tax credit and the R & D tax credit.

INDUSTRIAL RELATIONS

10. Recommendation

The task force emphasizes the need for improved apprenticeship training. Government programs should encourage the upgrading of skills.

The task force commends the Government for tightening the administration of the Unemployment Insurance program but feels that the Government must continue to improve management control particularly to eliminate abuse of the system.

Consideration of the relative benefits of Unemployment Insurance and of Workmen's Compensation have led to the conclusion that this is another area where the two senior levels of government should co-ordinate programs.

It is recognized that the principles underlying the Workmen's Compensation Board (W.C.B.) are desirable, and that most injury cases supported by W.C.B. are genuine. It is also apparent, however, that the cost of operating the W.C.B. system has become so high that it has become a detrimental factor in the competitive standing of Canadian industry. These high costs are caused, in part, by the ease of collection by the worker on what appear to be questionable claims in some cases. This benefit is not subject to income tax.

The social attitude of many private doctors further aggravates the situation as they often actively encourage employees to take time off for minor injuries which should not be judged to be lost time accidents.

It is recommended:

1. W.C.B. benefits should be subject to personal income tax.
2. The employees of firms which have W.C.B. premium payments significantly above the norm should be required to pay part of the cost of W.C.B. coverage. Employees must be made acutely aware of the cost of accidents.
3. W.C.B. should impress on the medical doctors conducting examinations the need to be more objective. Unduly lenient judgements in favour of a claimant undermine the credibility of the whole W.C.B. concept.

Government Response (Agree in part)

With respect to the task force recommendations on training, the Canada Employment and Immigration Commission (CEIC) in 1978-79 provided \$83 million for apprenticeship, including training and income support, and is in the process of significantly increasing its emphasis on industrial training and apprenticeship. The 1979-80 Employment Strategy calls for a \$20 million increase in funds allocated to the Canada Manpower Industrial Training Program (CMITP) together with a further \$20 million for the development of Critical Trade Skills Training, which will concentrate on increasing training in key high-level blue collar skills. The 1979-80 Employment Strategy also provides \$30 million in new funds to the Canada Manpower Training Program for institutional training and necessary trainee allowances for skill training to meet industrial needs.

The CEIC also plans to investigate means by which federal funds can be used to maintain training levels during periods of economic slack and to provide financial support to employers in the earliest years of training, when their training costs are highest. It will be prepared, furthermore, to explore with management and labour means of obtaining greater private sector participation in skill training, and will examine the scope for expanding programs for training first-line supervisors and journeymen/teachers.

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 the 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.

In 1978 dollar terms the recent changes to UI legislation are expected to result in total benefit savings of \$150 million in 1978-79, \$655 million in 1979-80 and \$935 million in 1980-81.

Finally, the multipartite Employment and Immigration Advisory Council has been established to advise the Minister of Employment and Immigration on the formulation of labour market policies and programs.

The task force recommendations on Workmen's Compensation relate primarily to matters under provincial jurisdiction, and a report on these questions cannot be given at present.

At the federal-provincial conference of Ministers of Industry, held on November 7, 1978, Industry Ministers agreed to commend to their Labour Minister colleagues the Overview Committee's recommendations that: training funds be reallocated to provide greater emphasis to job-oriented institutional and on-the-job training including altering wages or training allowances to encourage participation; means be explored to encourage greater private sector participation in, and the funding of, manpower training; the development of labour market policy be assisted by labour and industry with particular use being made of industry-labour task forces to address the requirements of industries where manpower resources are inadequate. These steps should take into account provincial situations. Industry Ministers generally supported these proposals and recommended their consideration by their colleagues and the First Ministers.

Industry Ministers indicated their willingness to participate in an interprovincial task force of Labour and Industry Ministers to prepare proposals for harmonization of labour market practices and legislation for consideration by First Ministers in 1979. Industry Ministers warmly welcomed the Committee's decision to establish a private sector task force to study a wide range of labour relations issues.

## TRANSPORTATION

### 11. Recommendation

A particular problem in the regulation of trucking rates is of concern to the task force. It is our understanding that changes are contemplated in the Maritime Freight Rate Act and the Atlantic Region Freight Assistant Act (Atlantic Provinces Special Selective and Provisional Assistance Regulations) whereby certain products will eventually not be eligible for the transportation subsidy now in effect, whereas other products will retain this benefit. In particular, we note that the subsidy will be eliminated on concrete products whereas competitive products manufactured from other materials, such as steel and plastic, will continue to be eligible.

It is the opinion of this task force that where subsidies are applied they should be on an equitable basis for competing products.

Government Response (Agree in principle)

A number of requests have been made to modify the list of commodities eligible for the new intraregional subsidy program which came into effect on September 1, 1978. The Federal-Provincial Committee on Atlantic Region Transportation is prepared to consider documented representations from industries concerning adverse implications for their operations arising directly out of the new intraregional subsidy program after a reasonable period of time when any adverse effects are more clearly discernible.

PART III

DETAILED RESPONSE TO UNITED CEMENT, LIME AND GYPSUM WORKERS  
INTERNATIONAL UNION

GOVERNMENT FINANCE

Recommendation

Government should act immediately to stimulate the cement and concrete industry through greater public expenditures on public housing, hospitals, roads and on other forms of public buildings.

Government Response (Disagree)

As part of the need to restrain Government expenditures, the federal government has recently cut back on public works projects. This is a case of two desirable objectives -- reduction of Government expenditures, and stimulation of the economy -- being in direct opposition to one another. With respect to housing, the Government has a range of programs and is not of the view that further stimulus would be appropriate at this time.

CORPORATE INCOME TAX

Recommendation

There should be no relaxation of the level of corporate taxation, either in the form of capital gains or municipal assessments associated with pollution control equipment. As for all taxation the Labour Sector is on record as supporting the Carter Commission's proposals for tax reform in Canada.

Government Response (Agree in part)

The November, 1978 Budget Papers stated that a major objective must be stability in taxation and simplification of the tax system. Tax measures were adopted which were directed toward supporting industrial growth and thus job creation. In addition, the thrust of its major measure, the across-the-board reduction in the rate of federal sales tax, was aimed at cost reduction.

The federal government believes that inclusion of capital gains in income subject to tax serves the objective of tax equity, for the reasons given in Part II.

SALES TAXES

Recommendation

The sales tax on construction materials should be eliminated, as a means of stimulating the economy.

Government Response (Disagree)

The sales tax rate on building materials has been reduced from 12 to five per cent and the Government has a wide range of measures that support housing. Further reductions in the sales tax on building materials would reduce the size of tax reductions that could be made available to the economy in general. The Government does not believe that providing additional tax concessions to this sector, at the expense of other taxpayers, is appropriate at this time. It should be noted that the proposed enrichment and extension of the investment tax credit in the recent budget acts to lower the costs of investments in buildings and other structures, and thus acts to stimulate the construction sector, in much the same way as would a reduction in commodity taxes. The proposed changes to the investment tax credit have the desirable feature of also applying to investments in machinery and equipment.

COMPETITION ACT

Recommendation

There should be greater involvement by government in regulating the economy.

Government Response (Under review)

The Government is giving consideration to task force recommendations in its formulation of future competition legislation.

REGIONAL DEVELOPMENT

Recommendation

The DREE program should be reassessed to make it more effective in terms of increasing employment in the regions.

Governments should support national wage scales in the cement and concrete industry as a method of promoting wage equality on a national basis and thus eliminating regional inequalities.

Government Response (Disagree)

Increasing employment in underdeveloped regions has always been a main objective of DREE. DREE has helped create employment by assisting firms to establish, modernize or expand operations in designated regions. This assistance during the period 1969 to March 31, 1978 stimulated more than \$3 billion of capital investment and creation of almost 130,000 jobs. Every attempt is made by DREE to ensure that these jobs are long-term in nature. Other Government comments on this subject are given in Part II.

No action has been taken to promote wage equality on a national basis: the Government is not convinced that this is an achievable objective or that it would help eliminate regional inequalities, from an industrial development point of view.

#### UNEMPLOYMENT INSURANCE

##### Recommendation

The present level of U.I.C. benefits should be maintained.

An individual should not be compelled to seek work outside his usual geographic location.

"Work-for-welfare" or "make-work" projects should not be a requirement for eligibility under U.I.C.

##### Government Response (Agree in part)

The federal government notes that none of the changes in the U.I. program described in Part II would make "work-for-welfare", "make-work" projects, or compulsory job-search in other geographic locations, requirements for U.I. eligibility. Certain "developmental" uses of U.I. funds, such as work-sharing or job-creation, have been introduced on an experimental basis, to use income maintenance expenditures more effectively in developing the country's human resources and to ensure continued utilization of the skills of workers during periods when they have been laid off. Participation in these is purely voluntary, and does not affect U.I. eligibility. The changes in the U.I. program described in Part II were proposed:

- a) to reduce some of the disincentives to work which were present in the program; and
- b) to encourage workers to establish more stable work patterns and develop longer labour force attachments, thereby reducing their dependency on U.I.

In the Government's view, these program amendments will improve the targeting of U.I. benefits to those needing them and will create substantial cost savings. At the same time, however, the Government's 1979-80 Employment Strategy will provide significantly increased financial support for job creation, especially in the private sector.



## WORKMEN'S COMPENSATION

### Recommendation

W.C.B. benefits should not be subject to personal income tax unless 100 per cent of wages are covered by workmen's compensation.

Furthermore, workers should have the right to see their own doctor and not the companies' doctor, because the latter sometimes appear to lack objectivity through conflict of interest.

### Government Response (Under review)

As Workmen's Compensation is a matter that falls under provincial jurisdiction, a report on these recommendations cannot be given at present.

Taxation of Workmen's Compensation benefits is not being considered at the present time.

## TRAINING

### Recommendation

In cooperation with the private sector, all governments in Canada should develop an active manpower policy that will meet the requirements of producing the needed skilled manpower needs of the future. This will require government to pay people to go to school.

### Government Response (Agree in part)

The Government comments in Part II respond to this expression of concern by Labour.

ANNEX I

MEMBERS OF THE CONSULTATIVE TASK FORCE ON CEMENT AND CONCRETE

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