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RESPONSE OF THE FEDERAL  
GOVERNMENT TO THE  
RECOMMENDATIONS OF THE  
CONSULTATIVE TASK FORCE ON  
  
THE CANADIAN COMMERCIAL  
PRINTING INDUSTRY



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of Canada

Gouvernement  
du Canada



*Canada*

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CONSULTATIVE TASK FORCE  
ON THE  
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May 1979

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## 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 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 Commercial Printing 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

In its report, the Consultative Task Force on the commercial printing industry indicated that the industry is relatively healthy at present. However, it identified a number of issues which, if not addressed properly in the near future, could prevent the industry from retaining this status. The main areas of concern were: a) ensure an adequate supply of paper at competitive prices; b) develop the production and managerial skills the industry will require in the future; and c) take advantage of the important export potential in the United States.

The Government recognizes that the commercial printing industry has a number of economic, social and cultural characteristics that are beneficial from the viewpoint of national development. Consequently, it has taken substantive action in responding to the recommendations of the task force that fell under its jurisdiction.

A significant increase in capital expenditures over current levels is required to upgrade existing paper production facilities, to meet environmental and energy conservation targets and for new capacity. Many of the taxation measures in the last budget provide an attractive environment in which to undertake modernization and expansion of facilities. Prominent among these are the extension and enrichment of the tax credit for investment and the extension of the fast write-off for pollution control equipment. Furthermore, the Government announced in early February that substantial funds would be made available over the next five to seven years in a federal/provincial cost-shared program of incentive grants to the pulp and paper industry to modernize and increase availability of supplies.

One of the essential requirements for a successful printing operation in the coming years is a skilled, dynamic and well trained human resource component. Recently, the Government has taken a number of initiatives in the area of manpower resources which should benefit the commercial printing industry. These include the creation of the Small Business Intern Program and the expansion of the management service component of the Federal Business Development Bank. Initiatives designed specifically for the needs of the industry include the distribution of a booklet promoting printing careers and of a directory of graphic arts courses in Canada.

In response to the export marketing issue, the Government has removed, for a temporary period, the duty on certain categories of books entering this country in order to keep the American market open to Canadian printers. In addition, the Government, through the Department of Industry, Trade and Commerce, has organized a series of seminars on exporting for printers. Furthermore, that Department's Program for Export Market Development has been extended to cover market identification visits to the United States.

For various reasons some important recommendations have not been responded to in a definite fashion. For example, those that relate to the Multilateral Trade Negotiations must await the completion of the negotiations, which are expected to conclude by mid-1979. Other recommendations, such as the one pertaining to a reduction in tariffs on paper if rationalization of domestic paper production should lead to more competitive prices, can only be noted at this time since they must await submission of specific proposals by the commercial printing industry.

PART II

DETAILED RESPONSE TO TASK FORCE RECOMMENDATIONS

1. Recommendation

The Minister of Industry, Trade and Commerce should persuade the Minister of Finance to zero-rate the duties on books entering this country so that Canadian access to the American market will not be withdrawn.

Government Response (Agree)

In response to the decision of the United States to exempt Canada from the provisions of the manufacturing clause in the United States Copyright Act, Canadian Government has decided to reduce from 10 per cent to free the Most-Favoured-Nation rate of duty on novels, works of fiction and other categories of books classified under tariff items 16900-1 and 17100-1. This reduction came into force on January 30, 1979 and will last until June 30, 1982 at which time the impact of this measure will be examined.

2. Recommendation

Government programs which will assist commercial printers to explore market opportunities and to enter such markets should be continued and, if possible, expanded.

Government Response (Agree)

As part of the Department of Industry, Trade and Commerce continuing efforts to promote exports, information on government export programs has been widely circulated within the industry. The Program for Export Market Development has been extended to cover market identification visits to the United States. In addition, it has organized seminars on exporting for printers. The Department is consulting with the industry on ways to expand this assistance including the possibility of an open workshop at the next national convention of the Graphic Arts Industries Association.

3. Recommendation

The Government should develop a valuation formula for printed imports which would reflect the selling price to a customer in the country where the printing was manufactured for the same size order as the importation into Canada.

Government Response (Agree in part)

In August 1978, Revenue Canada updated its formula to determine the fair market value of printed matter imported into Canada, when these imports are part of much longer press runs destined primarily for the exporter's domestic market. Whereas the old



formula provided for an advance in valuation based on the number of colours used in the production of the printed matter, the new formula takes into consideration the percentage of the total press run imported into Canada. Furthermore, in the case of anti-dumping proceedings, volume and fair market value would be considered.

4. Recommendation

- a) The Government should regard the submission by Graphic Arts Industries Association/Association des industries graphiques as generally reflecting the views of the industry. However, the specific tariff recommendations contained in this brief should be taken as the views of the Association only.
- b) Any reductions in the tariffs currently protecting the Canadian commercial printing industry must be accompanied by reductions in the tariffs on raw materials and equipment which printers will have to import to remain competitive.
- c) The Government of Canada should oppose the current GATT proposal to have all Government procurement in excess of \$200,000 opened to international tendering. Offsetting gains in foreign markets would probably not be sufficient to compensate for opening the Canadian market to this type of foreign competition.

Government Response (Under review)

These recommendations have been brought to the attention of the Canadian Co-ordinator for the Multilateral Trade Negotiations and have been taken into account in the development of Canada's position. The trade negotiations are expected to conclude by mid-1979.

5. Recommendation

The Government of Canada should rescind the duty currently levied on business forms presses and ancillary equipment.

Government Response (Disagree)

This recommendation was based on the assumption that the present rate of duty was designed to protect one Canadian assembly plant. In fact a number of firms are engaged in manufacturing business forms presses and related equipment in Canada. A mailing was done by the Department of Industry, Trade and Commerce in December 1978 to inform the printing industry of domestic capabilities in this field and of the duty remission system available under the Machinery Program.

6. Recommendation

The federal government should retain its present commitment to a print procurement policy which provides substantial benefit to the Canadian commercial printing industry.

Government Response (Agree)

This recommendation is compatible with the thrust of printing management prevailing in the Government.

7. Recommendation

Provincial governments, as well as all public agencies should also establish or continue print procurement policies designed to purchase their requirements from the Canadian commercial printing industry to the greatest degree possible.

Government Response (Agree)

Appropriate provincial departments have been informed of this recommendation. Furthermore, procurement policies in general have been discussed in the context of the federal-provincial meeting of Industry Ministers and they have established a committee to explore the scope for cooperation in procurement practices to encourage industrial development.

8. Recommendation

Government printing procurement policies which direct significant work to the commercial printing industry should not be accomplished at the expense of the careers of public servants engaged in print production. Policies which favour the commercial printing industry should be sufficiently long-range so as to protect existing public service careers.

Government Response (Agree)

Policies regarding directing work to the industry will be oriented primarily towards obtaining the best value for the taxpayers' money, recognizing there are grounds for maintaining a position of essential print activity within the Federal Government. Provincial authorities have been apprised of this recommendation.

9. Recommendation

Government policy should prohibit printing plants within institutions funded by public monies from competing in the marketplace.

Government Response (Under review)

This issue has been brought to the attention of appropriate federal and provincial institutions.

10. Recommendation

It is not intended to propose specific manners in which the goal of a stable and reliable postal service could be achieved. However, Government must recognize that such a service is essential and move forcefully to achieve this goal.

Government Response (Agree)

The Government announced in 1978 its intention to make the Post Office a Crown Corporation. One of the major factors leading to this decision was that such a change offers strong potential for an improved labour relations environment in the Post Office. This action in conjunction with the on-going internal management effort being directed towards service improvement is directed at satisfying the need of the commercial printing industry and of all other customers for a continuing and reliable postal service.

11. Recommendation

The impact of second and third class postal rate increases upon the commercial printing industry should be closely assessed prior to such increases being affected. This is particularly important in cases where such mail is already meeting the Government's "User Pay" criterion.

Government Response (Agree)

The Government believes future economically warranted rate action is in no way incompatible with the continued survival and growth of the domestic commercial printing industry. Senior officials at Canada Post are meeting regularly with the Graphic Arts Industries Association and other related groups to discuss problems and issues relating to their use of the mails.

12. Recommendation

The Government should reject all suggestions for a conservator society which could affect the printing and packaging industries until full industry consultation has occurred to determine whether, in fact, such proposals would either create more harm than good or would have little or no true beneficial results.

Government Response (Agree in part)

Federal air and water pollution control regulations are not contemplated for the commercial printing industry in the near future. The Environmental Protection Services which is responsible for developing pollution control regulations has a

fundamental commitment to the principle of consultation with parties affected by such regulations. Indeed, federal regulations are developed with considerable input from the industry to ensure that the control requirements are technically sound and economically practicable.

13. Recommendation

The Government should not control or diminish the market for advertising mail which meets all legal requirements.

Government Response (Agree)

The Government has no intentions of controlling or diminishing the market for advertising mail which meets all legal requirements. In fact the Government through Canada Posts' more than 70 marketing representatives from coast to coast is promoting the increased use of advertising mail both from present users and non-users.

14. Recommendation

Government prohibitions on the advertising of liquor, tobacco and other products legally offered for sale should not take place.

Government Response (Agree)

No action is being contemplated by the federal government which would significantly impact on this recommendation. Alcohol advertising is subject to the control of provinces, with the exception of the involvement of the Canadian Radio-Television and Telecommunications Commission in clearing broadcast advertising. Provincial authorities have been notified of this recommendation.

15. Recommendation

Management and labour should strive to consult regularly on matters of common concern.

Government Response (Agree)

Action on this issue rests with the industry and unions. In the broad area of labour relations, the Overview Committee has established a private sector committee to study a number of issues currently in general contention between management and labour. This Committee has agreed to submit its findings to First Ministers.

16. Recommendation

The industry should be consulted by Governments to ensure that safety and health legislation introduced is in the best interests of the industry and in particular of its employees. This should not be taken to mean that the interests of the industry should supplant the broader interests of the Canadian society. Rather, the industry wishes to emphasize the need for good and workable legislation which is in the best interests of all parties.

Government Response (Agree)

The Employment Safety and Health Regulations administered by Labour Canada apply only to individuals who are employed in federal works, undertakings or businesses. The remainder of the Canadian work force is covered by provincial authorities. These authorities have been apprised of this recommendation.

The federal Treasury Board will direct all federal departments and agencies to consult with the affected parties at the problem definition stage prior to the drafting of all new health, safety and fairness regulations. In addition, the Government will submit new regulations and major changes in existing regulations covering these areas to cost-benefit analysis. Furthermore, the Canadian Centre for Occupational Health and Safety established earlier this year has as one of its objects to facilitate consultation and cooperation among governmental jurisdictions and participation by labour and management in the establishment of standards appropriate to the Canadian situation.

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.

17. Recommendation

- a) Governments at the appropriate levels should continue their support of technical training and retraining programs to the fullest extent possible, including the subsidization of translation costs into both official languages.
- b) Government should continue to assist in the redeployment of redundant personnel.

Government Response (Agree)

In the development of its employment strategy for the 1980's, the Government has agreed to

- a) explore means by which greater emphasis can be given to on-site industrial training, consistent with training cost-effectiveness and high training quality;
- b) continue to give priority to programs aimed at high-skilled training, including expanded apprenticeship programs;
- c) investigate ways in which funding for apprenticeship programs can be used to address particular problems such as maintaining apprenticeship levels during periods of economic slack;
- d) be prepared to respond to management and union proposals for joint investigation of alternative forms of industrial training that rely more heavily on private sector participation;
- e) examine the scope for expanding its programs for training first-line supervisors and journeymen/teachers;
- f) increase the funding available for, and flexibility of, the Canada Manpower Mobility Program.

18. Recommendation

Government activities in the area of job counselling should promote the printing industry as a viable source of career employment.

Government Response (Agree)

The Government has recently distributed a "Directory of Courses for the Graphic Arts Industries" to provide information to students and career counsellors on where to obtain education for careers in the graphic arts field. In addition, the Government has released a booklet promoting careers in the commercial printing industry.

19. Recommendation

Governments should make funds available for the translation and dissemination of association training material providing it can reach a modus operandi with such associations to allow an industry-wide distribution of the information.

Government Response (Under review)

The Department of Industry, Trade and Commerce is reviewing the adequacy of management training programs in the light of needs identified by the task force and will recommend options for the better delivery of financial assistance to industry-based associations or other appropriate industry groups for the improved development, coordination, translation and dissemination of management training programs. That Department has initiated discussions with the Graphic Arts Industries Association with a view to reaching a modus operandi.

With respect to the broad issue of improving management sophistication in small firms, the Government has introduced the Small Business Intern Program and has decided to inject an additional \$2.4 million annually to expand the management service component of the Federal Business Development Bank.

20. Recommendation

Government programs such as the federal Small Business Intern Program and the Executive Internship Program sponsored by the New Brunswick government should be considered by all Governments.

Government Response

Action on this issue rests with those provincial governments that do not have incentive programs to assist smaller firms in hiring recent graduates.

21. Recommendation

Steps should be taken, after consultation with the Canadian fine paper industry, to explore means by which production of the Canadian fine paper industry could be rationalized.

Government Response

Action on this issue rests with the commercial printing and fine paper industries. The Government recognizes that rationalization of Canadian industry can provide significant potential for improving productivity and international competitiveness. Under the Enterprise Development Program, the Government makes funding available for feasibility studies into the merits of specific merger proposals.

22. Recommendation

The role of the Government should be limited to creating an environment in which abuse of the rationalization process could not take place.

Government Response (Agree in principle)

Bill C-13 contains a provision which permits a firm to request advance authorization of proposed mergers and rationalization agreements. This reflects the Government's approach to the complex issue of maintaining a proper balance between the need to rationalize production in order to remain competitive versus the need to protect consumers against business practices that are restrictive.

23. Recommendation

In the event that rationalization was to lead to more competitive domestic prices for printing papers, consideration should also be given to lowering the tariffs protecting the domestic fine paper industry.

Government Response (Under review)

The Government is prepared to give careful consideration to specific proposals reflecting developments in the paper industry.

24. Recommendation

The Government should make permanent its present system of accelerated write-offs, or some other system, on a consistent basis which will continue to reflect the difference between current and historical costs.

Government Response (Disagree)

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 changes in tax burden on particular sectors in both directions that would result, 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 corporation tax burden among sectors.

25. Recommendation

If programs are implemented by Governments which are not of a permanent nature, they should contain specific commencement and termination dates which will be adhered to in normal circumstances.

Government Response (Agree in principle)

Wherever possible, the Government establishes specific commencement and termination dates. The Government is prepared to give careful consideration to any particular difficulties experienced by the commercial printing industry.

26. Recommendation

Government at all levels should move immediately to provide assurance that the industry will not be penalized as a result of having to pay taxes and tariffs to accomplish the metrication process.

Government Response (Agree in part)

Costs incurred for metric conversion of a machine which must function in the metric mode may, at the option of the taxpayer, be deducted in the year as an expense rather than treated as a capital expenditure which would be limited to annual capital cost allowances. In addition, equipment acquired for the production of printed matter, as well as repair and replacement parts for such equipment, enjoys complete exemption from federal sales tax under the general exemption for all equipment used in the production of goods.

ANNEX I

LIST OF PARTICIPANTS IN CONSULTATIVE TASK FORCE  
ON THE CANADIAN COMMERCIAL PRINTING INDUSTRY

CHAIRMAN

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Pierre Des Marais Inc.

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