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# ACTION FOR INDUSTRIAL GROWTH A FIRST RESPONSE



Government  
of Canada

Gouvernement  
du Canada

Industry, Trade  
and Commerce

Industrie  
et Commerce

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ACTION FOR INDUSTRIAL GROWTH

SUMMARY OF FEDERAL INITIATIVES TO DATE

Canada's prosperity has been directly dependent on the performance of our manufacturing industries and their contribution to international trade, income, exports and jobs. For a variety of reasons, the high performance of manufacturing may well be hard to sustain in the future. Internationally competitive industries will call for more concerted efforts if industrial activity is to be sustained and increased. Business, labour and governments are being forced to re-examine policies and programs in the light of the changing requirements. The industry, labour and government were required to consider these requirements.

SECTION ONE

First Minister in February, 1978 initiated the process of consultations. The first round of consultations with representatives from 305 firms was completed in June, 1978. The second round of consultations with representatives from 100 firms was completed in August, 1978. The government has also initiated a series of studies and reports on industry by August, 1978. These reports were in turn analyzed by a similar committee composed of five representatives of industry, five members of the executive of the Canadian Labour Congress, an academic and a new chairman drawn from industry. This Second Year Committee made its report public on October 23, 1978.

ACTION FOR INDUSTRIAL GROWTH

SUMMARY OF FEDERAL INITIATIVES TO DATE

The great majority of recommendations made by the Task Force and the Second Year Committee were addressed to governments. This was expected, as the focus of reference for both groups specifically was the private sector's view on a wide range of government policies which together determine the framework within which industry operates.

The role of government in influencing the direction of industrial activity taken in Canada has long been a topic of controversy. This issue is not conducive to simple prescriptions given the structure of Canadian industry, the degree of foreign ownership, the size of its markets, competitive pressures from abroad and the role of governments in industrial development, by our major trading partners. An essential premise remains, however. It is that the private firm operating in the market place is the instrument to exploit economic opportunity and turn it to productive activity.

Government has an important role in the identification of certain opportunities, in creating an environment conducive to entrepreneurship, and, in certain circumstances, in assuming a portion of the risk involved, but it is the individual firm that in our system is the prime actor.



ACTION FOR INDUSTRIAL GROWTH:

SUMMARY OF FEDERAL INITIATIVES TO DATE

Canada's prosperity has been directly dependent on the performance of our manufacturing industries and their contribution to productivity gains, incomes, exports and jobs. For a variety of reasons, the past performance of manufacturing may well be hard to match in the 1980s. Internationally competitive conditions will call for major domestic efforts if industrial activity is to be sustained and increased. Business, labour and governments are being forced to re-examine policies and positions in the light of the coming adjustments. The industry sector task forces were convened to consider these requirements.

First Ministers in February, 1978 initiated the sector consultations. These saw 23 Task Forces formed with representatives from 305 firms, 27 unions and 18 universities. Government participants acted as non-voting observers. The Task Forces all submitted reports to federal and provincial Ministers of Industry by August, 1978. These reports were in turn analyzed by a senior committee composed of five representatives of industry, five members of the executive of the Canadian Labour Congress, an academic and a new chairman drawn from industry. This Second Tier Committee made its report public on October 23, 1978.

The great majority of recommendations made by the Task Forces and the Second Tier Committee were addressed to governments. This was expected, as the terms of reference for both groups specifically sought the private sector's views on a wide range of government policies which together establish the framework within which industry operates.

The role of government in influencing the directions industrial activity takes in Canada has long been a focus of controversy. This issue is not conducive to simple prescriptions given the structure of Canadian industry, the degree of foreign ownership, the size of its markets, competitive pressures from abroad and the role of governments in industrial development, in our major trading partners. An essential premise remains, however. It is that the private firm operating in the market place is the instrument to seek out economic opportunity and turn it to productive activity.

Government can aid in the identification of certain opportunities, in ensuring an environment conducive to entrepreneurship, and, in certain circumstances, in assuming a portion of the risk involved, but it is the individual firm that in our system is the prime actor.

This then requires that governments' policies and programs for industrial development have the flexibility to respond to rapidly changing opportunities and constraints generated by the market. Prescriptive planning by governments in the realm of industrial development, attractive as this may be to some, carries the grave risk of rigidity and resource misallocation. By definition, to be competitive, industry must be responsive to domestic and world markets. By the same token government policies and programs for industrial development must essentially be responsive to the requirements of firms and sectors.

A wide range of measures have been taken by the federal government in the recent past, consistent with the direction provided by First Ministers last February, to improve the environment for economic growth and industrial development. Some of these have been in response to recommendations made by the 23 industry sector Task Forces. Other initiatives predated the consultative exercise. Measures are enumerated in point form below. Those categorized under "Actions Under Way" are decisions or initiatives that have been taken. "Actions Planned" are initiatives that can be taken conditional on certain further examination.

These measures essentially are instruments of structural or framework policies. Broader fiscal and stabilization policies which attempt to influence rate of growth, inflation and employment of resources in the economy are not covered in this listing. These will be discussed publicly at the First Ministers' Conference at the end of November.

To the degree that the measures listed following related to the industry sector consultations, they represent a first response from the federal government. Other actions in response to the Task Forces recommendations will be forthcoming as soon as the process of analysis and policy development permits. Federal and Provincial Industry Ministers will, in addition, discuss the recommendations of the Second Tier Committee at their meeting on November 7, 1978 and will forward to First Ministers their advice as to how their governments should respond to that Committee's proposals.

#### BURDEN OF GOVERNMENT

The industry sector consultations have delivered certain fundamental messages to governments. They must set their houses in order; the burden of government must be reduced and the share of national income going through government hands be lowered; priorities must be re-ordered towards policies and programs that will improve the capacity of the private sector to generate incomes and jobs.

Actions Under Way

(Measures listed which meet the terms of specific recommendations made by the Sector Task Forces are noted by an asterisk. Those commitments initiated directly as a response to Task Force recommendations are marked by a double asterisk.)

- 1.\* A Commitment to Lower Expenditures: commitment by the federal government to keep the rise in government spending below the growth of GNP and reduce expenditures by \$2.5 billion from existing and planned programs.
- 2.\* Public Sector Employment: reduction of up to 5,000 jobs and federal government commitment to keep public service salaries in line with the private sector.
- 3.\* Amount of Paperwork Associated with Regulation: establishment of a Controller charged with responsibility for effecting an immediate reduction in the cost to business of supplying information to the federal government; for assisting departments in measuring the paperburden they create; and, for establishing methods for control and reduction.
- 4.\* Reducing Statistical Requirements: CALURA amendments will reduce the number of firms having to report by some 70,000 by increasing the size of firms required to report from a half million revenue and a quarter million assets to \$10 million and \$5 million respectively.

ECONOMIC DEVELOPMENT AND INFRASTRUCTURE SUPPORT

The government will continue to ensure that the required economic infrastructure for industrial development is put in place. It will contribute in three ways: by facilitating and expediting the approval of suitable private sector projects; by support for a wide range of infrastructure projects through the General Development Agreements operated by DREE; and, by making direct contributions to certain important projects. A list of initiatives follows:

Actions Under Way

1. DREE Industrial Development Subsidiary Agreements: with Nova Scotia for \$13.0 million, in addition to \$15.2 million for the Sydney Steel Corporation Assistance Program; with New Brunswick for \$24.2 million; with Quebec (Industrial Infrastructure) for \$82.6 million; with Ontario for industrial park development and related infrastructure under the Subsidiary Agreement on Northeastern Ontario, \$1.5 million in the Sudbury area, \$1 million in the Parry Sound area and \$5.9 million in North Bay; with Manitoba for \$26.4 million; with Saskatchewan for Interprovincial Steel and Pipe Corporation Ltd., \$9.8 million under the provisions of the Subsidiary Agreement on Iron, Steel and Other Related Metal Industries; with British Columbia for \$35 million. (Dollar amounts are federal shares)
2. DREE Tourism Development Agreements: with Newfoundland for \$11.9 million; with Nova Scotia for \$11.0 million; with New Brunswick for \$11.8 million; with Quebec for \$45.6 million; with British Columbia for \$25 million. DREE Subsidiary Agreement with Newfoundland on Gros Morne Park Area Development and certain other DREE Subsidiary Agreements also include provisions for projects related to tourism development.
- 3.\* Shipbuilding and Drydocks: \$70 million for construction and alteration of dry docks, on east and west coasts, and ferry replacement.
4. The Automotive Industry: federal contribution of \$40 million to the Ford Motor Company of Canada to locate an engine plant in Windsor to employ 2,600 people directly and, appointment of the Reisman Commission to make recommendations to the federal government on the future of the automotive industry in North America.
- 5.\* Development of Renewable Energy: \$125 million program for preferential purchasing of Canadian-made solar equipment for new federal buildings; \$143 million to subsidize the development of new and improved ways for the forest industry to use wood wastes as a fuel; \$40 million for research on innovative biomass techniques; \$150 million in loan guarantees to assist in the construction of electrical generators using biomass; \$114 million in cost-sharing arrangements with the provinces for the demonstration of novel technologies.

## FRAMEWORK POLICIES

It is essential that the set of government policies, both federal and provincial, that provide a framework within which industry must operate, be conducive to growth and development. While maintaining a commitment to the legitimate objectives of framework policies, the federal government will strive to ensure that they are designed and applied in a way that will minimize constraints on industrial growth.

## TAXATION

### Actions Under Way

1. Investment Tax Credit: extended to 1980 and enriched for DREE regions.
2. Lower Corporate Tax Rates and Fast Write-Off Extended: the accelerated capital cost allowance for manufacturing and processing equipment and lower rates for manufacturing and processing extended indefinitely.
3. R&D Tax Credit: all current and capital outlays on R&D made eligible for the investment tax credit.
4. Special Deduction for R&D: the 100 per cent deduction of current and capital expenditures on R&D increased by a special allowance of an additional 50 per cent for R&D expenditures above a base period.
5. Inventory Allowance: three per cent of opening value of inventories deductible from taxable income.
6. Financing Small Business and Joint Ventures: the 25 per cent tax on intercorporate dividends removed if shareholding represents more than 10 per cent of the corporation.
7. Railway Incentives: capital cost allowances on railway investments increased.
8. Energy Incentives: depletion allowances increased on investments in non-conventional oil and on tertiary recovery systems.
9. Sales Tax Relief: manufacturers with less than \$50 thousand in annual sales exempted from federal sales tax.

10. Filing of Sales and Excise Tax Returns: half of Canada's small business concerns will have the frequency of their filing reduced.
11. Transfer of Small Businesses: up to \$200 thousand in capital gains deferred on sale of shares in small businesses when transferred to a spouse or children.
13. Broader Capital Loss Deductions: formerly, allowable capital losses could only be deducted from taxable capital gains in the case of corporations and from other income up to \$2,000 in the case of private individuals; the new policy allows capital losses on shares and debts of Canadian-controlled private corporations to be deductible against income from any source without limit for both corporations and individuals. This change will encourage more risk capital to be invested in small business."
14. Capital Gains: guaranteed capital gains treatment of the income of venture enterprises, at the option of the taxpayer.
15. Dividend Tax Credit: enrichment of the dividend tax credit from one-third to one-half of cash dividends received.
16. Small Business Rate: raising the taxable income limit from \$50,000 to \$150,000 to which the low small business corporate tax rate is applied.
17. Capital Gains Deferred: deferral of capital gains tax on voluntary disposition of property in the case of business relocations.
18. Depletion Allowances: frontier oil exploration incentive of extra earned depletion entitlement of  $66 \frac{2}{3}$  per cent of Canadian drilling costs in excess of \$5 million incurred between March 31, 1977 and April 1, 1980.
19. Employment Tax Credit: employment tax credit for private business firms of up to \$2 an hour per employee.
20. Federal Sales Tax: elimination of federal sales tax on clothing, footwear, energy conservation goods, and many other goods and, reduction of the federal sales tax rate on construction materials from 12 per cent to 5 per cent.
21. Pollution Control Equipment: Special two year write-off for pollution control equipment and energy conservation equipment.



22. Taxation of employee stock options at capital gains rates (restricted to Canadian-controlled private corporations).
23. Simplification of corporate tax system to reduce impediments to corporate reorganizations.

#### Action Planned

1. Response to Sector Consultations: the Minister of Finance will consider responding to Industry's concerns in the consultations in the next budget.

#### ENVIRONMENTAL PROTECTION MEASURES

#### Actions Under Way

1. \*Cost-Benefit Analysis: Socio-economic impact analysis, which includes cost-benefit analysis, is being applied to all new major regulations with results available to any interested persons.
2. \*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.
3. \*\*Financial Assistance: expenditures for research, development, and demonstration, to qualify for assistance under the Enterprise Development Program.
4. \*\*Energy Conservation: research to improve use of waste products, while minimizing pollutants, to be given high priority.

#### Actions Planned

1. \*\*Variance of Compliance: compliance schedules for existing industry will be allowed to vary according to environmental priorities in consultation with the provincial agencies.
2. \*\*Investment Stability: compliance standards agreed upon on basis of existing technology will not alter for at least five years and plants complying with existing technology when they come on stream, will not face demands for higher standards for a minimum of five years unless emergencies develop.

## TRANSPORTATION POLICIES

### Actions Under Way

- 1.\* Grievance Procedures: federal government to establish a more effective mechanism for redress of railway rate grievances.
- 2.\*\*Rolling Stock Availability: Grains Group will consult with fertilizer industry on use of government-owned hopper cars for other than grain transport.
- 3.\*\*Inter-Provincial Truck and Bus Transportation: federal government, through Canadian Council of Motor Carrier Administrators, to continue to encourage facilitation of movement of freight and passengers both ways between provinces.
- 4.\*\*Tourism Interests: industry representatives to be consulted on all major transportation policy initiatives.
- 5.\*\*Transportation Costs: Minister of Transport to reiterate policy of allowing freight and passenger tariffs to be established by market forces, but where for socio-economic objectives, carriers accept unremunerative rates or facilities, or services have a non-commercial rationale, subsidies or expenditures should be met by governments.
- 6.\* Regulation: Transport Canada and other parties to complete assessment of rationale for transport regulation and recommend future regulatory and competition policies.

### Actions Planned

- 1.\*\*Transport Canada to examine means of establishing mechanism with U.S. authorities to review through freight rates.

## GOVERNMENT REGULATION

### Actions Under Way

- 1.\* Regulatory Review: 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.
- 2.\*\*Advance Consultations: departments directed to implement consultation at the problem definition stage prior to the drafting of all new health, safety and fairness regulations.

- 3.\* Benefit/Cost Analysis: all new health, safety and fairness regulations and major changes in these existing regulations will be submitted to benefit/cost analysis and public scrutiny of that analysis and its conclusions prior to promulgation.

#### Actions Planned

- 1.\*\*Regulatory Requirements: examination of certain federal departments and agencies where regulatory activity can be reduced or streamlined being considered.
- 2.\*\*Regulatory Overlap: elimination of overlap among federal agencies and among levels of government being sought.

#### TRADE POLICY

#### Actions Under Way

- 1.\* Multilateral Trade Negotiations: negotiations underway to secure greater access for Canadian products to foreign markets.
- 2.\* Export Subsidies: an international code to provide greater clarity to rules governing subsidies affecting international trade is being negotiated in the MTN.
- 3.\* Technical Barriers: an international code on technical barriers to trade is being negotiated in the MTN and reduction in over-lap in terms of national and provincial certification procedures will be sought.
- 4.\* Restraints on Imports: imports of textiles, clothing and footwear are restrained.
5. Voluntary Restraint Agreements: being negotiated with certain suppliers to replace existing global quotas.
- 6.\*\*Injurious Imports: expeditious action, compatible with our international obligations and no less effective than that of major trading partners against injurious imports, by improving execution of anti-dumping and countervail legislation.

#### COMPETITION POLICY

#### Actions Under Way

- 1.\* Competition Legislation: pending legislation to ensure effective competition in the market along with necessary rationalization to permit scale economies for Canadian industry.

- 2.\*\*Competition Board Nominations: government committed to seek nominations from private sector for appointments to the Competition Board.

#### PROCUREMENT POLICY

##### Actions Under Way

- 1.\* Procurement Review Committee: mechanism is being designed to enable federal procurement to be used to support industrial research and development through Canadian firms in cases where the maintenance or development of an independent indigenous industrial capability is judged necessary.
2. Access to Foreign Government Procurement Markets: negotiation in the MTN of a Code on Government Procurement.
- 3.\*\*Standardization: departments and agencies to standardize purchase requirements over time and aggregate them across departments to maximize opportunities for scale economies and to develop sources of Canadian supply.
- 4.\*\*More Expeditious Payment: the Comptroller General will examine methods to speed up payment on government contracts.

##### Actions Planned

- 1.\*\*Federal/Provincial Coordination: discussions to coordinate policies and practices to encourage industrial development.
- 2.\*\*Access to large projects: a government-industry consultative review mechanism to maximize opportunities for competitive Canadian-based suppliers to bid on large domestic projects.
- 3.\*\*Crown Corporations: examination of the implications of extending federal procurement initiatives to federal Crown corporations.
- 4.\*\*Chosen Instruments: examination of the use of a chosen instruments policy as an industrial development tool.

#### RESEARCH, DEVELOPMENT AND INNOVATION

Virtually every industry in which Canada must increase its growth and competitiveness depends on new technology. This is as true for more mature industry where progress in process technology is vital to regaining cost competitiveness as it is for industry on the "leading-edge" of product innovation. Most of the new research and development and engineering development necessary to exploit this new technology must be done by industry itself.

### Actions Under Way

1. R&D Target: establishment of a higher target for R&D expenditure as a per cent of GNP by 1983. Recent expenditures on R&D have been averaging just under 1 per cent of GNP.
2. Tax Incentives: increased tax incentives for industrial research announced in recent budgets (see Taxation section).
- 3.\*\*Direct Funding: increased funding of direct assistance programs in 1979-80.
- 4.\* Technology Transfer: increased efforts at transferring technology from government laboratories to industry.
5. Employment: introduction of an employment program in industry for highly-qualified manpower.
- 6.\* Government Laboratories: opening up federal laboratories to the private sector including an expansion of the Program of Industry/Laboratory Projects.
7. Centres of Excellence: assistance to established Regional Centres of Research Excellence.
8. University Research: increased funding for university research in areas of national concern.

### Actions Planned

- 1.\* Procurement: changes in procurement policy to stimulate industrial research and development.
- 2.\*\*Innovation Centres: creation of industrial research and innovation centres to aid industry, particularly small businesses and private inventors in the commercial exploitation of new technologies.

### LABOUR MARKET POLICIES

The availability of labour skills matched to current and future industrial requirements is essential for increased productivity and competitiveness. Initiatives to improve government's contribution to this vital process are outlined below:



Actions Under Way

- 1.\* Mobility programs: increased flexibility to use such programs in specific situations of employment dislocation and expansion.
- 2.\*\*High skill training: An industry-based Critical Trade Skill Training Program to meet industrial needs funded at \$20 million in 1979-80 and \$40 million annually in the 1980s with an additional \$50 million being provided in 1979-80 for other industrial and institutional training programs.
3. Local Economic Development Assistance Program: to stimulate local private sector employment and small business development.
4. Portable Wage Subsidy: a wage subsidy to be "carried" by employees who are laid off as a result of industrial employment dislocations, to facilitate their employment elsewhere.
- 5.\*\*Computerization of Clearance System at Canada Employment Centres: a computerized clearance system to help match supply with demand for labour among major CECs.
6. Vocational Counselling Service: a computerized system to provide vocational counselling and information to clients.
- 7.\* Work Incentives and Unemployment Insurance: increase in the weeks required for eligibility for UI benefits (for new entrants, re-entrants and program repeaters) reduction of weekly benefit rates, benefit repayment by high income earners.
- 8.\* Job Experience Training Program: wage subsidy from UI funds to encourage employment of the young unemployed.
9. Work Sharing Arrangements: to avoid temporary layoffs, employees work shorter hours and have wages supplemented by UI benefits.
- 10.\* Consultation: a national Advisory Council to advise the Minister of Employment and Immigration on the formulation of labour market policies and programs.

Actions Planned

- 1.\*\*Apprenticeship Training: examine how funds can be used to maintain training levels during economic downturns and provide front-end financial support when employers' costs are highest.

- 2.\*\*Industry Involvement in Training: explore with management and labour, means of obtaining greater private sector participation in skill training.
- 3.\*\*Supervisors and Journeyman/Teachers: examine scope for expanding programs for the training of first-line supervisors and journeyman/ teachers.

#### MARKETING INITIATIVES

Highly competitive conditions in international markets and traditional difficulties of smaller Canadian firms competing across all regions of Canada with the distribution facilities available to large, frequently foreign-based firms, combined with the lack of government attention to domestic as opposed to foreign markets, have led to a series of recent initiatives.

#### Actions Under Way

- 1.\* Market Research: \$5 million per year in grants will be available under the Enterprise Development Program to share the cost of identifying new products, product user research, product and market testing.
- 2.\* Business Opportunities Sourcing System: computerized listing of Canadian suppliers and their capabilities for wide distribution across government offices in Canada and posts abroad to assist Canadian industry and consumers and foreign buyers to source their requirements in Canada.
- 3.\*\*Import Analysis: coordinated approach to import analysis and identification of potential domestic markets for Canadian producers.
4. ITC Decentralization: regional offices have been allocated additional resources and personnel to meet wider responsibilities with more regional emphasis.
- 5.\*\*Export Promotion: comprehensive review of government policies bearing on export promotion with emphasis on information systems, use of public agency expertise, export incentives, consultant promotion of Canadian equipment and services, export consortium formation, use of free consulting services as an export tool and federal/provincial coordination in export marketing.
- 6.\*\*Advisory Committee: an advisory committee on export promotion to be established to guide the above review including representation of industry and the provinces.

7. Access to U.S. Markets: the Program for Export Market Development (PEMD), market identification and incoming buyers activities are extended to the United States for which an additional \$2.5 million will be available annually. PEMD's overall budget will be increased by a further \$5 million per year to support the establishment of sustained market activities.
- 8.\* Export Finance Funding: EDC fund ceilings available for insurance on export credits, surety instruments, and foreign investment have been increased from \$3.5 billion to \$13.5 billion and ceilings on loans have been increased from \$5.4 billion to \$12.5 billion.
- 9.\* Bid and Performance Surety: EDC is now able to guarantee and ensure performance and bid surety instruments, these being particularly relevant to projects in Mid-East markets.
10. Cross Consortium Coverage: EDC now offers insurance to members of an export consortium which covers members against specific losses caused by another member of the consortium.
- 11.\* Contractors' Surety Insurance: Canadian content requirements have been lowered for construction firms involved in foreign projects.
- 12.\* Promotional Projects: to increase the range of Canadian products introduced to export markets, a number of unique promotional projects will be undertaken at a cost of \$2 million annually.
13. EDC Decentralization: to permit more regional activity, enhanced loan insurance authority provided to Toronto, Montreal, Vancouver and Halifax offices.

#### Actions Planned

- 1.\*\*Canadian Content: prime manufacturers encouraged to make information available about components currently imported so that Canadian suppliers could attempt to meet requirements on a competitive basis.
- 2.\*\*Domestic Marketing Practices: programs to improve domestic marketing practices in Canadian firms.

3. Ultimate Risk Insurance: a risk re-insurance mechanism is being implemented with Canadian insurance companies which will enable Canadian companies to purchase broadly based general insurance against the risks associated with major overseas projects. A federal government \$100 million contingent liability will be required.
- 4.\*\*Export Financing: comparability of Export Development Corporation activity with that of other foreign export financing agencies and analysis of cost/benefit of matching other systems.
- 5.\*\*Aid Funding: examine means to improve funds available for projects where neither EDC nor CIDA accommodations appropriate, and the opportunity for more effective use of tied aid.

#### INDUSTRIAL SUPPORT PROGRAMS

Competitive international pressures will require unprecedented adjustments in the Canadian industrial economy if it is to continue to serve the employment and living standard needs of Canadians. This will call for government assistance to firms to facilitate modernization and re-organization and a redeployment of resources to new product lines to be able to exploit new market opportunities. The following recent initiatives serve these objectives.

#### Actions Under Way

- 1.\* 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.
- 2.\* 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.
- 3.\*\*Promotion of Rationalization: to facilitate rationalization, \$20 million will be made available in 100 per cent loan guarantees to forestall bankruptcies until viable takeovers can be arranged and \$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.

- 4.\* MTN Related Restructuring: to finance restructuring necessitated by injury arising from the multilateral trade negotiations, new instruments will be added to EDP: \$20 million of 100 per cent loan insurance annually, \$5 million per year in direct loans, and \$2 million per year in consulting services.
- 5.\* 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.
- 6.\*\*Business Services Industries: business services industries which invest in intellectual assets are to be included under EDP innovation and adjustment assistance on the same basis as goods producing industries.

#### SMALL BUSINESS MEASURES

Small businesses which make up the vast majority of Canadian enterprises will benefit from most of the program and policy changes outlined above. However, given the particular needs of this group, a number of special measures have been designed to assist these enterprises.

#### Actions Under Way

1. Counselling Councils: private sector counselling councils, such as the Hamilton-Wentworth Business Council, are being established to enable large firms to provide expertise and advice to smaller firms.
- 2.\* Export Financing: certain commercial criteria applied by EDC are relaxed to favour smaller enterprises and firms on the threshold of major growth.
3. Taxation Measures: see taxation section.
- 4.\* Management Capability: the management service component of the Federal Business Development Bank will be increased by \$2.4 million annually to strengthen management capability of small firms.
5. Sub-Contracting for Procurement: DSS requires that major suppliers to government appoint a coordinating officer for all sub-contracts to small business and companies bidding on these contracts include a plan to sub-contract to small business.
- 6.\* Government Paper Burden: measures to reduce paper burden and statistical reporting requirements outlined above are of particular relevance to small business.



7. Small Business Intern Program: fifty per cent of the first year wages (to a maximum of \$675 per month) of a university or community college graduate hired by small business will be paid by the federal government. \$5.4 million have been committed towards this program with the objective of creating 800 permanent jobs.
- 8.\* Marketing Assistance: the computer based product information bank described above to permit domestic and foreign buyers to identify Canadian sources of supply will be of particular assistance to small-and medium-sized businesses.
9. Business Centre: to overcome the difficulties faced by small businessmen in dealing with the complexity of government organization, a Business Centre has been established at the federal Department of Industry, Trade and Commerce.
10. Small Business Loans Act: amended in 1977, to raise the amount of the loans guaranteed from \$56,000 to \$75,000. The size of eligible business was raised from those with gross revenues of \$1 million to a level of \$1.5 million. In 1978, to ensure a supply of funds, the interest rates were amended to be the prime lending rate of chartered banks plus 1 per cent.
- 11.\* Regional Boards of EDP: in order to improve access for small-and medium-sized firms to the Enterprise Development Program, the Regional Board will authorize assistance to firms with sales of less than \$5 million rather than the present \$2 million.

SECTION TWO

CLIMATE FOR GROWTH: A FIRST SET OF RESPONSES

TO THE INDUSTRY SECTOR CONSULTATIONS

CLIMATE FOR GROWTH: A FIRST SET OF RESPONSES  
TO THE INDUSTRY SECTOR CONSULTATIONS

The Prime Minister and Premiers of Canada agreed last February "to seek out the active involvement of the private sector (including business and labour) in federal-provincial discussions on specific development programs tailored to the particular requirements of each of the manufacturing sectors".

At their request, 23 industry consultative Task Forces were established to make recommendations to the provincial and federal governments.

The reports of the Task Forces have been submitted to Canadian governments and the public. The Federal Government has engaged in extensive analysis and consultation to provide a response to recommendations of the Task Forces. A first set of these responses is given below. The several hundred Task Force recommendations covered a very large number of broad and sector specific issues. Further actions in response to recommendations will be taken as soon as the process of policy analysis and development permits.

Some of these recommendations can only be responded to by the federal government at other times and in other proposals. For example, recommendations relating to tax proposals must be responded to in the context of a budget, and those issues relating to the Multilateral Trade Negotiations must be reserved to preserve the confidentiality of the Canadian negotiating position.

In both cases, responses will be made public at the appropriate time. The recommendations of the Second Tier Committee are not responded to in this document. First Ministers will commit their governments to actions in response to these recommendations when they meet at the end of November. Under each government action or commitment, the number of recommendations by Task Forces to which the action responds is given.

RESPONSES

Taxation Policies

1. In the next budget the Minister of Finance will give consideration to responding to industry's concerns in the consultations and will consider providing a reply to taxation recommendations made by the Task Forces in the supplementary Budget papers.

Cement & Concrete 9	Furniture 4
Commercial Printing 1	Iron & Steel 10
Construction 3	Machinery 2
Electrical 7	Non-Ferrous Metals 10
Electronics 2	Ocean 3
Fertilizer 4	Petrochemicals 9

Food & Beverage 4	Plastics 7
Footwear 5	Textile & Clothing 8
Forest Products 11	Tourism 15
Fruit & Vegetable 1	Urban Transportation 2

### Labour Market Policies

1. In the development of its employment strategy for the 1980s, the Canada Employment and Immigration Commission will:
  - 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 flexibility of the Canada Manpower Mobility Program;

Aerospace 2	Machinery 6
Cement & Concrete 1	Non-Ferrous Metals 1
Commercial Printing 2	Ocean 1
Electrical 2	Plastics 1
Food & Beverage 1	Shipbuilding & Repair 1
Forest Products 1	Textile & Clothing 2
Furniture 1	Urban Transportation 1

2. The Canada Employment and Immigration Commission will give a high priority to installing the planned computerized clearance system to link major Canada Employment Centres and a program to inform industry of the enhanced services this would provide to encourage greater industry use of the CEC's.

Electronics 1

Machinery 1

### Labour Relations Policies

1. The federal Department of Labour will consult with provincial departments of labour with a view to resolving the problems caused for the hospitality industry by the application of current provisions concerning working hours, overtime and minimum wages.

Tourism 17

2. The Departments of Labour, Finance, and Statistics Canada, in consultation with the Economic Council and interested departments will devise a mechanism to permit the improved collection, analysis and publication of compensation trends, disaggregated by industry sectors, as a means of enabling comparability of such trends across sectors and with similar trends in the United States and report as soon as possible.

Forest Products 1

Petrochemicals 1

Plastics 2

3. The federal Department of Labour will sponsor consultations between management and union representatives on questions related to collective bargaining where particular sectors exhibit an interest in such consultations.

Construction 2

Forest Products 2



4. The Ministers of Labour and Industry, Trade and Commerce will urge First Ministers to address the need for greater harmonization of labour legislation and trade certification practices across Canada and to direct that specific initiatives be undertaken to this end.

Electrical 1  
Food & Beverage 7  
Forest Products 1

5. The Minister of Labour will explore the feasibility of establishing some appropriate consultative body with a mandate to discuss and make recommendations on labour relations issues.

Food & Beverage 8  
Forest Products 1  
Plastics 1

#### Innovation and Technology

1. Departments of Finance, Industry, Trade and Commerce, Communications, the Ministry of State for Science and Technology and other departments directly concerned develop for consideration on a priority basis mechanisms to provide increased support to industry for high technology activities, particularly applied research and development and engineering.

Aerospace 1	Machinery 3
Electrical 2	Ocean 1
Electronics 4	Shipbuilding & Repair 1
Forest Products 1	

2. The Department of Industry, Trade and Commerce will make business service companies eligible for assistance under the Enterprise Development Program; and that the Department of Regional Economic Expansion will consider the same question with respect to the Regional Development Incentives program.

Construction 2

Ocean 1

3. The Departments of Industry, Trade and Commerce, Communications, the Ministry of State for Science and Technology and other departments directly concerned will jointly examine current support to sector-oriented industrial R&D/productivity centres, in such areas as communications and electronics, and seek means to make this cost-effective and where required, to extend such support to other sectors.

Forest Products 1  
Ocean 3

Plastic 1  
Urban Transportation 1

#### Environmental Protection Policies

1. The Department of the Environment will examine 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, and to report on this examination early in the new year. The federal government should encourage the provinces to implement the Socio-Economic Impact Analysis approach in devising their own environmental regulations.

Cement & Concrete 2  
Construction 1  
Forest Products 2

Fruit & Vegetable 1  
Non-Ferrous Metals 2  
Tourism 1

2. Regulations based on Best Practicable Technology (BPT) will not be modified until five years have expired after their promulgation and new or expanded plants which have complied with BPT 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.

Tourism 3

3. The Department of Industry, Trade and Commerce will broaden the Enterprise Development Program to allow firms to seek benefits from this program for environmental protection purposes; and that Regional Economic Expansion will consider the same question with respect to Regional Development Incentive program. Other measures will also be considered to assist firms requiring financial assistance which cannot meet the EDP's significant burden test.

Iron & Steel 1

Non-Ferrous Metals 1

4. The Department of Environment will review implementation strategies and develop environment priorities which would allow compliance schedules to vary according to priority requirements and report on this examination.

Commercial Printing 1

Construction 1

Fruit & Vegetable 1

Transportation Policies

1. The Minister of Transport will reiterate the government's intention as a general policy to allow freight rates and passenger fares to be established by market forces and that when necessary to fulfill socio-economic objectives for carriers to transport commodities or passengers at unremunerative rates, or where expenditures on facilities or services have a non-commercial rationale, these subsidies or expenditures should be met by governments;

Cement & Concrete 1  
Forest Products 1  
Furniture 1  
Non-Ferrous Metals 1  
Tourism 5

2. Transport Canada will take the necessary steps to establish a more effective and expeditious mechanism for the redress of grievances on transportation rates and to deal more effectively with quasi-monopolistic railway pricing;

Fertilizer 2  
Forest Products 2  
Iron & Steel 2

3. Transport Canada will examine means of establishing a formal mechanism to coordinate Canada-U.S. through-rates with a view to initiating formal negotiations with U.S. authorities aimed at establishing an appropriate international mechanism for through-rate review;

Forest Products 1

4. Transport Canada officials will arrange for further consultation between the fertilizer industry and the Grains Group on the use of government-owned hopper cars;

Fertilizer 1

5. The federal and provincial governments, along with the transportation industry, should continue to encourage through the existing mechanism (the Canadian Council of Motor Transport Administrators) facilitation of the movement of freight and passenger transportation in both directions between provinces;

Fertilizer 1  
Furniture 1  
Tourism 1

6. Transport Canada and other interested parties will complete the assessment of the rationale for economic regulation of the transportation industries and prepare recommendations on future regulatory and competition policies in these sectors;

Tourism 12



7. Transport Canada and the Canadian Transport Commission (CTC) will consult substantively with representatives of the tourism industry on all major transportation policy initiatives having a direct impact on travel in Canada and for which the CTC would have responsibility for issuing and administering the regulations; and more specifically that Transport Canada officials will discuss with representatives designated by the tourism industry the new policy being formulated on the structure of domestic air carriers.

Tourism 7

#### Government Regulation

1. The Department of Consumer and Corporate Affairs, in consultation with other concerned departments, will outline the nature of the federal government's support for, and cooperation with, the Economic Council's study on government regulation, and will set out an interim work program on regulatory review for federal departments. With respect to the latter, the paper would:
  - 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 structure reporting to the Ad Hoc Committee of Economic Deputies that ensures such reviews take place;
  - e) suggest how the problems created by the shared nature of certain regulatory activity among federal departments and among federal and provincial governments should be examined.

Aerospace 1	Furniture 1
Cement & Concrete 1	Non-Ferrous Metals 1
Construction 2	Petrochemicals 2
Fertilizer 2	Plastics 1
Food & Beverage 3	Tourism 1
Fruit & Vegetable 1	

2. The Treasury Board will direct 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.

Cement & Concrete 1	Fruit & Vegetable 1
Commercial Printing 1	Furniture 1
Electrical 1	Petrochemicals 1
Food & Beverage 2	Plastics 2

#### Public Procurement

1. The government will continue to seek increased access to foreign procurement markets in the context of the MTN and pursue domestic measures consistent with national interests.

(See Task Forces referred to under Multilateral Trade Negotiations).

2. Provincial and federal procurement policies and practices will be discussed in the context of the federal-provincial meeting of Industry Ministers in order to explore the scope for cooperation in procurement practices to encourage industrial development.

Commercial Printing 1	Machinery 3
Construction 1	Urban Transportation 2

3. Consideration will be given to developing means to make better use of Canadian supply capabilities in public and private purchasing activity in line with industrial development objectives and international obligations including:
  - a) development of a Canadian source list on a computerized basis for broad distribution domestically, to posts and to selected foreign purchasing entities;
  - b) for large purchases, public and private, establishment of a government-industry consultative review mechanism to maximize opportunities for competitive Canadian-based suppliers to bid on domestic and foreign purchases;

Aerospace 1	Ocean 2
Construction 2	Plastics 2
Electrical 5	Shipbuilding & Repair 1
Machinery 1	Urban Transportation 1

4. DIT&C, DSS and MOSST will examine the use of a chosen instrument policy as an industrial development tool.

Electronics 1

5. DIT&C, MOSST and other concerned departments will examine the implications of extending the federal government's procurement policies to federal Crown corporations.

Electronics 2  
Plastics 1  
Shipbuilding & Repair 1

6. Treasury Board will direct that, where feasible, government departments and agencies standardize purchase requirements over time and aggregate them across departments so that maximum opportunities exist for scale economies and the development of sources of Canadian supply.

Construction 1	Plastics 1
Electronics 1	Tourism 3
Machinery 1	Urban Transportation 1

7. The Interdepartmental Planning and Review Committee in its assessment of large projects (that is, valued at over \$2 million) or other procurements judged to have significant socio-economic impact, will take particular note of those specific projects that involve systems electronics or other science and technology priorities which may be identified by MOSST, IT&C and other interested departments, such as Communications.

Aerospace 5  
Electronics 4  
Shipbuilding 1

### Trade Policy

1. Government will commit itself to taking expeditious action on injurious imports compatible with our international obligations and no less effective than that of our major trading partners. Specifically, its efforts in this area should include:
- a) improved execution of the significant positive measures already taken by Finance, the Anti-Dumping Tribunal and Revenue Canada in anti-dumping and countervail legislation;
  - b) continued development by Finance, Revenue Canada and Industry, Trade and Commerce of more efficient domestic procedures and administration of regulations/legislation dealing with injurious imports, taking into account changes resulting from the MTN.

Electrical 1	Iron & Steel 3
Fertilizer 3	Non-Ferrous Metals 1
Footwear 1	Petrochemicals 1
Fruit & Vegetable 1	Plastics 1
Furniture 4	Textiles 2

Competition Policy

1. The Minister of Consumer and Corporate Affairs will undertake to seek nominations for the Competition Board from business, labour, the legal and economic professions and consumer groups, while making it clear that government does not see itself restricted to such nominations.

(Recommendations relating to pending legislation on competition policy were made by numerous task forces.)

Domestic Marketing

1. The Department of Industry, Trade and Commerce will implement a coordinated approach to identifying potential domestic markets currently being met by imports and to assisting Canadian manufacturers to improve their domestic marketing practices.

Iron & Steel 1  
Machinery 3  
Textiles 1

Export Marketing

1. The Department of Industry, Trade and Commerce will, in cooperation with other departments, undertake a comprehensive review of government policies, programs and practices bearing on export promotion activities by Canadian industry, with emphasis on information systems, use of public agency expertise, export incentives, consultant promotion of Canadian equipment and services, export consortium formation and support, the use of free consulting services as an export tool, and the question of federal/provincial coordination in export marketing.

Commercial Printing 1	Iron & Steel 1
Construction 2	Machinery 4
Electrical 1	Ocean 1
Furniture 1	Plastics 1

2. The Department of Industry, Trade and Commerce will establish an Advisory Committee on Export Promotion to guide the review and will invite the Canadian Exporters Association, the Association of Consulting Engineers of Canada and the Canadian Construction Association to participate. In addition, and at the upcoming meeting of First Ministers, the Provinces will be invited to provide representation on the committee.

Construction 1  
Non-Ferrous Metals 1  
Urban Transportation 3

3. The Departments of Finance and Industry, Trade and Commerce, with other interested departments, will address the issue of non-comparability of EDC terms and facilities and, if the EDC is shown to be less competitive than the export financing practices of other countries, with Canadian companies losing business as a result, departments should examine the cost/benefit of matching other countries systems consistent with our international obligations.

Aerospace 1	Electronics 2
Construction 1	Urban Transportation 1
Electrical 1	

4. The Departments of Industry, Trade and Commerce and Finance, with other interested departments and taking into account ongoing work such as in CIDA on tied aid will:
  - a) undertake a study of methods to improve financing arrangements for offshore projects for which neither existing EDC nor CIDA accommodation is appropriate.

- b) examine the impact of tying aid and consider whether opportunities exist for more effective use of tied aid, consistent with overall aid strategy and with the governments' broad approach to industry support.

Construction 1  
Electrical 2

Electronics 1  
Urban Transportation 2

### Further Processing

1. The Department of Industry, Trade and Commerce in cooperation with other departments and agencies will undertake extensive consultations with the provinces to:
  - a) review policies and programs relating to further processing, initially with respect to forest, mineral and metal products, with a view to determining the viability of pursuing the development of a national policy on further processing in these sectors;
  - b) continue to support and further develop such specialized marketing programs as the Co-operative Overseas Market Development Program for forest products.

Forest Products 1  
Iron & Steel 1

### Energy Policy

1. The federal government will reaffirm, in the course of increasing Canadian energy prices towards international levels, its intention to pursue a policy whereby Canadian oil and gas prices would not exceed those in the U.S.

Petrochemicals 5

2. The Minister of Energy, Mines and Resources will draw to the attention of his provincial colleagues the opportunities for construction by utility companies of electrical generating facilities based on coal, nuclear and hydro energy aimed in part at export markets.

Electrical 2

3. The Departments of Industry, Trade and Commerce and Energy, Mines and Resources will consider means of encouraging industry to exploit the large potential for improving energy efficiency that exists in some manufacturing and processing sectors.

Forest 1  
Iron & Steel 1

#### Marketing Boards

1. 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 their 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.

Food & Beverage 3  
Fruit & Vegetable 4

#### Regional Development

1. The concerns of the Task Forces will be responded to in the course of the review of regional development issues being conducted by DREE with DIT&C presenting these concerns in detail.

Electrical 6  
Electronics 3  
Food & Beverage 2  
Footwear 3

Fruit & Vegetable 2  
Non-Ferrous Metals 1  
Textiles 9  
Tourism 1



Management Training

1. The Department of Industry, Trade and Commerce will review the adequacy of management training programs in the light of needs identified by the Task Forces and recommend options for the better delivery of financial assistance to industry-based associations or other appropriate industry groups for the improved development, coordination, and dissemination of management training programs.

Construction 1	Footwear 1
Commercial Printing 1	Textiles 2
Food & Beverage 1	

2. The Department of Industry, Trade and Commerce will cooperate with industry, where appropriate, to establish sector-specific education committees to develop further industrial management capability.

Food & Beverage 1	Footwear 1
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Tourism Development

1. The Canadian Government Office of Tourism (CGOT), in cooperation with relevant federal agencies, provincial/territorial governments and the private sector will develop a national tourism plan, therein defining more clearly the roles and jurisdictions of governments and the private sector.

Tourism 3

2. The federal government (CGOT) in cooperation with provinces and industry will intensify and expand its activities for improving the tourism service product and the productivity of the tourism industry.

Tourism 1

3. CGOT will increase its capability to deliver and coordinate programs for: increasing public awareness of the tourism industry; increasing the knowledge of the investment community about this industry; and increasing its information activities on government policies and programs to tourism operators.

Tourism 5

4. The government recognizes the urgent need for a comprehensive tourism data base and will direct that CGOT and Statistics Canada consult and report on the action and resources necessary to respond to this need.

Tourism 2

5. The Interdepartmental Committee on Government Regulation will take account of the problems facing the tourism industry in the government regulatory process.

Tourism 1

6. The Department of Indian and Northern Affairs, through Parks Canada, will develop an explicit tourism plan which will allow the incorporation of national parks into a national tourism strategy in keeping with the position of parks as a major Canadian tourist attraction.

Tourism 4

Resource Management

1. The federal and provincial governments will give early consideration to the Joint Report by Federal and Provincial officials to Finance Ministers and Resource Ministers.

Non-Ferrous Metals 1

2. The Minister of Fisheries and Environment will consult immediately with other Ministers involved with various aspects relating to the development of Canada's forests including the Ministers of ITC, DREE and Finance with a view to undertaking the several specific initiatives related to the management of the forest resource base.

Forest Products 3

3. In all resource development policy matters, DIT&C, and other interested departments be consulted at an early stage.

Multinational Trade Negotiations

Task Force recommendations which must be responded to in the course of the Multilateral Trade Negotiations.

Aerospace 1	Forest Products 4
Cement & Concrete 1	Iron & Steel 6
Commercial Printing 3	Non-Ferrous Metals 3
Electrical 7	Petrochemicals 2
Electronics 5	Plastics 1
Fertilizer 1	Textile & Clothing 1
Footwear 2	

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