

DISCUSSION OF BCIT SURVEY RESULTS

1989 marks the beginning of a long-term process that will see the end of trade barriers between Canada and the USA. The provisions of this bi-lateral agreement are set out in a document entitled the Canada-US Free Trade Agreement (FTA). In the debate carried out during the negotiation of this agreement, there was much rhetoric, both for and against Canada's participation with the US in a free trade pact. As this is written, the Agreement is signed into law, and British Columbia firms are now beginning a process of adaptation to an altered trading environment.

Aim of Research Project

Graduating students of BCIT's Financial Management programmes undertook to research BC business leaders' outlooks for the future under free trade. The aim was to establish a baseline for what will be an annual survey of the impact of the FTA on BC business.

Scope

The students carried out a Delphi forecast during a Free Trade conference sponsored by the Business Council of B.C. A Delphi forecast is a consensus gathering process where decision makers are asked a series of questions in several rounds, with the results of each round fed back to respondents before the next round is completed. In this way, respondents can modify their answers in light of what they perceive as an emerging consensus.

For purposes of analysis, respondents were asked to indicate which industry their firm was in from the following list:

Consumer Products
High-Tech
Energy & Minerals

Agri-Foods
Forestry Products
Service Sector

A questionnaire was administered three times during the Conference, with the results of the first and second round fed back to respondents. The results of the work are summarized below. The questionnaire was based on a simple Input-Output model, set out in four sections:

Supply
Costs

Demand
Profits

Section I: Supply

This section deals with the supply of raw materials, skilled labour, financing and technology.

For the industries that we surveyed, the expected general effect of the FTA was positive, ranging from a positive 5% to 15%.

Section II: Demand

Demand consists of four components; market potential, competition, pricing strategy, and revenues.

Generally the respondents do not expect a large increase in demand for their products as a result of the FTA. The responses showed almost no change with only slight feelings of optimism. This is a surprising result when the main aim of the FTA is considered, i.e., opening up the U.S. market to Canadian firms.

Section III: Costs

This section deals with the impact of the FTA on the cost of material, labour, manufacturing overhead costs and non-manufacturing overhead costs.

The general indication of the survey showed that 4 of the 6 industries surveyed thought that costs would decline slightly. For the Agri-food industry, it is expected that material costs will drop greatly (10%), whereas the Forestry industry expects costs to remain the same or increase slightly.