

I INTRODUCTION

Mandate

On January 4, 1984, the Minister for International Trade announced the creation of a Task Force whose mandate was:

(i) to assess the importance of the private trading house sector in Canada;

(ii) to evaluate the potential of the trading house sector in developing exports of Canadian goods and related services;

(iii) to identify measures to be taken by the sector itself, the government, and other parties in order to enhance trading house performance in exporting Canadian goods and related services with specific reference to manufactured goods.

In addition, after the establishment of the Task Force, the Minister for International Trade requested that the Task Force specifically examine the proposal made by the Export Trade Development Board recommending amendments be made to the Bank Act to permit a bank to own and operate up to 100 per cent of a trading company.

Task Force Membership

Membership in the Task Force was selected on the basis of representation from: (i) a wide spectrum of trading houses covering type, product, size and geographical location; (ii) a representative of the banking community; and (iii) a manufacturing firm, to bring to bear their particular perspectives on the area. Based upon these criteria the following persons were appointed to the Task Force by the Minister for International Trade on February 16, 1984: Mr. T.M. Burns, Chairman, (former President of the Canadian Export Association);

Mr. M.E. Bilyea, General Manager, International Trade Division, Canada Packers Inc., Toronto;

Mr. A.D. Burford, President, A.D. Burford International Ltd., Toronto;

Mr. A.M. Farmer, President, Farmer Seafoods Ltd., Dartmouth;

Mr. A.D. Frizelle, Vice-President, Philipp Brothers (Canada) Ltd., Toronto;

Mr. E.G. Kampouris, President, Bethune Import-Export Ltd., Montreal;

Mr. C.R.D. Kelly, President, Interimco Projects Engineering Corporation, Ottawa;

Mr. F.J. Labelle, Director, Corporate Development, Clouston Foods Canada Ltd., Montreal;

Mr. J.M. Lackowicz, President, Global Trading Co. Ltd., Calgary;

Mr. V. McKay, Senior Vice-President, The Royal Bank of Canada, Toronto;

Mr. C. Murray, Vice-President, Erie Iron Works Co. Ltd., Mississauga;

Mr. P. Rigby, President, Rigby Trade Ltd., Hamilton;

Mr. C.E. Swartz, President, Northern Sales Co. Ltd., Winnipeg;

Mr. J.B. Webb, Vice-President, Balfour Guthrie and Co., Vancouver.

The Task Force also benefited from the assistance of alternate members:

Mr. C.G. Baschenis, Vice-President, Interimco Projects Engineering Corporation;

Mr. G.C. Hutchinson, Secretary/Treasurer, A.D. Burford International Ltd.;

Mr. M.A. Nicolai, Vice-President, Trade Finance International Banking, The Royal Bank of Canada; and

Mr. J.D. Rogers, Manager, Special Projects, International Trade Division, Canada Packers Inc.

In addition, the Task Force was supported by a secretariat and other participants consisting of:

Dr. J.-É. Denis, Hautes Études Commerciales de Montréal, Research Director of the Task Force;

Mr. M.J. Reshitnyk, Department of External Affairs, Secretariat of the Task Force;

Mr. G.-A. Gélinas, Department of Regional Industrial Expansion;

Mr. D. Goldfield, Canadian Export Association.

Approach Taken By The Task Force

Definition

The first step taken by the Task Force was to adopt a definition of a trading house that would take into account the great variety of functions, services and methods of operation present in this sector and that would be practical in meeting the requirements of the Task Force's mandate. After some discussion the Task Force settled on the following definition:

"Companies specialized in the exporting, importing and third-country trading in goods and services produced or provided by other parties, and which provide related services to these activities.

These companies may act as merchants, agents, export managers, export consortia, export co-operatives, buying houses and procurement agents, or as a combination of the above.

Companies acting principally as manufacturers, wholesalers, retailers, engineering firms, freight forwarders, are not considered trading houses, unless they have established a separate identified unit specializing in trading in goods supplied by non-related and related companies."

There is a wide variety of types of trading houses; the most common include the following:

(i) an export management company managing all or part of the export function on behalf of manufacturers;

(ii) an export consortium owned by and managing the export function on behalf of consortium members on an ad hoc or ongoing basis;

(iii) an export co-operative managing the export function on behalf of co-operating members;

(iv) a corporate trading company responsible for the exports of the parent company and other products and/or assuming the parent's countertrade obligations when required;

(v) a buying house sourcing on behalf of offshore clients;

(vi) a procurement agent sourcing for offshore projects;

(vii) an export merchant buying and selling products on his own behalf;

(viii) an export agent acting on behalf of others on a commission and/or fee basis.

Trading houses may carry out a combination of the above functions or type of activities and provide a variety of related services such as financing, international marketing consulting, management consulting, procurement consulting, manpower development and training, documentation, freight forwarding, licensing negotiation, and technology transfer, etc. . . . Some deal in specific commodities and end products while others may handle a wide commodity/product mix. Trading houses often specialize by geographical destination.