

ISSUES OF IMPORTANCE TO EXPORTERS

Among the many topics investigated by the Board during the last year, the following were considered to be of sufficient importance with respect to export trade to warrant the formation of sub-committees to carry out detailed investigations.

Tax Measures Affecting Export Business (Chairman: Ted Newall)

As reported previously, the Board recognized early in its existence that our exports are affected by the level and type of taxes imposed in Canada, relative to those levied on competitors in other countries. The Board recommended that the Department of Finance sponsor a thorough study of this important issue by an independent research organization. Subsequently, the International Business Research Centre of the Conference Board of Canada was selected, and this process began in September last year.

The initial phase, which is expected to take about 18 months to complete, consists of a detailed examination of a number of specific industry sectors. Within each sector the tax treatment of companies in Canada and in a selected list of major competing countries will be compared. For this phase a firm of public accountants has been retained to gather international tax data and provide assistance in analyzing the tax simulation of the project.

The chemical sector has been chosen as the focus of the first industrial study, and polyethylene was selected as the representative product of the industry. Four other sectors chosen for intensive study are forest products, steel, machinery and telecommunications. Information and data gathering, model development and simulation analysis is now in the final stages for the chemical sector and completion of this study is expected shortly. Work has also just started on the steel and forest product sectors.

Following completion of this first phase, the second phase will examine the effect on sectoral export performance of possible changes in the Canadian tax regime. This will require examining the Canadian economy as an integrated system however, rather than as a series of individual sectors. Phase II is expected to take about a year to complete.

Once the results of the work by the Conference Board become available, this Board will be making policy recommendations designed to overcome any deficiencies that are revealed in the Canadian tax system as it bears on our export competitiveness.
