

University of Bath



PHD

An assessment of the role and degree of influence exerted by the Canadian Federation of Independent Business on the formulation of Canadian federal income tax policy

Gorman, F. Barry

Award date:
1991

Awarding institution:
University of Bath

[Link to publication](#)

General rights

Copyright and moral rights for the publications made accessible in the public portal are retained by the authors and/or other copyright owners and it is a condition of accessing publications that users recognise and abide by the legal requirements associated with these rights.

- Users may download and print one copy of any publication from the public portal for the purpose of private study or research.
- You may not further distribute the material or use it for any profit-making activity or commercial gain
- You may freely distribute the URL identifying the publication in the public portal ?

Take down policy

If you believe that this document breaches copyright please contact us providing details, and we will remove access to the work immediately and investigate your claim.

**AN ASSESSMENT OF THE ROLE AND DEGREE OF INFLUENCE EXERTED
BY THE CANADIAN FEDERATION OF INDEPENDENT BUSINESS
ON THE FORMULATION OF CANADIAN FEDERAL INCOME
TAX POLICY**

Submitted by: F. Barry Gorman

For the Degree of PhD
of the University of Bath

1991

COPYRIGHT

'Attention is drawn to the fact that copyright of this thesis rests with its author. This copy of the thesis has been supplied on condition that anyone who consults it is understood to recognise that its copyright rests with its author and that no quotation from the thesis and no information derived from it may be published without the prior written consent of the author'.

'This thesis may be made available for consultation within the University Library and may be photocopied or lent to other libraries for the purposes of consultation'.

F Barry Gorman

UMI Number: U601766

All rights reserved

INFORMATION TO ALL USERS

The quality of this reproduction is dependent upon the quality of the copy submitted.

In the unlikely event that the author did not send a complete manuscript and there are missing pages, these will be noted. Also, if material had to be removed, a note will indicate the deletion.



UMI U601766

Published by ProQuest LLC 2013. Copyright in the Dissertation held by the Author.
Microform Edition © ProQuest LLC.

All rights reserved. This work is protected against
unauthorized copying under Title 17, United States Code.



ProQuest LLC
789 East Eisenhower Parkway
P.O. Box 1346
Ann Arbor, MI 48106-1346

ACKNOWLEDGEMENTS

This thesis could not have been completed without the assistance and encouragement of many colleagues and friends. I wish to thank my supervisors, Mr. Cedric Sandford and especially Mr. Roger Bowles, for accepting the project as a worthwhile endeavour and for their guidance and positive criticism over the years. Many colleagues at Saint Mary's University offered helpful comments and the encouragement to persevere to the end. I am especially indebted to John Chamard, Dick Chesley, Hari Das, Frank Dougherty, Jack Gale, Sam Jopling and Peter Secord for their efforts. A debt of gratitude is extended to Pauline MacLean, who assisted with the typing and the final conversion of the text to a printable format. Finally, I would like to thank Linda, Danny, Karen, Tim and Matthew, who have had to put up with me during the writing of this thesis and who have suffered as only the family of a PhD student can suffer. To all of you, my heartfelt thanks.

SUMMARY

This thesis examines the income tax related lobbying actions of the Canadian Federation of Independent Business (CFIB) and is intended to determine the rationale for these activities. CFIB was formed in 1971 as a tax revolt movement to protest proposed government legislation. Throughout the succeeding two decades, tax matters have been of paramount concern to the association and its members. As a representative association, CFIB publicly claims to represent its members to government and to work to further their economic interests. Via a content analysis of CFIB publications, this thesis chronologically reviews the pre-budget submissions of CFIB, its other tax related lobbying actions, and its post-budget reaction, specifically its boasts of having achieved tax "victories" for its members. The analysis examines the success of CFIB in influencing tax policy, noting the number and characteristics of CFIB tax proposals which have or have not appeared in budgets, and reviews a number of CFIB lobbying campaigns. Throughout the thesis, CFIB's attempts to attract media publicity and its use of attention-grabbing strident rhetoric is noted, as well as its critical need to increase its cash flow. The analysis reveals that, contrary to its claims to represent its members and to be a significant player in the tax policy process, CFIB is not particularly successful at attaining tax concessions for its members and that many of its public

statements exaggerate its role in the policy formulation process. The thesis concludes that the true rationale for all CFIB lobbying activities can be found in its hidden agenda - that is, its need to penetrate the existent member market to acquire the requisite membership numbers, and the cash flow they generate, to ensure the long-term survival of the organization. In other words, CFIB's lobbying strategies and tactics are viewed as marketing tools to further the self-interest of the organization, not as genuine efforts to further the economic interests of its members.

LIST OF FIGURES

Figure		Page
1-1	Reciprocal Information Flows Between CFIB and the Department	4
1-2	Reciprocal Benefits of Engaging in Mutual Exchanges	5
2-1	Organizational Life Cycles	33
2-2	Organizational Growth Stages and Attendant Problems	33
2-3	The Four Interrelated Games	42
3-1	Annual Membership Growth	87
6-1	Annual Revenue Growth in Constant Dollars	325
6-2	Annual Growth Rate	326
6-3	Annual Number of Tax Proposals Included in a Budget	329
6-4	CFIB's Share of the Potential Member Market	332

TABLE OF CONTENTS

Page

Acknowledgements	ii
Summary	iii
List of Figures	v

CHAPTER ONE - INTRODUCTION, PURPOSE and ORGANIZATION

1. Research Topic and Objectives of the Study	2
2. Focus of the Study	3
3. Central Thesis	6
4. Central Research Questions	9
5. Hypothesis	10
6. Limitations of the Study	10
7. The Analysis	11
8. Significance of the Research	13
9. Organization and Order of Presentation	14
10. Endnotes	15

CHAPTER TWO - SPECIAL INTEREST GROUPS

A. INTRODUCTION	18
B. SPECIAL INTEREST GROUPS	18
1. Overview	18
2. Motives and Objectives of Interest Groups	19
3. Issue-oriented Versus Institutional Interest Groups	20
C. FORMATION, DEVELOPMENT, AND GROWTH OF SPECIAL INTEREST GROUPS	21
1. Canadian Government Action Theories	21
2. Traditional Formation Theories	22
3. Olson's By-Product Theory	24
4. Breton's Coercion Theory	27
5. The Life Cycle of Organizations	31
D. THE FUNCTIONS AND ACTIVITIES OF REPRESENTATIVE ASSOCIATIONS	35
1. The Provision of Member Services	35
2. Representing the Members to Government	37
3. Policy Participation	40
4. Exchange Transactions With Politicians and Bureaucrats	40
E. THE RESOURCES AVAILABLE TO PRESSURE GROUPS	45
F. TARGETS OF LOBBY GROUPS	47
G. THE STRATEGIES AND ADVOCACY TACTICS UTILIZED BY LOBBY GROUPS	48
1. The Overall Tone of the Tactics	48
2. Strategies and Tactics	48
(a) The Presentation of Briefs to Policy Makers	48
(b) Propaganda Claims	49
(c) Seek Public Support	50
(d) Issue Opinion Polls	51
(e) Purport to Represent a Significant and Influential Membership	52
(f) Attract Media Attention	52

(g) Other Tactics	53
H. INTER-ASSOCIATION COMPETITION	53
I. GOVERNMENT RECOGNITION OF SPECIAL INTEREST GROUPS	55
J. THE CRITICAL NEED FOR A LARGE MEMBERSHIP	58
K. SUMMARY OF THE COSTS AND BENEFITS OF THE MUTUAL EXCHANGES	59
L. SUMMARY	62
1. Introduction	62
2. A Model of Special Interest Groups	62
M. ENDNOTES	65

**CHAPTER THREE - THE CANADIAN FEDERATION OF
INDEPENDENT BUSINESS**

INTRODUCTION	70
PART I - FORMATION, GROWTH AND LOBBYING STRATEGIES	71
1. Formation	71
2. Federation Objectives	74
3. Organization Growth	75
4. The 1979 Organization Crisis	76
5. Member Services	79
6. CFIB Appointments to Government Advisory Agencies	80
7. Involvement With International Associations	81
8. Membership Growth	82
9. The Sales Spiel	90
10. Federation Activities	93
11. The Federation's Approach to Issues	93
12. Issues and Dominant Themes	94
13. Lobbying Strategy	94
14. How The Federation Attempts to Influence Government	97
(a) Overview	97
(b) Federation Research	98
(c) Education	99
(d) The Media Publicity the Federation is Able to Generate	100
(e) The Credibility of the Organization	100
(f) The Provision of Viable Policy Proposals	101
(g) The <u>Mandate</u> Programme	101
15. The <u>Mandate</u> Poll	102
16. Federation Accomplishments	105
17. Summary of Findings	107
PART II - TWO TAX-RELATED LOBBYING CAMPAIGNS	110
A. THE FEDERATION GOES TO WAR	110
1. The 1981 Pre-Budget Brief	110
2. The Budget	111
3. CFIB Reaction	111
4. The Campaign	113
5. The June 28, 1982 Budget-A Government In Retreat	115
6. CFIB Summarizes Its Victory	117
7. The Outcome	119
B. CFIB'S CAMPAIGN TO STOP THE VALUE ADDED TAX	120
1. Introduction	120
2. The Early Years	120
3. The Wholesale Sales Tax Option	122

4. Reaction to the Conservative Pledge to Reform the Sales Tax	122
5. The White Paper Sales Tax Reform	124
6. The Outcome	125
C. SUMMARY OF PART II	125
ENDNOTES	127

CHAPTER FOUR - THE TAX POLICY PROCESS

INTRODUCTION	139
PART I - A COMPREHENSIVE MODEL OF THE TAX POLICY PROCESS	140
A. Introduction	140
B. Public Policy	140
C. Interest Groups	142
D. Tax Policy	143
E. Successfully Influencing Tax Policy	145
F. Focus of the Dissertation	147
PART II - THE FEDERAL REVENUE BUDGET	148
A. Introduction	148
B. Tax policy	148
C. Approaches to the study of taxation	150
1. Normative Models of Tax Policy	151
2. Positive Models of Tax Policy	151
(a) The Legalistic School	151
(b) An Economic Perspective of Tax Policy	152
(c) Tax Policy as a Decision Making Process	152
3. Focus of the Dissertation	153
D. Tax policy as a decision making process	153
1. Alternative Theories of the Tax Policy Decision Making Process	153
(a) The Budget-Maximizing Bureaucrat	153
(b) The Politics of Expediency	154
(c) The Politics of Anticipation	154
(d) Hartle's "Games" Theory	156
2. Focus of the Dissertation	156
E. Pre-budget consultations	157
1. Overview	157
2. Pre-1981 Consultations	157
3. The 1981 Budget	160
4. Post-1981 Consultations	161
5. The Value of Consultations	162
F. Pre-budget briefs	162
1. The Presentation of Pre-Budget Briefs	162
2. Are Pre-Budget Briefs Effective?	164
G. Prescriptive advice for influencing policy makers	165
H. The budget speech	167
PART III - THE SPECIAL INTEREST GROUP-POLITICIAN/BUREAUCRAT GAME	171
A. Overview	171
B. Exchange Resources Available to Interest Groups	171
1. Political Support	171
(a) To Influence Voters	171
(b) Financial Aid	173

2. Non-Political Support	173
(a) A Source of Information, Expertise and Grassroots Feedback	173
(b) As an Alternative and Counterbalance to the Power of the Bureaucracy	175
(c) Communication With Group Members	176
(d) Legitimizing Policy	177
(e) As a Source of Clout Within Cabinet	177
(f) Assistance in Drafting Laws, Regulations and the Details of Government Programmes	178
(g) Delegation of Administrative Responsibilities	178
C. The Cost of Participating in the Games	179
D. Summary of the Costs and Benefits to the Minister and Department Officials of Participating in the Interest Group - Politician/Bureaucrat Game	179
E. The Relationship Between the Special Interest Group - Politician/Bureaucrat Game and the Members of Interest Groups	180
SUMMARY	182
ENDNOTES	185

CHAPTER FIVE - THE EMPIRICAL MATERIAL

INTRODUCTION	195
PART I - SUMMARY OF EMPIRICAL DATA	195
A. Overview	195
B. Content Analysis of CFIB Publications	196
1. Mandate	196
2. Pre-Budget Briefs	198
C. The Budget Documents	199
D. Interviews	199
E. Documents Obtained From a Selected Sample of Canadian Interest Groups	200
F. Other Sources	201
PART II - THE INCOME TAX PROPOSALS OF THE CANADIAN FEDERATION OF INDEPENDENT BUSINESS	202
A. Introduction	202
B. The First Year	205
C. A Call For Pre-Budget Submissions	206
D. CFIB Commences Action Against Revenue Canada	208
E. Initial Tax Victories	209
F. The Capital Loss Issue	210
G. Support for a Conservative Tax Proposal	210
H. Reaction to a Negative Income Tax Proposal	210
I. Two 1974 Budgets	211
J. Relief From Capital Gains Tax Added To CFIB's List of Tax Proposals	213
K. The May 25, 1976 Pre-Budget Brief	214
L. Small Business Must Attract And Retain Capital	215
M. Employment Tax Credit Programme	217
N. The April 10, 1978 Pre-Budget Brief	218
O. Further CFIB Victories	218
P. Small Business Deduction Proposals	219

Q. Capital Gains Concerns	220
R. Victory on the Spousal Salary Deduction	220
S. The October 20, 1980 Pre-Budget Brief	222
T. The April 19, 1983 Pre-Budget Brief	224
U. Tax Simplification	226
V. A Brief to the Macdonald Royal Commission	227
W. Registered Retirement Savings Plan Changes	228
X. A Renewed Attack on Revenue Canada	228
Y. The February 15, 1984 Budget	229
Z. Additional Administrative Changes	230
AA. Reaction to the Statement on the Economy	231
BB. The May 23, 1985 Budget	233
CC. The February 26, 1986 Pre-Budget Brief	235
DD. Tax Reform	239
EE. The February 18, 1987 Budget	241
FF. Conclusions	242
PART III - SUMMARY OF THE CFIB INCOME TAX PROPOSALS	244
ENDNOTES	251

CHAPTER SIX - THE ANALYSIS

INTRODUCTION	265
PART I - THE CFIB VICTORY CLAIMS	266
A. Introduction	266
B. Two Victorious Campaigns	267
1. The Capital Gains Exemption	267
2. Defeat of the Value Added Tax	270
C. Member Reaction to the Victory Claims	272
D. Media Reaction to the Victory Claims	274
E. Reaction of Department Officials to CFIB's Victory Boasts	274
F. Other Reaction	277
G. Why Issue Victory Claims?	277
PART II - CFIB TAX PROPOSALS	280
A. Why Does CFIB Make Pre-Budget Submissions?	280
B. How Many CFIB Tax Proposals Originated in <u>Mandate</u> Questions?	280
C. Do the Tax Proposals Conform to an Underlying Rationale?	282
D. Are the Proposals Consistent With CFIB's Tax and Other Objectives?	283
E. Is There Any Evidence That The Proposals Are Influenced By Political Considerations?	284
F. Do the Proposals Conform to the Government's Goals and Objectives?	286
G. Are the Proposals Original to the CFIB?	291
PART III - THE RECEPTION ACCORDED CFIB SUBMISSIONS	292
A. How Many Pre-Budget Submissions are Received by the Department?	292
B. How Do Department Officials View the Consultation Process?	292
C. Why Do Department Officials Listen to CFIB?	294
D. How Do Department Officials Rate CFIB Submissions?	298
E. How Frequently is CFIB Consulted by the	

Department?	298
PART IV - THE SUCCESSFUL PRE-BUDGET PROPOSALS	300
A. How Many CFIB Proposals Have Been Included, in Whole or in Part, in Federal Budgets?	300
B. Is There Any Difference in the Nature of the Successful and Unsuccessful Proposals?	301
1. The Issues	301
2. Taxpayer Type	301
3. Direction of Tax Effect/Cash Flow	302
C. Is There Any Evidence That CFIB Has Prevented the Implementation of Potentially Harmful Tax Measures?	303
D. What Has Been the Effect of CFIB Victories?	304
1. Overview	304
2. The Successful Proposals Classified	305
(a) Significant Successes	305
(b) Moderately Significant Successes	305
(c) Insignificant Successes	306
(d) A Success Which May Have Cost Small Business	306
3. Symbolic Victories	307
E. What Accounts for the Time Lag Between Proposals and Their Inclusion in a Budget? Is the Time Lag Dependent Upon the Nature of the Proposal? What Accounts for the Different Time Lags of the Successful Proposals?	307
1. Overview	307
2. The Fast List	308
3. The Slow List	309
4. The Spousal Salary Deduction	310
5. The Successful Proposals By Year	312
PART V - COMPETITION AND THE SCRAMBLE FOR MEMBERS	313
A. Rival Representative Associations	313
B. CFIB's Attitude Towards Other Associations	314
C. A Concern For Confidentiality	315
D. COSB - The Major Small Business Competitor	315
E. Collaboration With Other Interest Groups	317
F. Public Debate With BCNI	317
G. The Tax Proposals of Rival Associations	318
PART VI - MEMBERSHIP GROWTH AND THE NEED FOR FINANCIAL RESOURCES	322
A. Expenditure and Revenue Growth	322
1. On an Actual Dollar Basis	322
2. On a Constant Dollar Basis	322
B. Penetration of the Member Market	330
PART VII - SUMMARY, FINDINGS AND CONCLUSION	334
A. Summary	334
B. Findings	334
C. Conclusion - Transformation of CFIB From an Issue Group to an Institutional Group	339
ENDNOTES	340

CHAPTER SEVEN - SUMMARY AND CONCLUSIONS

A. RESTATEMENT OF OBJECTIVES, RESEARCH QUESTIONS

AND HYPOTHESES	346
B. ACCEPTANCE OR REJECTION OF THE SUPPORTING HYPOTHESES	348
C. THE CENTRAL RESEARCH QUESTIONS	354
1. How Does CFIB Attempt to Influence the Tax Policy Process?	354
2. Has CFIB Been Able to Influence the Formulation of Federal Income Tax Policy?	355
3. How Does CFIB Exploit Its Influence?	358
D. SUGGESTIONS FOR FURTHER RESEARCH	359
E. SIGNIFICANCE OF THE RESEARCH	360
F. CONCLUSION	363

TABLES

TABLE 1-1 - SMALL BUSINESS IN CANADA - 1981 TO 1986	365
TABLE 1-2 - GEOGRAPHICAL DISPERSION OF CANADIAN BUSINESSES - SELECTED YEARS	367
TABLE 1-3 - SMALL BUSINESS IN THE PROVINCE OF NOVA SCOTIA	367
TABLE 3-1 - SUMMARY OF THE MAJOR STEPS IN THE ORGANIZATIONAL DEVELOPMENT OF CFIB	368
TABLE 3-2 - CFIB ORGANIZATION CHART - 1981	369
TABLE 3-3 - SELECTED APPOINTMENTS TO ADVISORY BOARDS, TASK FORCES AND OTHER GOVERNMENT COMMISSIONS	370
TABLE 3-4 - MEMBERSHIP ANALYSIS FOR SELECTED YEARS	371
3-4 (A) - TYPE OF BUSINESS	371
3-4 (B) - NUMBER OF EMPLOYEES	371
3-4 (C) - GROSS SALES	371
3-4 (D) - YEARS IN BUSINESS	371
3-4 (E) - TYPE OF OWNERSHIP	372
3-4 (F) - GEOGRAPHICAL DISPERSION	372
TABLE 3-5 - TABLE OF MEMBERSHIP AND FEES RECEIVED BY YEAR	85
TABLE 3-6 - SELECTED ADVOCACY CAMPAIGNS	373
TABLE 3-7 - RECURRING CFIB THEMES	374
TABLE 3-8 - NATIONAL SURVEY OF MEMBER CONCERNS	375
3-8 (A) - LIST OF ISSUES MENTIONED BY THE MEMBERS	375
3-8 (B) - NUMBER OF RESPONDENTS TO SELECTED SURVEYS	375
3-8 (C) - SUMMARY OF THE RANKING OF MEMBERS' CONCERNS	376
3-8 (D) - SUMMARY OF PERCENT OF MEMBERS INDICATING THE ISSUE WAS IMPORTANT	376
TABLE 3-9 - SELECTED CFIB RESEARCH STUDIES AND SURVEYS	377
TABLE 3-10 - THE HARD FACTS	379
TABLE 3-11 - THE NATIONAL ACTION ALERT	380
TABLE 3-12 - SELECTED TAX-RELATED OCCASIONAL SURVEYS	380
TABLE 3-13 - SELECTED INSERTS INCLUDED IN <u>MANDATE</u>	380

TABLE 3-14	-	<u>MANDATE</u> PUBLICATION DATES	381
TABLE 3-15	-	FEDERATION VICTORY CLAIMS	382
TABLE 3-16	-	CFIB REPORT CARD	385
TABLE 3-17	-	SUMMARY OF FEDERAL SALES TAX QUESTIONS INCLUDED IN <u>MANDATE</u>	386
TABLE 3-18	-	ACTION ALERT VALUE ADDED TAX VOTE	386
TABLE 4-1	-	CANADIAN FEDERAL BUDGETS	387
TABLE 5-1 (A)	-	SUMMARY OF THE MAJOR TOPIC OF THE <u>MANDATE</u> ARTICLES	388
	(B)	FEDERAL INCOME TAX ARTICLES BY YEAR	388
TABLE 5-2 (A)	-	SUMMARY OF PICTURES PUBLISHED IN <u>MANDATE</u>	389
	(B)	INCOME TAX PICTURES BY YEAR BY SUBJECT MATTER CATEGORY	389
TABLE 5-3 (A)	-	SUBJECT MATTER OF MEMBER'S LETTERS	390
	(B)	FEDERAL INCOME TAXATION LETTERS BY YEAR	390
	(C)	SUMMARY OF FEDERAL INCOME TAX LETTERS	390
	(D)	TAX PROPOSALS ADVOCATED BY MEMBERS IN THEIR LETTERS	391
TABLE 5-4	-	SUMMARY OF <u>MANDATE</u> INCOME TAX QUESTIONS	392
TABLE 5-5	-	SUBJECT MATTER OF TAX QUESTIONS	393
TABLE 5-6	-	SUMMARY OF INCOME TAX QUESTIONS INCLUDED IN <u>MANDATE</u>	394
TABLE 5-7	-	<u>MANDATE</u> 1985 VICTORY CLAIMS	396
TABLE 6-1	-	MEMBERS' REACTION TO CFIB VICTORY CLAIMS	398
TABLE 6-2 (A)	-	CANADIAN GENERAL ELECTIONS - PARTY STANDING IN HOUSE OF COMMONS	399
	6-2 (B)	CFIB PROPOSALS WHICH HAVE BEEN MADE TO BOTH LIBERAL AND CONSERVATIVE FINANCE MINISTERS	399
TABLE 6-3	-	SUMMARY OF GOVERNMENT PRIORITIES AS EXPRESSED IN BUDGET SPEECHES	400
TABLE 6-4	-	SCHEDULE OF TERMS REFERRED TO IN THE BUDGET SPEECHES	403
TABLE 6-5	-	SUCCESSFUL PROPOSALS BY ISSUE	404
TABLE 6-6	-	SUMMARY OF CFIB PROPOSALS WHICH APPEARED EARLIER IN ANOTHER SOURCE	405
TABLE 6-7	-	TAXPAYER GROUP BENEFITING FROM THE CFIB PROPOSALS	406
TABLE 6-8	-	TAX COST/BENEFIT OF SELECTED CFIB PROPOSALS	408
TABLE 6-9	-	SUMMARY OF THE SIGNIFICANT SUCCESSES	409
TABLE 6-10 (A)	-	SUCCESSFUL PROPOSALS WHICH TOOK SEVERAL YEARS TO REACH A BUDGET	410
TABLE 6-10 (B)	-	SUCCESSFUL PROPOSALS WHICH WERE ACTED UPON RELATIVELY QUICKLY	410
TABLE 6-11	-	PROPOSALS BY YEAR	411
TABLE 6-12 (A)	-	SCHEDULE OF ANNUAL EXPENDITURES - IN ACTUAL \$	412
TABLE 6-12 (B)	-	ANNUAL EXPENDITURES IN CONSTANT \$	413
TABLE 6-13	-	COMPARISION OF INCREMENTAL REVENUES	

	AND EXPENDITURES	414
TABLE 6-14	- CFIB CASH POSITION - OPERATING FUND	414
TABLE 6-15	- CFIB BALANCE SHEET - JUNE 30, 1987	415
TABLE 6-16	- THE POTENTIAL MEMBER MARKET	416

APPENDICES

APPENDIX 3-1	- EXAMPLES OF EARLY CFIB RHETORIC	418
APPENDIX 3-2	- THE CFIB NEWSPAPER AD PROTESTING THE 1981 BUDGET	421
APPENDIX 3-3	- PUBLISHED CFIB ADVOCACY CAMPAIGNS	422
APPENDIX 3-4	- A SAMPLE NATIONAL SURVEY	427
APPENDIX 3-5	- THE MAY 1984 HARD FACTS SURVEY	428
APPENDIX 5-1	- PRINCIPAL TOPIC DISCUSSED IN <u>MANDATE</u> ARTICLES	430
APPENDIX 5-2	- SUBJECT CONTENT OF <u>MANDATE</u> PICTURES	447
APPENDIX 5-3	- THE <u>MANDATE</u> LETTERS	454
APPENDIX 5-4	- SUMMARY OF <u>MANDATE</u> QUESTIONS	472
APPENDIX 5-5 (A)	- THE OCTOBER 1975 <u>MANDATE</u>	497
APPENDIX 5-5 (B)	- THE APRIL 1985 <u>MANDATE</u>	501
APPENDIX 6-1	- SELECTED CFIB PUBLISHED VICTORY CLAIMS	505
APPENDIX 6-2 (A)	- SELECTED CANADIAN SPECIAL INTEREST GROUPS	507
APPENDIX 6-2 (B)	- BUSINESS INTEREST GROUPS CLASSIFIED BY DOMAIN	509

BIBLIOGRAPHY

A.	BOOKS, REPORTS, JOURNAL ARTICLES AND MEDIA ARTICLES REFERRED TO IN THE TEXT	512
B.	DEPARTMENT OF FINANCE DOCUMENTS REVIEWED FOR THIS DISSERTATION	524
C.	CANADIAN FEDERATION OF INDEPENDENT BUSINESS DOCUMENTS REVIEWED FOR THIS DISSERTATION	527
	1. Pre-Budget and Related Tax Briefs	527
	2. CFIB Response to the 1981 Budget	527
	3. Selected CFIB Surveys	528
	4. Non-Tax Policy Papers	528
	5. Speeches	528
	6. Summer Reports	529
	7. Action Reports	529
	8. Newspaper Articles Authored By John Bulloch	529
	9. Sundry	530
D.	CANADIAN SPECIAL INTEREST GROUPS	530
E.	INTERVIEWS	531
	1. Department of Finance	531
	2. Canadian Federation of Independent Business	531
	3. Government of Nova Scotia	531

4. Statistics Canada	531
F. JOURNAL, NEWSPAPER AND BUSINESS PERIODICAL ARTICLES NOT REFERRED TO IN THE TEXT	531
1. Signed Articles	531
2. Unsigned Articles	533
3. Post-budget Journal Articles	534
F. SOURCES OF GOVERNMENT STATISTICS	535

CHAPTER ONE
INTRODUCTION, PURPOSE and ORGANIZATION

1. Research Topic and Objectives of the Study

The general objective of this dissertation is to achieve a greater understanding of the role and degree of influence exerted by special interest groups on the formulation of federal income tax policy. More specifically, I wish to determine the rationale for the submission of pre-budget briefs and the advocacy tactics employed by interest groups prior to, along with, and especially subsequent to, the presentation of their briefs to the Federal Government of Canada. The pre-budget submissions of a nationally prominent small business lobby group, the Canadian Federation of Independent Business (CFIB), presented to the Department of Finance (the Department) from 1972 to 1986 will be used to analyze the relationship between interest groups and government decision makers, to determine whether tax policy can be used to explain the relationship between government decision makers and interest groups and to test propositions derived from the theory outlined in chapter two. This time period commences with the founding of the CFIB and encompasses two major reforms of the Canadian tax system (1).

CFIB is a highly visible interest group and a recognized leader of Canadian small business (2). Initially formed to mount a tax revolt, CFIB has exhibited a continuing concern with tax issues, and has an extensive history of pre-budget lobbying, much of which is publicly available (3). As McQuaig (1987) has noted, "Since its dramatic entrance into

the tax reform debate under John Bulloch in 1969, small business has come to exercise surprising clout over the tax system" (4).

2. Focus of the Study

A comprehensive study of special interest group behaviour would necessitate an examination of the relationship among the groups and their members, government policy makers, the media and the public. Such an investigation would be too broad for purposes of this dissertation. Therefore, this study focuses on the interaction between CFIB and the Department, especially the bargaining between the two, the mutual exchanges of information (both documentary and verbal), and the reciprocal costs and benefits of engaging in the information exchanges. The analysis is extended to the members, media and public where necessary to explain the rationale for the basic relationship between CFIB and the Department. The inter-relationships, more fully discussed in later chapters, are illustrated in Figures 1-1 and 1-2. Figure 1-1 describes the reciprocal information flows between CFIB and its members, and between CFIB and the Department. Figure 1-2 outlines the benefits flowing to each party from participating in the information flows.

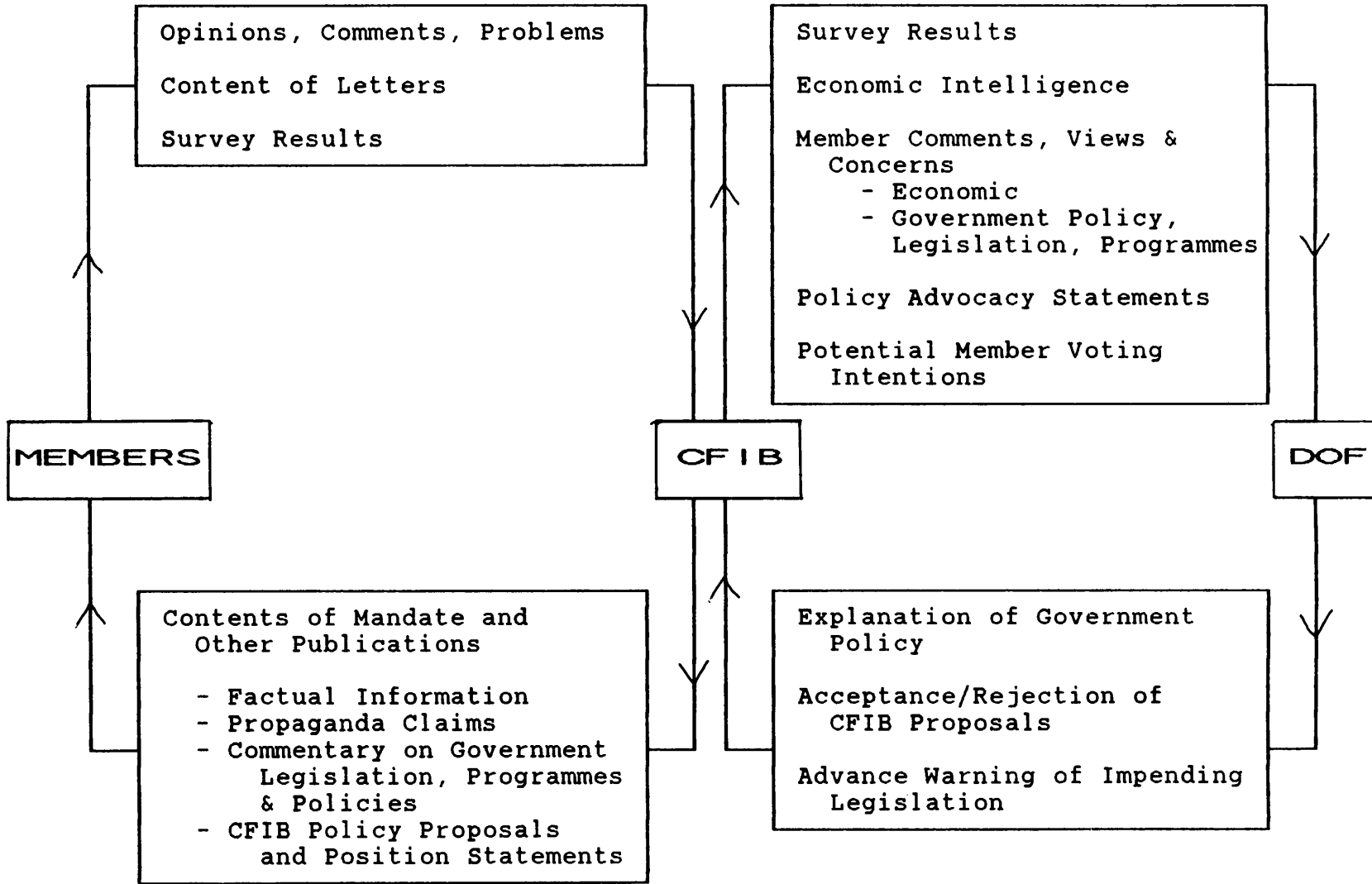


FIGURE 1-1
Reciprocal Information Flows Between CFIB and the Department

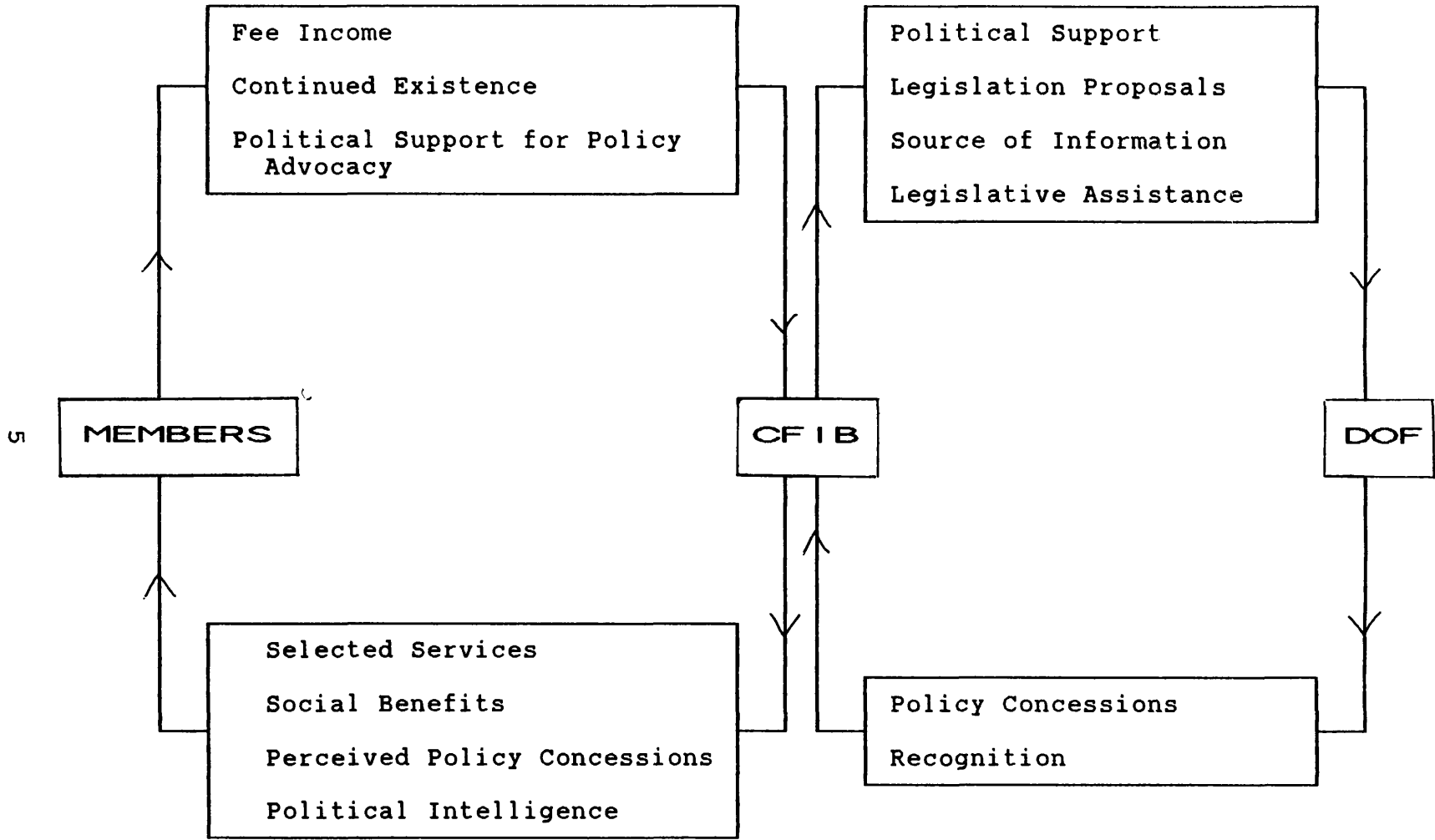


FIGURE 1-2
Reciprocal Benefits of Engaging in Mutual Exchanges

3. Central Thesis

Over the past several decades interest groups have emerged as a significant factor in the formulation of Canadian public policy, arguably even more influential than political parties. In contemporary Canadian society, activities of these groups are among the major ways in which the views and concerns of particular segments of society (business; labour; agriculture; the professions; and a host of social, welfare, religious, and public interest groups) are made known to government policy makers. According to many interest group leaders, representing their members to government is their primary mission. In fulfilling this role, interest groups lobby government for legislative changes beneficial to their members. Lobbying government for income tax changes has been of particular concern to many of the larger Canadian interest groups.

Interest groups have been formed in response to perceived threats (generally economic in nature) to certain groups, because individuals believe their common interests can be furthered by collective action, because individuals desire the services and legislative benefits supplied or obtained by the groups, or because they seek to pressure government on a single policy issue of importance to group members.

Regardless of the reason for their formation, interest groups and their members have motives and concerns which

are presumed to be self-evident. That is, once formed, interest groups pursue policies which will defend or further the members' self-interest within the given political-economic system.

Issue-oriented groups cease to exist when the issue which spawned them is resolved, or the membership determines that the group's efforts are or will be ineffectual, or the membership's intensity for the issue dwindles. Occasionally, an issue-oriented group evolves into an institutional group. Survival as an institutional group requires that the group maintains the allegiance of its current members and attracts new members, as membership fees are generally the only revenue source for many interest groups, and a significant membership is deemed necessary to give the group political clout. Therefore, successful institutional groups - that is, those groups which survive as viable entities, must adopt strategies designed to attract and retain members.

Contrary to the above-mentioned mission statement espoused by many interest groups and their leaders - that is, that they represent their members to government, this dissertation will argue that the stated motives and objectives of many interest groups differ from their "true" motives and objectives. Although these groups publicly state that their mission is to represent the membership to government and/or to secure favourable legislation for

their members, the dissertation will argue that interest groups have a "hidden agenda" - that is, the desire to sustain themselves as viable organizations by maintaining the allegiance of current members and expanding their membership base, when they lobby government. The primary objective of institutional groups is, therefore, penetration of the existent member market. It will be further argued that institutional groups will expend resources to increase their membership until the group leadership deems the costs associated with member procurement to equal the incremental revenues resulting from the recruitment effort.

Because representative associations operate in an oligopolistic member market, a related concern is inter-association competition. Associations perceive a need to thwart the emergence of rival associations and/or prevent competitors from diluting whatever degree of influence they possess on government policy makers.

Much of this survival effort relates to the publicity-seeking advocacy tactics employed by interest groups. The dissertation will argue that all advocacy initiatives of interest groups are directed towards creating publicity for the organization. Such publicity is needed to attract the attention of the media and the public, to engender a favourable public perception of the group, and ultimately to serve as a marketing tool to

expand the membership. In addition to attempting to garner maximum publicity for their lobbying efforts, the groups publicize the benefits allegedly obtained from government for their members, issue extravagant claims of success and influence over particular policy fields, and generally portray themselves as the champions of their constituent memberships. In the tax field, much of this publicity-seeking effort is associated with the submission of pre-budget briefs to the Department and the issuance of post-budget claims of influence in obtaining tax measures desired by the members or preventing the inclusion in a budget of tax measures detrimental to the members' economic interest.

4. Central Research Questions

The central research questions can be stated as follows:

- 1. Can special interest groups influence the formulation of income tax policy?**
- 2. If so, in what ways do they seek to exert this influence?**
- 3. How do they exploit any such influence?**

The case study approach will be used to investigate these questions as public policy rarely lends itself to statistical testing (Borins, 1988), and this approach is useful for investigating the "how" and "why" types of research questions (Yin, 1984).

5. Hypothesis

The basic hypothesis can be stated as follows:

The primary objective of CFIB when making pre-budget submissions and when issuing post-budget victory claims is to enhance its appeal to the small business community so as to increase the membership of the Federation.

This hypothesis will be compared to the stated objective of CFIB, which is to achieve tax measures beneficial to the membership, and will be supported by subordinate hypotheses to be outlined in chapter two.

6. Limitations of the Study

A research project necessarily must be limited in scope by obstacles inherent in the subject matter or the tools of analysis. This study is restricted to the pre-budget proposals of the CFIB, as revealed in submissions to the Department, or summaries of the proposals contained in Mandate, the association's newsletter. It is further restricted to federal income tax measures pertinent to small business announced in the federal budget speech and accompanying documents. Excluded from the discussion will be all taxes (provincial, sales, payroll, excise, and energy) not contained in the federal Income Tax Act, and non-small business issues such as the taxation of natural resources, life insurance and charities. Reference is made to these taxes and issues only where necessary to explain or give support to an income tax point. It may be presumed,

therefore, that all references to "the budget" refer to the federal revenue budget.

The study will not attempt to evaluate budget measures in terms of economic efficiency, effectiveness or cost. Nor will it deal with the post-budget legislative process, the federal expenditure budget, the formation and growth of organizations, or seek to determine why members join organizations, except as these issues illuminate the interaction between CFIB and the Department. As it is pertinent to one interest group only, the analysis and conclusions may not necessarily be generalizable to other interest groups.

7. The Analysis

The theoretical analysis is based on models derived from the public administration, economics, and tax policy literature, including, but not restricted to: Pross, Pal, Stanbury, Doern and Phidd (the theory of representative associations); Downs, Olson, Breton, and Hartle (public choice economics); and Wildavsky, Good, and Hartle (tax policy). Canadian sources will be used as primary references, with British and American theorists used to support or address issues not dealt with in the Canadian-authored literature.

Primary and secondary documents have been extensively used to collect the empirical material. The principle empirical

analysis will consist of a content analysis of the Federation's pre-budget submissions and the subsequent budget speeches, and will revolve around a series of subordinate questions related to the central research questions. CFIB publications, in particular Mandate, have also been analysed using the content analysis technique. The tax proposals and budget measures have been categorized into significant classifications such as the type of taxpayer affected by the proposal and the cost of the proposal. The government's economic and political assessment, as contained in the subsidiary budget documents, will be presented where required. These analyses have been supported by a review of other documents, analyses, and commentaries pertinent to CFIB or specific budgets.

A number of open-ended interviews have been conducted with senior Department and CFIB officials. These interviews have enhanced the analysis by providing direct commentary on, or verification of, issues evolving in the content analysis, and have been invaluable in providing information necessary to a comprehensive analysis.

From a survey of published statistics, a number of pertinent tables have been compiled which provide needed taxation, economic and political data. Finally, a survey of selected interest groups has resulted in the acquisition of numerous documents specific to each organization.

8. Significance of the Research

Paltiel (1982) has noted that, "A general theory of the Canadian pressure system must begin by viewing interest groups as something more than mere passive clienteles, conveyors of information, or instruments of social control; but must go on to explore the explosive consequences of escalating interest group demands and competition" (5). To date, Canadian taxation literature has primarily been concerned with the legal or economic aspects of taxation. The public administration literature has presented various aspects of public policy, either in general terms or with respect to specific policy fields (6). However, relatively little has been written pertaining to the decision making process by which tax policy is formulated, a useful and much neglected perspective from which to analyze the making of public policy (Wildavsky, 1974). Only one Canadian case study has been located which discusses tax policy (7), and this was written for classroom discussion purposes. In addition, although the public press has extensively covered CFIB and its leader, a comprehensive study of the Federation has not appeared in the literature.

This dissertation will, therefore, fill a number of gaps in the literature as it will present a relatively comprehensive portrait of an important interest group and it will focus on, explain and add to our understanding of a rarely reported aspect of public policy. In addition, the research will offer insights into the process of political

decision making and the allocation of political costs and benefits.

9. Organization and Order of Presentation

This study is divided into four distinct sections: the conceptual theory and historical background; the empirical data base; analysis of the data; and the summary and conclusions. Chapter two reviews the literature pertaining to interest groups and identifies the hypotheses to be tested in the thesis. Chapter three summarizes the development of CFIB, with particular emphasis on its lobbying efforts. Chapter four outlines this researcher's model of the tax policy process, reviews the literature pertaining to the budget-making process, and highlights the interaction between interest groups and the Department. An historical review of CFIB's pre-budget submissions, the major measures introduced with each budget, and CFIB's post-budget reaction is presented in chapter five. Chapter six analyzes the empirical data. The summary and conclusions are contained in chapter seven.

10. Endnotes

1. Following an intensive study of the tax system, primarily by the Royal Commission on Taxation, on January 1, 1972, the government implemented the most sweeping reforms to the tax system since the imposition of federal income tax in 1917. Major revisions were the inclusion of fifty percent of capital gains in the tax base, the introduction of the small business deduction for privately controlled companies, the elimination of estate and gift taxes, increased personal exemptions, a broadening of the tax base, and a number of new or enhanced deductions.

The government tabled a White Paper on June 18, 1987 which was intended to reform the tax system once again. The major provisions of these reforms were intended to broaden the tax base and reduce tax rates. A massive overhaul of the sales tax system was also proposed.

2. Although the number of small businesses in Canada is relatively large (Tables 1-1 to 1-3), there is no universal definition of a small business. Different definitions have been utilized for different purposes. Each, however, tends to define a small business quantitatively with reference to its annual sales, number of employees, and/or the type of company (LeMay, 1982), or qualitatively with reference to its independent ownership and management, management in a personalized manner, small market share, or lack of dominance in its field (Filion, 1990).

Government is concerned with small business with respect to compliance with tax law or specific government programmes. The Department of Finance defined a small business in the 1985 budget papers as one which qualifies for the small business deduction, and in the 1986 budget papers as a "Canadian Controlled Private Corporation" - that is, a company that uses all or substantially all of its assets in an active business carried on primarily in Canada. The federal government classifies small businesses as (a) manufacturers with less than one hundred employees and sales less than \$2 million; (b) service businesses with less than fifty employees and less than \$2 million dollars in sales; and (c) all unincorporated businesses. Medium-sized businesses are those which employ less than three hundred employees and have sales between \$2 and \$20 million. For purposes of the Small Business Loans Act, a company must have less than \$1.5 million in sales (LeMay, 1982).

Small business associations tend to emphasize the ownership of the business. The Canadian Organization of Small Business defines a small business as one

which is privately owned; primarily owner-operated; has less than one hundred employees and less than \$1 million of annual sales revenues; operates primarily in one industry; and has few or no subsidiaries (untitled, undated draft policy paper). CFIB does not define small business per se. Rather it prefers to use the term "owner-managed business", by which it includes firms, "that are independently owned and operated, not dominant in their field, and with no more than 200 or 300 employees" (Mandate No. 44). Note that CFIB does not employ a revenue criterion.

3. CFIB has prepared annual pre-budget briefs since 1972. These are chronologically reviewed in chapter five. The Bibliography lists the briefs which have been obtained by this researcher.
4. McQuaig (1987), p. 193.
5. Paltiel (1982), p. 203.
6. See for example: Star (1975) on immigration, Lepore (1976) on pollution, Tupper (1978) on regional development, Van Loon (1979) on the social security system, and Wirick (1982) on energy policy.
7. Baetz (1985).

CHAPTER TWO
SPECIAL INTEREST GROUPS

A. INTRODUCTION

This chapter reviews the literature pertaining to interest groups. More specifically, it looks at competing theories as to the formation of such groups, the reasons why individuals and firms become members of interest groups, the functions and activities of the groups, the resources available to the groups, their lobbying targets, and the lobbying strategies and tactics they use. The chapter concludes with a discussion of government recognition of interest groups, and a summary of the costs and benefits of engaging in the mutual exchanges between the members and the groups and between the interest groups and politicians/bureaucrats. Finally, this researcher's model of interest groups is presented. Throughout the chapter, the hypotheses to be analyzed in succeeding chapters will be outlined.

B. SPECIAL INTEREST GROUPS

1. Overview

Special interest groups are organizations comprised of individuals and/or firms who have united to pursue their common interests by influencing public policy (Kernaghan, 1985) and by providing collective services to the members. Such organizations draw their members from business, labour, agriculture, the professions, and a host of social, welfare, religious and other public interests (Kernaghan, 1985), and function as advocates of their constituencies (1). They are characterized by their efforts

to gain access to and to influence the formulation and implementation of government policy by persuading government to pursue the policies they advocate [Downs (1957); Pross (1975b), (1982); Kernaghan (1985); Pal (1987)], by "the articulation and aggregation of common interest" (2); and by their efforts to alert their sponsors to government actions. At the very least they want their views heard in the corridors of power. These objectives may be either short-term or long-term in nature: however, successful pressure groups tend to prefer long-term satisfaction of member goals to short-term gains. Tax policy has dominated the agenda of many Canadian interest groups.

2. Motives and Objectives of Interest Groups

Many theorists argue that the motives and concerns of interest groups are self-evident. That is, within the given political-economic system (Faulkner, 1982), these organizations pursue policies which defend or further their members' self-interest (Pal, 1987). Furthermore, these policies are generally economic in nature (Olson, 1965). Interest groups are also said to be oblivious to policies that affect other groups (Good, 1980). Kernaghan (1985), for example, has stated that, "It is natural that citizens should seek their self-interest by using whatever channel of communication best enables them to influence public policy" (3).

Salgo (1989), however, has indicated that the self-interest assumption can be naive and excessively restrictive. He suggests that "the interests of some large and sophisticated organizations are too complex to permit cynical conjecturing about their views on any given issue" (4), and that many organizations, while cognizant of their self-interest, exhibit a genuine concern for the public interest in pursuing their policies and conducting their activities.

3. Issue-oriented Versus Institutional Interest Groups

Pross (1975a) has presented a useful categorization of interest groups, placing them on a continuum between issue-oriented groups and institutional groups. Issue-oriented groups are said to possess limited organizational continuity and cohesion, minimal, and often naive, knowledge of government, and an extremely fluid membership. They encounter considerable difficulties in formulating and adhering to short range objectives, and usually have a low regard for the organizational mechanisms they have developed for carrying out their objectives. The concern of these groups is generally with one or two issues of an immediate nature. Issue groups often start with a discrete issue related to the concerns of the founders. Pross (1975a) notes that, "those that survive ... form coalitions with like-minded groups, create selective inducements and become institutionalized" (5).

Institutional groups, on the other hand, possess organizational continuity and cohesion, commensurate human and financial resources, a clear delineation of responsibilities, well defined channels of communication, and a willingness to put organizational imperatives ahead of any particular policy concerns. They acquire an extensive knowledge of those sectors of government that affect them and their clients, and enjoy ready access to government officials. Their membership is stable (attributed to secondary inducements), and acquiesces to the policy direction of the group's leaders. The members willingly assign the group's resources to the leaders to carry out the group's policy objectives, which tend to be concrete and immediate. An institutional group's philosophy is broad enough to allow bargaining over specific legislation, and its organizational objectives are generally more important than any particular objective. Such groups are said to be more concerned with long-run credibility than the desire to press each proposal to the limit, which may result in rejection of the policy proposal and a reduction of the group's influence.

C. FORMATION, DEVELOPMENT, AND GROWTH OF SPECIAL INTEREST GROUPS

1. Canadian Government Action Theories

Proponents of government action theories note that government needs the groups to formulate, legitimize and support specific programmes and policies (Pross, 1982);

that the public interest demands that certain groups form to take part in public policy debate (Pross, 1982); that groups are required in response to government's information needs (Pross, 1982); or that government has supplied financial resources to form some groups [Pross (1975b), (1982); Bryden (1982); Faulkner (1982); Saumier (1983)], has increased its use of consultative bodies and documents which provide additional opportunities for interest groups to air their views and proposals [Pross (1982); Bryden (1982); Faulkner (1982)], has restructured the legislative process [Pross (1975b); Faulkner (1982); Gillies and Pigott (1982)], and has supported the formation of groups to direct some of the regulatory functions of the state [Pross (1975b), (1982)]. These explanations, however, fail to provide a rationale for an individual's decision to join and maintain membership in a group.

2. Traditional Formation Theories

Traditionalists subscribe to general environmental theories, which tend to be evolutionary in nature, and suppositions rooted in the notion of self-interest. The evolutionary school holds that individuals with common interests attempt to further those interests by forming associations. This view rests upon the propensity of individuals to form and join groups, and on the notion of pluralism. Proponents of these explanations suggest that interest groups develop and proliferate as a natural response to the expansion and added complexity of social

and economic systems [Pross (1975b); Saumier (1983)]; in response to advances in information technology or the increased intrusion of government in society (Pross, 1975b); or because of the perceived declining role of political parties [Pross (1975b), (1982); Van Loon and Whittington (1981); Paltiel (1982); Kernaghan (1985)]. Associations then follow an evolutionary process from small to larger groups.

Others, said by Pross (1982) to constitute the "reactive spiral" school, suggest that groups form for their own self-interest. Breton (1974) has noted that such individuals engage in group action because they have no other opportunity to exert influence on government between elections, and Niskanen (1971) that the election process may not reveal their preferences. As the government responds to one group's demands, others are alleged to form to seek their "share of the pie". Alternatively, individuals disturbed by the degree of government involvement in the economy join forces to mount a collective protest [Pross (1982); Saumier (1983)] or organize to place specific demands on government, either for the members' benefit or to curb the power, influence, and gains of other groups (Hartle, 1988). Curry and Wade (1968) note that groups with greater resources have more at stake and therefore will participate in political activity. Group development is viewed as an incremental process, the demands or gains of one group motivating another group to

form or intensify its existing activity. Gains accruing to the second group spawn the formation of a third, and so on [Pross (1982); Saumier (1983)].

Hartle (1988) has noted that the perceived value of the issue at stake, the group's size and geographic dispersion, and its ability to reduce organizing costs and free riders are critical to the survival of an interest group. He further indicates that, once formed, organizations tend to employ a paid director who has a vested interest in perpetuating the group.

3. Olson's By-Product Theory

Olson (1965 and 1982), while acknowledging that interest groups provide collective benefits, has rejected the traditional theories as not satisfactorily accounting for the free rider problem. As he has argued, why would an individual join an interest group if the individual will enjoy the collective benefit regardless of his or her membership? Nor, he argues, would it seem logical to contribute to the group effort or cost if part of the collective benefit accrues to the individual, whether he or she contributes or not. Furthermore, an individual's support will not be decisive in attaining the benefit, as the loss of any one member is insignificant to the group effort. Thus, according to Olson, rational, self-interested individuals will not join and remain members of an association to achieve collective benefits

without coercion forcing membership, or special incentives being provided to induce them to contribute to the group effort. In addition, not only are selective benefits "frequently ... more powerful incentives ... than collective benefits" (6) in attracting and maintaining members, but the capacity of the organization to provide its members with such selective inducements is a critical factor in determining the degree of support the organization can count on when it acts as a pressure group. Olson does note that the free rider problem does not necessarily apply to pure lobby groups.

Three conclusions emerge from Olson's theory. First, large latent groups are always formed for some purpose other than the group's political function. Second, a collective good will not be provided unless there is coercion or specific incentives to force the members to join. Lastly, those organizations that cannot coerce members into joining must provide non-collective goods. In summary, Olson's "by-product" theory states that lobbying is a by-product of the other functions of the organization.

In that he has ruled out several potentially significant reasons for joining an interest group, one could argue with Olson's reasoning. Not only has the notion that individuals join a group simply because they believe in the cause espoused by the group been rejected, but Olson has also eliminated altruism and the "bandwagon syndrome" as

possible reasons for joining a group. Furthermore, if the individual concluded that, by joining an association, he or she was likely to increase the political clout of the lobby, thus enhancing the likelihood of receiving the collective benefit, why refrain from joining the association? If for example, one considered lower taxes to be a collective benefit, an individual may believe that given the inherent political nature of the tax policy process, individual actions may not be as beneficial as concerted joint lobbying efforts. Olson's response to this criticism would presumably be that if the cost of joining the group is negligible, any benefit obtained by the group would outweigh the member's cost.

Another problem with Olson's theory relates to his definition of a latent organization. Because it does not define more specifically what is meant by a latent group, Olson's theory suffers in its application to specific situations. It would appear that the term refers to all of the possible members of a definable social or economic group - that is, all consumers, workers or small businessmen. If this is the case, is CFIB, with its seventy-seven thousand members, a latent group? As it is acknowledged by Olson and others (7) that the free rider is not as significant in small and readily distinguishable groups, one could question whether this is a problem for CFIB.

Olson has also apparently fallen victim to a particular criticism of public choice economists - that is, the tendency to assume away facts which do not neatly fit into the theory [Rowley (1978); Meuller (1979); Doern and Phidd (1983); Borins (1988)]. He has assumed that neither business organizations nor taxpayers are well organized, and that the apparent effectiveness of business lobbies is due to the fact that they represent a small number of industries rather than a larger number of members. Furthermore, it appears that he has excluded federations from the implications of his theory.

4. Breton's Coercion Theory

An extension of the self-interest theory is Breton's (1974) coercion theory. Whereas Olson has presented a rationale for the existence of interest groups, Breton's coercion theory provides a rationale for the specific activities of the groups and, by extension, a more definitive reason why individuals join and continue as members of the groups. Furthermore, unlike Olson, Breton explains why groups support some policies but not others.

Breton, and later Caves (1976), following Curry and Wade (1968), recognizes the free rider problem, but overcomes the above criticism of Olson by ascribing a different interpretation to the term coercion. Breton defines coercion as "the difference (whether positive or negative) between the amount desired of public policies (at existing

tax-prices and incomes) and that provided" (8). Another form of coercion is experienced by individuals who believe that others engaging in political action are not signalling their preferences correctly, or are signalling preferences contrary to their own. Coercion, according to Breton, is related to the self-interest of the individual. Thus any government policy which is perceived to adversely affect an individual will induce that individual to join an interest group which promises to work to redress the perceived impediment to the individual's welfare.

Such impediments may be economic or non-economic (for example, the pursuit of linguistic or cultural rights), and if economic, may be tax-related or non-tax related. As this dissertation is primarily concerned with the economic interests of small business, non-economic impediments will not be considered further. Small business generally feels coerced in that it is a common perception that government does not do enough to help that segment of the economy. More specifically, small business may be concerned with, for example, excessive regulation, its perception that big business is not sufficiently regulated, excessive paperburden imposed on small business by government, or the lack of small business investment incentives. On the tax agenda, small business may be concerned that the effective tax rate is too high, thus depriving the business of much needed cash, with the lack of tax-assisted incentives, which would reduce the cost of acquiring the assisted

investments, or with their inability to deduct certain expenditures from taxable income, thus resulting in higher tax payments than would otherwise be the case.

According to Breton, a small businessperson would seek to join an organization which promises to work to resolve these perceived problems, and especially one which could advertise successes at attaining past resolutions to problems affecting small business. If, for example, a tax rate increase is deemed excessive, citizens will feel coerced, or expect to be, and will be motivated to participate in the political process by joining a protest association to pressure government for compensating tax relief or repeal of the new measure.

Breton assumes that citizens desire to pay the least amount of tax, that they have definite preferences for certain tax policies but not others, and that tax measures are implemented as marginal adjustments to existing policies. These assumptions provide an explanation for the actions of the groups in determining the proposals to include in their pre-budget submissions and the nature of the tax proposals of interest groups. One can assume that interest groups will advocate policies which will reduce their tax liability. Furthermore, as the members have definite preferences for tax policies, their preferences can be easily determined. Finally, the interest group's proposals

can be segregated into definable statements affecting individual sections of the tax code.

Individuals consider group action to be more effective than individual action. Whereas individual initiatives such as writing a letter to a politician may be beneficial in resolving very specific issues or in making the tax authorities aware of implementation anomalies, for action on more contentious issues, concerted action is deemed more beneficial. Such concerns typically require the investment of resources to fully study the issue and prepare the necessary presentation, and demands the services of skilled negotiators familiar with the policy making process and the individual actors at the bureaucratic and political levels.

In addition, engaging in the political process by joining and supporting a political action group is considered preferable to the traditional form of political involvement - that is, voting, because, as elections are normally held every several years, an individual cannot wait for the next election to seek redress for current problems. Furthermore, as each individual's vote is relatively insignificant in determining the victorious party, there is no certainty that his or her individual concerns will be a part of the victorious party's platform. Thus the individual will seek more immediate and hopefully more successful redress by supporting an interest group working to resolve his or her immediate concerns.

Hypothesis #1: Breton's coercion theory accounts for the formation and growth of economically-oriented business pressure groups.

While generally supporting the government action, evolutionary, and self-interest theories, especially the last, this dissertation hypothesises that it is Breton's coercion theory which accounts for the formation and growth of economically-oriented business pressure groups. Furthermore, not only are the specific activities of these groups determined by the extent of coercion felt by the members, but the members are assumed not to be concerned that common benefits spill over to non-members. Finally, whether or not interest groups pursue specific policies depends upon a rational assessment of the costs and benefits associated with the pursuit of the policy.

5. The Life Cycle of Organizations

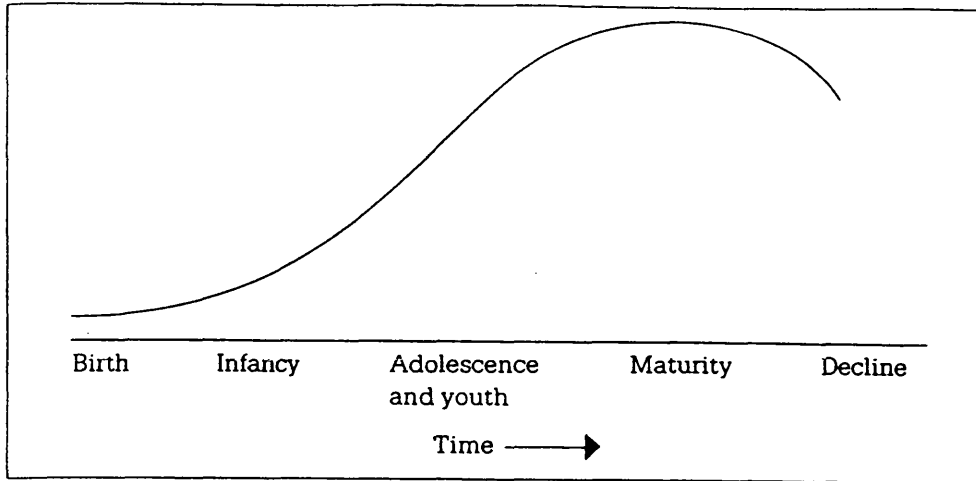
Organizational theorists describe the development and growth of organizations in biological terms - that is, birth, development, maturity and death (Figure 2-1). Similar to living organisms, as organizations enter each stage of their life cycle they are said to face environmental opportunities, uncertainties and threats, even the possibility of premature death. The ability of an organization to adapt to its changing environment ultimately determines whether it grows, stagnates, or declines. Critical to an organization's ability to adapt is the availability of scarce resources and the effective use of those resources.

Das (1990) has summarized the reasons why organizations must grow. He notes that organizations grow to increase their legitimacy, to reduce environmental uncertainty by increasing their share of the member market, to enable their leaders to attain self-realization and power, and to increase the probability of survival. Growth also provides additional financial resources. As Thompson (1967) has noted, the "growth of an organization is often considered a sign of health" (9).

Survival, although rarely identified as an explicit objective of an organization, can be assumed to be fundamental to each organization (Kemball-Cook, 1972). Gibson et al (1973) have identified survival as the ultimate measure of the effectiveness of an organization. Survival depends upon an organization's ability to alter its beliefs and strategies as needed, its ability to "un-learn" redundant strategies, and its management's ability to perceive correctly the evolving environment. Often a "trial and error" process, organizations which do not adapt to the changing environment will ultimately die.

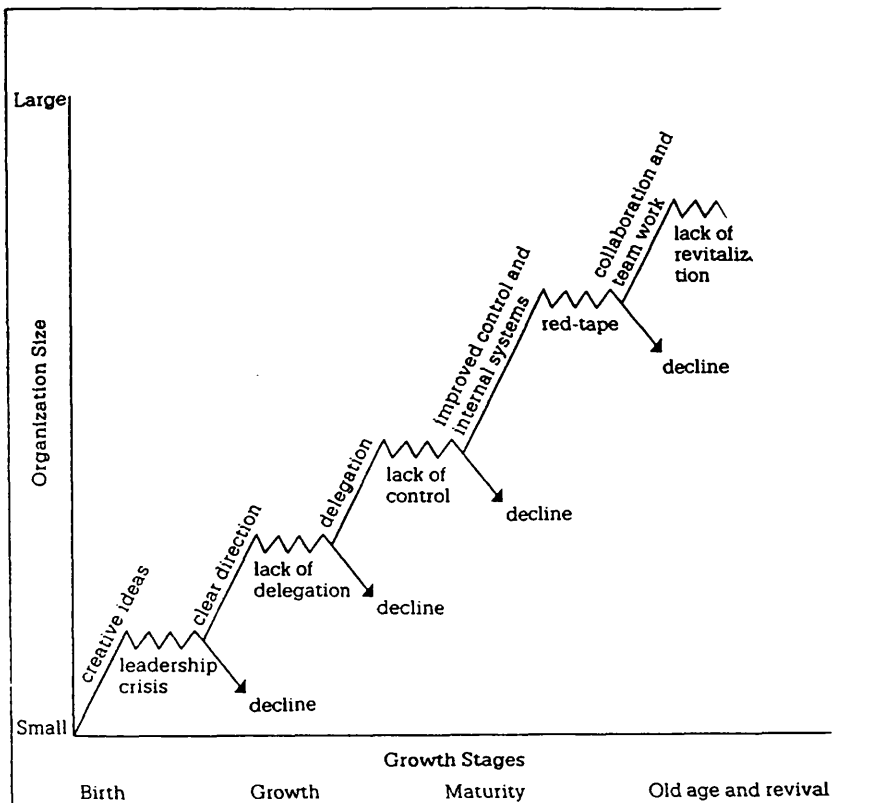
As indicated by Figure 2-2, an organization which fails to recognize and react appropriately at each of the crisis points will endure a period where its resources are consumed by the indicated problem, which will lead to a less effective pursuit of the organization's objectives. The problem is compounded because management, preoccupied

FIGURE 2-1
ORGANIZATIONAL LIFE CYCLES



SOURCE: Das, H. (1990). Organization Theory with Canadian Applications. p. 425.

FIGURE 2-2
ORGANIZATIONAL GROWTH STAGES AND ATTENDANT PROBLEMS



SOURCE: Das, H. (1990). Organization Theory with Canadian Applications. p. 427.

with the causes espoused by the organization, often is unaware of the onset of these organization crisis points. For example, many interest groups are formed to fight a particular issue of concern to the organizers and their immediate constituency. All of their time and resources are devoted to the cause. Eventually, the organization takes on other issues and/or becomes too large for the organizers to efficiently operate without an administrative arm. More formal procedures are required. Authority must be delegated. Should the organizers fail to recognize this organization crisis point, or be unwilling to make the necessary executive changes, dissension will set in, eventually leading to the decline of the organization as an effective unit. Alternatively, the organization which recognizes these crisis points, and makes the appropriate organizational adjustments, will stabilize itself and continue to function as an effective pressure group.

Chapter three will examine, in part, CFIB's response to the crisis points indicated on Figure 2-2, and will discuss the manner in which the organization has altered its internal structure, strategies and tactics as it has been transformed from an issue-oriented to an institutional lobby group.

**D. THE FUNCTIONS AND ACTIVITIES OF REPRESENTATIVE
ASSOCIATIONS**

Regardless of the mode of classification, the primary functions of representative organizations are providing services to members and representing the industry to government (referred to by Olson (1965) as their "political" purpose). Certain organizations also participate with government in implementing public policy. On a more subtle level, interest groups engage in exchange transactions with policy makers.

1. The Provision of Member Services

Individuals join interest groups so as to avail themselves of both the common (inseparable, collective) and selective (non-collective) benefits obtained or provided by the group [Olson (1965); Pross (1975a)]. Common benefits are those which are achieved by group efforts, yet apply to all members of a designated group. They satisfy a single purpose or objective common to all members. Thus, while available to members, they can also be enjoyed by non-members. Selective benefits (which may be either positive or negative) are those which accrue to, and are available only to, members of the organization (Olson, 1965).

The services provided are many and varied. Associations may further the economic interests of their members; enhance the business environment in which the member operates;

publish industrial and economic information, generally unobtainable without the association's interaction (or at a much greater cost); summarize the content of proposed or new legislation; provide technical explanations of new or amended laws; operate insurance or travel schemes (Hartle 1988); keep their members abreast of industry-related legislation and government programmes; or hold conferences, seminars, training and accreditation programmes for their members.

Olson (1965) notes that organizations provide social benefits for the members. Associations furnish their members with a sense of belonging, of being part of a larger group. These social needs are especially important to members who feel isolated from the decision making powers that affect their personal and business lives. Membership in an interest group allows the member to "blow off steam", especially if the perceived foe is a leviathan-like government, believed to be uncaring and/or unaware of the member's problems and concerns. Members write their association or discuss problems with association representatives, giving members an opportunity to vent their frustrations or voice their criticisms of government policy, whereas they may be reluctant to communicate their feelings individually to policy makers.

The association also is a vital link between members and politicians. Although government officials respond to

individual letters, many members rely upon the perceived expertise of association representatives and the access granted lobbyists by government officials to communicate their views to officials. The Department has noted, for example, that small businesspersons "do not often deal directly with the tax authorities or the law" (10).

On the political level, Downs (1957) has noted that as "Political leadership is possible only in an uncertain world", a leader will "gain rational followers in rough proportion to the followers' lack of information" (11). Thus by supplying information, however biased, the interest group may help differentiate between the policies of the parties (Downs, 1957), thereby reducing the voting and information cost of participating in the political process (Stiglitz, 1988), and align the voter to the group. Ultimately the group will use this leverage in pressing its proposals on government.

Hypothesis #2: Pressure groups will be more successful at increasing membership if they are able to increase prospective members' awareness of the benefits accruing to members from belonging to the group.

2. Representing the Members to Government

In large measure, government hears the views of particular segments of society from interest groups (Gillies and Pigott, 1982). Thompson and Stanbury (1979) note that interest groups are needed to "translate widely held, but often vague, wants and preferences into tangible claims and

concrete proposals for government action" (12). In the view of many interest group leaders, representing the members/industry to government is their primary mission (13). The principal functions of pressure groups in this respect are legitimation and communication [Pross (1975a); Kernaghan (1985)]. Legitimation refers to the degree of support the organization gives to government policies. The communication function involves the two-way transmission of "every type of politically relevant information" to and from public officials (Pross, 1975a), everything from highly technical industry-specific information to the members' demands, complaints, concerns and problems.

In its communication role, an interest group also engages in policy advocacy - that is, "the attempt to influence what will or will not be a matter of public policy, the content of policies as they are being made, and the way in which they are implemented once agreed to by the government" (14). Those associations engaged in policy advocacy are engaged in lobbying - that is, "attempting to influence, either directly or indirectly, any government decision, whether it be legislative or administrative" (15) in a direction favourable to organization members (Hartle, 1988). Lobbying, which transforms the association into a pressure group, "can involve as little as informing the decision maker about some relevant (often biased) 'facts' that may have escaped the politician's attention" or "as much as mounting a costly publicity campaign designed to

convince tens of thousands of voters to support a desired candidate or party on a desired policy decision" (16). In so doing, the organization competes in a rent-seeking manner with other economic and social groups to secure specific distributional benefits for its members, normally at the expense of the other groups (Coleman, 1985), and more generally, common benefits beneficial to its members and a broader community. Tulloch (1988) has noted that tax reform can increase or decrease the rent-seeking activities of interest groups, depending upon the policies pursued by governments. Canadian lobbying activities (17) have been characterized by consultation and the search for accommodation and consensus (Pross, 1975a, 1975b).

Hypothesis #3: Policy advocacy is enhanced if an association possesses internal cohesion, can maximize identification between itself and its members, mobilizes its political support, and identifies its political weight with the members' political strength.

Interest groups need cohesion to generate the information necessary to the lobbying effort, to mobilize support, to be able to claim to speak for a large segment of the interested constituency, and to maintain consistency across policy lines, an important ingredient in pressing its case with politicians and bureaucrats. Cohesion is enhanced when the interests of the group are narrow and well-defined, and when the group has been able to cultivate a group ideology (Coleman, 1985). Policy advocacy is accomplished either by presenting briefs to government, by responding to an issue at the request of government, or by reacting to government policies.

3. Policy Participation

Interest groups also participate with government in implementing public policy. Groups may assist officials in drafting the guiding principles or writing the text or regulations of a policy, or may administer a policy by establishing the rules and enforcing the powers explicitly granted them by government.

4. Exchange Transactions With Politicians and Bureaucrats

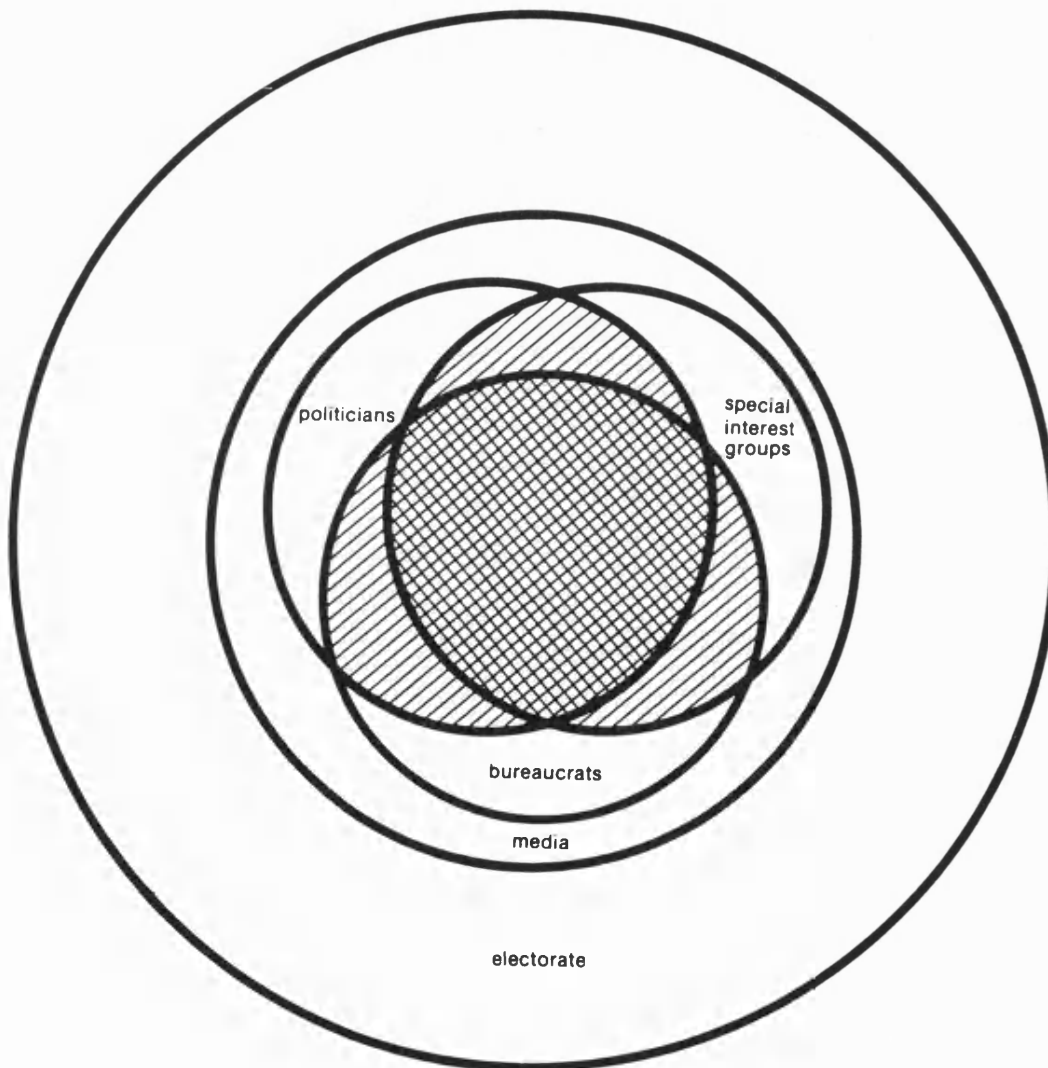
A final activity pursued by institutional groups in the pursuit of beneficial policy concessions is to engage in exchange transactions with policy makers [Coleman (1985); Hartle (1988)]. Public choice economists reject the notions that the public good is the dominant force driving political behaviour and that interest groups are dependent on government. They point out that these traditional views fail to account for the exchange factor implicit in political decision making. Exchange theory postulates a political marketplace in which the respective parties bargain for desired rewards within established constitutional decision making rules. Curry and Wade (1968) note that virtually all political decisions involve an element of exchange. Downs demonstrated that politicians make exchanges with voters; Olson that interest group leaders make exchanges with existing and potential members; Riker that interest groups make exchanges with other groups; and Niskanen that bureaucrats make exchanges with their "clients". Mitchell has concluded that as the

exchange concept focuses on the interaction between or among the parties, it provides clearer insights into the relationship between the parties than the traditional notion of dependence (18).

Following Downs (1957), Wildavsky (1974), Breton (1974) and Trebilcock et al (1982), Hartle (1988) has extended the theory by describing the formulation of public policy as a series of interlocking "games", in which the respective players seek to obtain the greatest benefit from participating in the games - that is, a greater share of government policies, while contributing as little as possible to the process. The players, all assumed to be rational, are the politicians, bureaucrats and interest groups involved in the formal negotiations which culminate in the adoption of, or alteration to, government policy. Secondary participants are interest group members, the media, and the public in its capacity as voters. (Figure 2-3 reproduces Trebilcock et al's diagram of the participants in the games.) Players are free to enter or leave the games as their self-interest dictates. Implicit in these games is a relative sense of uncertainty as to the motives, actions and reactions of the other players. Participant interaction is characterized by implied contracts specifying the terms and contents of mutual exchanges (transactions) of resources and information. Whether or not "deals" are explicitly struck is irrelevant. It is the tacit understanding that such exchanges can occur

that is important. Spindler and Walker (1988) note that the existing tax system constitutes part of the rules of these games.

FIGURE 2-3
THE FOUR INTERRELATED GAMES



SOURCE: Trebilcock, M.J., Hartle, D.G., Prichard, J.R.S. and Dewees, D.N. (1982). The Choice of Governing Instrument. p. 7.

Hartle (1983, 1988) refers to the actions of the players as "rent-seeking" - that is, the investment of real resources for the purpose of acquiring benefits from others on a non-quid pro quo basis. Politicians seek election and the perquisites of office; bureaucrats wish to maximize their budgets as well as avail themselves of the perquisites of office; and interest groups seek policy benefits, continued existence, and greater power and esteem. Individuals engage in rent-seeking by joining interest groups; interest groups by lobbying for desired changes to existing laws and regulations; and politicians by forming coalitions with interest groups supportive of their policies.

This clientele relationship involves reciprocal costs and benefits (Kernaghan, 1985) - that is, the giving to policy makers of something in exchange for accepting the representative association's proposals (Stanbury, 1986). Since government officials are neither morally nor legally bound to accede to the wishes of individual interest groups (such as including their proposals in a forthcoming budget), groups which offer nothing in return for their demands will find policy makers relatively less willing to listen to them than those groups which offer incentives. In a sense, a good lobbyist is a broker. Lobbyists attempt to persuade policy makers that the resources they possess (money, expertise, information and pledges of political support), and which are desired by government decision

makers, will be made available to, or withheld from, politicians and bureaucrats in exchange for beneficial policy actions [Stiglitz (1988); Hartle (1988)].

The games are conducted within the established constitutional framework, and a widely-recognized set of rules of etiquette or implicit understandings as to the behaviour expected of both parties based on past experience between the players (Anderson, 1977). Paramount among these is the need to maintain the confidentiality of private exchanges of information and opinion (Kernaghan, 1985) and the expectation that association spokespersons will be restrained in their public criticism of policy makers. While officials realize that a certain amount of "tub-thumping" is part of the game, they do not expect this display to lead to personal attacks or virulent criticism of government or its policies.

Information, the currency of the persuasion game, has been referred to by Stanbury (1986) as the "coin of the realm of lobbying" (19). It is the exchange facilitator. Each player plays his/her hand, as it were, by communicating information he/she possesses to the other players. The recipient, in turn, communicates to the initiator a quantity of information, each player contributing only the quantity deemed necessary to elicit the desired response. As the more powerful players receive the greatest benefits from participating in the games (Curry and Wade, 1968), the

respective negotiating ability of each participant is dependent upon the quality, timeliness, and credibility of the information, and on the other's need for the information.

One should note the inherent circularity and symbiotic nature of these interrelationships. Interest groups need members to supply operating funds and to support their proposals; bureaucrats need the groups to carry out their duties; politicians rely on bureaucrats for assistance and advice, interest groups for information, financial resources, and support, and voters to be elected. Wagner (1984) has noted that budgetary policy can be used by politicians to enhance their electoral chances. The circle is completed as the group derives its support from the general public.

Hypothesis #4: Interest groups engage in exchange transactions with government officials to ensure future favourable reception of their policy submissions and to reduce the policy makers' dependence on competing groups.

E. THE RESOURCES AVAILABLE TO PRESSURE GROUPS

Although an association's financial resources are a critical factor in determining its political effectiveness (Litvak, 1982), all groups possess limited resources. Money, expertise, member commitment, and the capacity to generate unique information beneficial to government are the primary resources possessed by interest groups (Coleman, 1985). (Chapter four, Part III discusses the use

by interest groups of these resources in their exchange games with policy makers.) Most groups receive virtually all of their revenues from member fees. Others generate revenue from services or publications. Some receive government funding. Coleman (1985) has noted that a policy-weak association will draw virtually all of its revenues from member dues, thereby restricting itself to becoming merely a mouthpiece for its members. These funds are disbursed on organizing and staffing the organization, communicating with members, advocacy campaigns, and research. Expertise and expert information can be supplied by in-house staff, technical personnel from member firms, or can be seconded from the state or other organizations (Coleman, 1985). The degree of member commitment is contingent upon the allegiance of the membership.

Their limited resources constrain the lobbying activities of associations. As Pross (1982) has indicated, "each extension of lobbying activity places limited resources under increasing strain. For each person in the field ... the group must have two individuals at headquarters engaged in research and the other leg work needed to ensure that the field person is fully informed and using his or her time efficiently" (20). Hence the need to spend resources wisely, following a strategy of attempting to move to the highest indifference curve given the resource constraints [Curry and Wade (1968); Wade (1975)], and to curry the favour of the media, which will transmit the organization's

message to the membership and the public at no cost to the association.

Hypothesis #5: Representative associations will expend their limited resources until the marginal benefits from an additional resource unit equal the marginal cost of the incremental unit.

The groups realize that the value of a new member is the additional power he or she contributes to the success of the organization in achieving the policies it advocates and acquiring the resources it needs (Curry and Wade, 1968).

F. TARGETS OF LOBBY GROUPS

Pressure groups need access to government decision makers, otherwise they are obliged to attempt to influence public policy indirectly by influencing non-political targets such as the media and public opinion. Because they possess limited funds, lobby groups must identify and aim their efforts at the most appropriate targets (Kernaghan, 1985). Although only influential associations have access to the Prime Minister, many lobby organizations enjoy relatively easy access to cabinet ministers, whose support is necessary if the association is to achieve its policy objectives. Less powerful groups may target a minister: however, they typically lobby bureaucrats, access to whom is relatively easier to attain, and secondary targets such as individual legislators and parliamentary committees, in an attempt to educate legislators and the public as to their purposes and problems, to counter the arguments of

rival groups, and to engender favourable public response to their proposals (Kernaghan, 1985).

G. THE STRATEGIES AND ADVOCACY TACTICS UTILIZED

BY LOBBY GROUPS

1. The Overall Tone of the Tactics

In addition to determining the most appropriate target, pressure groups must select the advocacy strategies and tactics that will best advance their cause "while preserving or enhancing their official recognition" (21). Most groups tend to use similar tactics, although variations occur between issue-oriented and institutional groups as to the intensity of the actions. Institutional groups take a less adversarial approach because they have greater resources and wish to exert influence over a range of long-term issues, in contrast to the short-term, single-issue focus of the less well-endowed issue groups. Occasionally, even institutional groups resort to adversarial tactics to pressure government aggressively (Kernaghan, 1985). Officials, quite naturally, prefer the more discrete approach used by institutional groups (Kernaghan, 1985).

2. Strategies and Tactics

(a) The Presentation of Briefs to Policy Makers

The presentation of research-based briefs to policy makers is the most frequently used lobby tactic of institutional groups. Private consultations, oral presentations, written

correspondence, newsletter articles, and media pronouncements support the formal presentations. The information communicated is assumed to be biased and incomplete [Downs (1957); Pal (1987); Hartle (1988)], regardless of the public statements of the group accompanying the presentation. As the reporting group can only communicate a small percentage of the extant facts, it will naturally choose to report those which support its position and omit those which do not (Downs, 1957). The briefs focus on policies that are about to change (Downs, 1957) or policies the association wishes to change. Interest groups couch their arguments in dependence terms - that is, as subservient petitioners to a policy dispensing government.

(b) Propaganda Claims

Interest groups distribute materials or issue statements claiming that their policies are "unique" [Curry and Wade (1968); Hartle (1988)], indicating the benefits obtained by the group [Wildavsky (1974); Hartle (1988)], conveying the impression that they "control" some aspect of policy (Curry and Wade, 1968), "proving" their arguments (Hartle, 1988), or simplifying complicated issues. Groups stress the benefits of the proposal on matters of pressing national concern, and demonstrate that their proposals are in (or at least are not opposed to) the public interest, although for issues which are narrow in scope or possess low public visibility, it may not be necessary to include such an

appeal (Stanbury, 1986). They also claim that "everyone benefits", appeal to emotional symbols or themes, or play down the pecuniary benefits to the advantaged (Stanbury, 1986). As Curry and Wade (1968) indicate, these claims may not be accurate: however, they are used to reduce their clientele's awareness of the alternatives offered by competitors, let members know the organization is working on their behalf, homogenize the electorate, identify the voters with the group, persuade opponents and non-aligned individuals to support their cause, increase the audiences' support of the organization (Wildavsky, 1974), and as a marketing tool to generate members. It is also necessary to indicate that the group leader possesses the power he professes, otherwise members or prospective members may be inclined to join a rival organization (Curry and Wade, 1968).

These claims are listened to because the issues are those of concern to the members, because the audience uses group leaders to filter the mass of information directed at them, and because they are more inclined to listen to individuals perceived to have similar values as themselves (Downs, 1957).

(c) Seek Public Support

Policy advocacy frequently starts with an association's attempt to gain the public's support and/or shape public opinion. Minarik (1985) notes that business groups not only

represent the owner-managers of the member organizations, but indirectly, their employees as well. Furthermore, he notes, as the members frequently serve on charitable boards, they are in a position to influence a wide segment of the general public. By enlisting the aid of the public, lobbyists appeal to the political aspect of the policy process, which enhances their policy advocacy efforts if they are able to make the public aware that there is widespread support for the policy, and if they can claim that the public interest is furthered if government adopts policies they advocate (Stanbury, 1986). Propaganda in the form of public relations, advocacy advertising, or other visible forms of persuasion is used to shape or alter public opinion (Stanbury, 1986). Much of this advertising takes the form of publicity attached to the lobbying activities of the association. Issue groups often attempt to mobilize public support, dramatise their cause, and gain maximum publicity for the organizations and/or the cause(s) they espouse by using strident rhetoric, staging public demonstrations or media campaigns, and publishing research reports.

(d) Issue Opinion Polls

Before an association can start a campaign to formulate or change public opinion or government policy it must determine its members' policy preferences. Lobby groups issue the results of association-sponsored opinion polls (Coleman, 1985) to identify emerging issues in an attempt

to convince government that the results represent the views of the members (Stanbury, 1986) and/or a significant segment of the public. As the association requests the data from members (Hartle, 1988), it is not surprising that the findings of this "research" almost always support the association's position (Pal, 1987).

(e) Purport to Represent a Significant and Influential Membership

Many representatives of interest groups use their size as a negotiating lever in pressing their case with government officials. Hence they perceive a need to build, and claim to speak for, as large a membership base as possible. Politicians must, of course, determine the true influence of the group, as its claims may exceed its true influence (Downs, 1957).

However, size per se is not necessarily significant in influencing government decision makers. Coleman (1985) has noted that the members must be mobilized to political action. Olson (1965), Good (1980), and Hartle (1982) have noted that many effective organizations are small and readily distinguishable, as such groups can isolate the policies that affect them, are easier to organize, and are affected less by the free rider problem.

(f) Attract Media Attention

Although Islam and Ahmed (1984) note that the mass media is less influential than the direct representations of

businesspersons and trade associations, many lobbyists believe that politicians are influenced by the media attention attracted by their advocacy campaigns. Lobby groups use propaganda statements, stage demonstrations, and issue press releases to attract media attention, which helps to lure prospective members and reminds existing members that the association is fighting on their behalf.

(g) Other Tactics

Pressure groups also engage in cooperative lobbying by forming coalitions with like-minded groups; urge the membership to write, telephone, or otherwise personally contact policy makers; hire former politicians and senior bureaucrats as lobbyists; and appear before government task forces and parliamentary committees to gain exposure for the group and to press their cause(s) with such committees. A final propaganda tactic is to clothe an advocacy campaign with a dramatic name or title (Wildavsky, 1974).

Hypothesis #6: Whereas the objective of advocacy tactics is ostensibly to further the organization's policy objectives, the primary objective of pressure groups when engaging in advocacy actions is to increase the public profile of the group, which in turn will enable the group to increase its membership.

H. INTER-ASSOCIATION COMPETITION

As has been indicated, the objective of interest group advocacy advertising and public relations campaigns is to attract the attention of new members and to maintain the

loyalty of existing members. Expenditures of this nature constitute a negative sum game, in that they will not likely increase the overall quantity of support, but will alter the distribution of that support among the competing interest groups (Hartle, 1988). Business associations have two types of competitors: "natural enemies" such as environmental, consumer, and labour associations; and competitors from within the business community (Stanbury, 1986). As policy proposals stimulate conflict among opposing interests [Pal (1987); Hartle (1988)], associations compete with one another for the ear of government officials on specific issues (Hartle, 1988), for shares of the distributional benefits of government policies, and for the sympathetic support of the public. Stanbury (1986) notes that the differing philosophies, attitudes, education or experience of top executives also create inter-association rivalries.

Interest groups operate in an oligopolistic market economy (Hartle, 1988). Because associations perceive a need to maintain a constituent membership to support their causes, and as a continuous flow of funds is required to finance operations, associations compete for shares of the general member market. Groups realize that dwindling memberships render them vulnerable to policy makers, who may begin to pay closer attention to emerging organizations which can potentially offer the same or similar policies or benefits to current or prospective members (Curry and Wade, 1968).

Thus the emergence of potentially more powerful rival groups must be discouraged.

Interest groups also compete in the membership market for the proper constituency. To the extent that issues are diverse and interrelated, a membership of a broad cross-section of the defined group may be acceptable. However, as the area of interest narrows, interest groups must ensure that their potential market is not fragmented or syphoned off by competitors. The interest group must continue to "sell its product" - that is, itself, to its existing and prospective members in order to receive their continued support. An analysis of CFIB's attempts to thwart the emergence of rival small business groups is presented in Part V of chapter six.

The intense competition among interest groups leads to the desire for confidentiality of association data. Membership lists, for example, are jealously guarded by many associations, especially those most wary of the intrusion of competitors.

Hypothesis #7: Interest groups publicize their achievements, in part, to discourage potential members joining rival organizations.

I. GOVERNMENT RECOGNITION OF SPECIAL INTEREST GROUPS

The key to effective interaction with political decision makers is the cultivation and maintenance of access to influential officials (Stanbury, 1986). Access is a

function of the recognition conferred on a group by government (Kernaghan, 1985). The basis of government recognition is expertise and experience, and the communication of this expertise to policy makers [Anderson (1977); Kernaghan (1985)]. Government officials tend to communicate more readily with those groups that supply useful information, are credible, grant legitimacy to policy, and possess the resources desired by policy makers [Anderson (1977); Kernaghan (1985)]. Government recognition enhances the stature of the group, guarantees a measure of influence over policy decisions, and alerts the group to government initiatives affecting them (Kernaghan, 1985). To facilitate this mutual exchange, interest groups must maintain cordial relations with policy makers and take special pains to avoid open conflict with government officials.

There are many indicators of government recognition of the status of an interest association. Requests for nominations [Pross (1975a); Kernaghan (1985)] or the direct appointment of association officials to government advisory boards is one barometer of recognition (Kernaghan, 1985). Government also confers recognition by consulting organizations, requesting their expertise on legislative or administrative matters [Pross (1975a); Anderson (1977); Kernaghan (1985)], providing direct financial support for the pressure group, or using organizations as agents of government.

Politicians and government officials also exert countervailing pressure on interest groups. The ultimate weapon is to deny or frustrate the receipt of the group's representatives and submissions. Although received politely, a cool response may indicate little credence will be given to the submissions of groups currently out of favour with government officials. Politicians and bureaucrats may encourage animosity or jealousy among the group's members (especially associations of business firms), encourage group leaders to tone down the demands of their constituents, threaten to look elsewhere for information, or try to dilute the groups's public influence (22). All such tactics are intended to reduce the influence of the group or discourage future lobbying. (Anderson, 1977).

Because of their naturally adversarial roles, government and pressure groups can be in conflict, ranging from major policy disputes to unhappiness over the administrative detail of a regulation. Although conflicts centered on minor details can frequently be settled in private, major disputes may erupt into public displays of animosity. Resolution of major policy differences requires a high degree of tact and diplomacy. Successful associations are eager to avoid such confrontations, preferring quiet, behind-the-scenes consultations rather than media campaigns and public demonstrations designed to influence decision makers indirectly. Lobbyists realize that competing

interests may dictate that the government postpone or delay adoption of their policies. They realize also that there will be later issues which will necessitate bargaining with the same decision makers. (Anderson, 1977)

Hypothesis #8: Interest groups will choose advocacy tactics which will achieve maximum publicity for the group, and institutional groups will normally use tactics which are acceptable to government officials. Only where an institutional organization reverts to an issue-oriented organization will it use advocacy tactics not acceptable to government officials.

J. THE CRITICAL NEED FOR A LARGE MEMBERSHIP

All interest group leaders perceive a need to build as large a membership base as possible, for both personal and organizational reasons. As Pross (1975a) has noted, organizations potentially offer their leaders and permanent staff intangibles such as personal gratification, the esteem of working with a particular organization, or interacting with well known public figures. These social benefits are more often attained if the leader is associated with a large organization rather than a small one, and is especially important to those leaders who possess an inflated ego or sense of their own or their cause's importance. This point is significant in assessing the operations of CFIB, whose leader, John Bulloch, has been described as "a close-minded demagogue" by critics and even by his supporters as an individual with "a lot of ego" (23).

As the membership base expands, leaders are also in a better position to grant themselves salary increments and to take advantage of other financial perquisites, especially if they are able to dominate or significantly influence the internal operating policies of the organization.

In addition to providing the necessary financial resources to ensure the association's survival and future existence, a large membership base also aids an organization in its efforts to thwart the emergence of rival associations. Finally, from a lobbying perspective, a large membership base enables the group to claim to speak for a significant portion of the electorate, which is perceived to enhance its degree of influence with politicians.

K. SUMMARY OF THE COSTS AND BENEFITS OF THE MUTUAL EXCHANGES

This section summarizes the costs and benefits to the members and the special interest group of engaging in the member-special interest group game, and the costs and benefits to the interest group of engaging in the interest group - politician/bureaucrat game. The costs and benefits to the politicians and bureaucrats are summarized in section D of Part III of chapter four.

THE MEMBER - SPECIAL INTEREST GROUP GAME

Benefits to Member

Costs to Member

1. Potential policy achievements
e.g. - reduced taxes
- reduced operating costs
- reduced paperburden
- reduced government regulation
2. A more attractive economic or business environment
3. Business, economic or industrial information
4. Education
5. Accreditation
6. Low cost services
7. Political
 - conduit to politicians and bureaucrats
 - simplify the voting decision
 - explanation of government policies
8. Social
 - opportunity to "blow off steam"
 - letters and personal visits
 - sense of belonging

1. Minimal monetary cost
2. Negligible time cost

Benefits to Interest Group

Costs to Interest Group

1. Source of political leverage
2. Monetary resources
3. Continued existence
4. Personal gratification of officials

Failure to maintain the allegiance of the members will lead to a loss of their political support and fees, which will ultimately lead to the dissolution of the group and the termination of the status and income of the permanent staff.

THE INTEREST GROUP - POLITICIAN/BUREAUCRAT GAME

Potential Benefits to the Interest Group

1. Legitimacy
2. Recognition
3. Attainment of current policy objectives
4. Access and input to the decision making process
5. Improvement in the economic status of its members
6. Personal gratification for its officials
7. Platform for attracting new members
8. Financial assistance
9. Advance warning of new legislation or regulations
10. Appointment to government boards
11. Opportunity to secure "credit notes" or plant seeds for future lobbying efforts

Potential Costs to the Interest Group

1. Dilution of its influence if it becomes too closely identified with an unpopular policy
2. Failure to achieve its objectives if it contravenes the "rules of the game"
3. Reduction of public support if it is identified with unpopular causes, exceeds publicly accepted advocacy norms, or is identified with issues which do not succeed at the policy level

L. SUMMARY

1. Introduction

In reviewing the literature pertaining to interest groups, this chapter has examined alternative theories relating to the formation and growth of such groups, and has attempted to establish the rationale for their activities and advocacy tactics. In so doing, the following model of special interest groups has emerged.

2. A Model of Special Interest Groups

Special interest groups are organizations formed by individuals or firms which have joined together to pursue common goals and objectives. Economically-oriented business groups are formed and grow because of coercion - that is, a discrepancy between the amount of public policies desired and that provided. Once formed, these groups act to defend or further their economic self-interests. Their objectives may be either short-term or long-term. However, successful pressure groups tend to prefer long-term satisfaction of member goals to short-term gains. Whereas issue-oriented groups cease to exist once the issue which spawned them is resolved, survival as an institutional group requires that the group maintain the allegiance of its existing members, constantly seek new members, and adapt its structure, strategies and tactics to changing environmental circumstances.

The principal function of interest groups is the provision of common and/or selective services and benefits to their members. These benefits are sought by presenting the views of the organization and its members to government, by engaging in mutual exchanges of information and resources with policy makers, and by lobbying government for specific legislative changes. Individuals, whose financial and political support is critical to the continued existence of the organization, join interest groups so as to avail themselves of both the common and selective benefits obtained or provided by the group. Members are not concerned that common benefits can be enjoyed by non-members. It is assumed that the benefits of membership outweigh the costs of membership.

Contrary to the published mission statements of interest groups - that is, that they exist to present the views of their members to government, the primary objective of institutional groups is penetration of the existent member market to capture the requisite share of that market needed to ensure the survival of the organization as a viable entity. Interest group leaders also perceive a need to build a significant membership base because of their need for personal esteem, the attendant financial rewards, to augment the political clout of the organization, and to thwart the emergence of rival organizations. Much of this survival effort relates to the lobbying activities of the groups. Their strategies and tactics serve as marketing

tools to enhance their public profile and to attract as much publicity as possible. Pressure groups expend their limited resources on designated policy makers and carefully planned propaganda campaigns until the marginal costs associated with an additional unit of resource equal the marginal return in terms of publicity. Successful institutional groups seek visible forms of recognition from public officials and will use advocacy tactics acceptable to public officials.

To enhance their political clout, interest groups must maintain a cohesive and supportive membership, and effectively utilize their scarce resources. In their policy advocacy role, most institutional groups assume the posture of a subservient petitioner addressing a policy dispensing superior. Certain issue-oriented groups, however, choose to assume the role of a "fighter", protecting or furthering their constituent's interests. Although most groups recognize that their individual input contributes to but is not the dominant factor in the overall formulation of public policy, certain issue-oriented groups publicly claim to have a direct influence on the process. These claims generally are unsubstantiated and are issued for their publicity value.

M. ENDNOTES

1. Because each attempt at estimating the number of representative associations in Canada has used a different reference point, pending the full implementation of the recently enacted Lobbyists Registration Act (which requires each individual or group seeking to make a representation on any aspect of government policy to register with the federal government), it is difficult to accurately estimate the number of such organizations in Canada or the extent of their lobbying activities. A 1980 study by Clements [Kernaghan and Siegel (1987), p. 401] estimated that approximately three hundred trade and professional associations were located in Ottawa. These associations employed more than two thousand people and spent over \$122 million annually. Litvak (1982) estimated the number of national trade associations at approximately seven hundred in 1981. Sarpkaya (1988) notes that there are approximately twelve thousand Canadian trade associations, most of which do not actively lobby government.

In 1978, slightly more than fifty percent of 703 companies surveyed by the Institute for Political Involvement [Kernaghan and Siegel (1987), p. 401] indicated that they engaged in communications with federal political leaders or civil servants. Approximately one-half of the federal bureaucrats surveyed considered interaction with lobbyists to be an integral part of their daily activity.

Litvak (1982) notes that slightly more than one-half of his respondents considered government relations to be their most important activity, followed by public relations. Ninety percent listed government relations as one of their top four activities. In all, ninety-three of his respondents indicated that they were active in government relations. Furthermore, most associations expected their involvement with government to expand in future years.

Litvak (1982) has presented a useful profile of Canadian national trade associations. The following summarizes the major findings of his 1981 survey of 143 national trade associations with annual budgets in excess of \$100,000:

- (a) Most medium and large firms belong to at least two national associations.
- (b) Associations with a budget less than \$100,000 tend to be one-person operations.
- (c) One-quarter of the member firms employed fewer than fifty persons; over one-half less than one hundred and fifty.

- (d) Broadly based associations tend to have over one thousand members; associations of firms in oligopolistic industries have few members.
- (e) Over one-half of the associations admit associate members.
- (f) Fifty percent of the associations have their Head Office in Toronto; one-third in Ottawa.
- (g) Sixty-four percent had an annual budget of less than \$600,000; twenty-six percent had an annual budget in excess of \$1 million.
- (h) One-sixth employed only one individual; less than one-half employed two or three full-time employees; one-third employed more than three persons full-time. Nine associations employed fifteen or more full-time employees.
- (i) Ninety percent have a committee management structure, which meets on average four times a year. Eighty-two percent use ad hoc committees to study issues and form policy. Seventy-two percent elect their chief executive annually.
- (j) For sixty percent of the associations, the principal reason for their existence was government intervention in the economy.
- (k) Lobbying success was considered dependent upon access to senior civil servants. Favourable media coverage, the support of public opinion, and participation of members and staff in business-government committees were considered secondary to access to bureaucrats. Only a few of the organizations used paid advocacy advertisements to dramatize their cause(s). The support of other organizations was considered of little importance to the achievement of lobbying success.
- (l) In rating their lobbying effectiveness, the associations considered themselves to be moderately to very effective at monitoring government, communicating government views to members, and representing their members' views to government. They considered themselves ineffective at influencing government.
- (m) Association representatives tended to believe that their members view policy outcomes as the prime criteria in rating the effectiveness of the associations.
- (n) Many associations reported that contacts between themselves and government were initiated by government.

- 2. Pross (1975a), p. 2.
- 3. Kernaghan (1985), p. 311.
- 4. Salgo (1989), p. 40.
- 5. Pross (1975a), p. 11.

6. Pross (1975a), p. 8.
7. For example: Good (1980), Hartle (1982), and Stiglitz (1988).
8. Breton (1974), p. 56.
9. Thompson (1967), p. 89..
10. Department of Finance: Simplifying Taxes For Small Business, (1984), p. 11.
11. Downs (1957), p. 83.
12. Thompson and Stánbury (1979), p. 5.
13. Examples of such statements can be found in the publications of various interest groups. The Mining Association of Canada, for example, has stated in an association booklet that, "A primary role of MAC is the presentation of industry views to the federal government". An association booklet states that the Canadian Bankers' Association "serves as a forum for the establishment of an industry position on key issues and drafts briefs and undertakes representations to appropriate government bodies". Finally, the 1988 Annual Report of the Canadian Institute of Public Real Estate Companies notes that the association "serves as a forum for the discussion of principal issues affecting this major industry and as a vehicle for the presentation of its views to the public and to governments".
14. Coleman (1985), p. 415.
15. The Commons Committee on Elections, Privileges and Procedures, quoted in Salgo (1989), p. 40.
16. Hartle (1988), p. 61.
17. Pross (1975b, p. 123) notes that "pressure groups have influenced Canadian public affairs for the best part of two hundred years". In recent decades, lobbying by interest groups has increased, coincident with the dissolution of the former "old-boys network" in Ottawa, in which a relatively few senior civil servants and powerful industry leaders were able to meet in private to discuss matters of public policy [Sawatsky (1987); Sarpkaya (1988)]. In addition to representatives of pressure groups, lobbying is carried on by professional lobbyists, public affairs consulting firms, lawyers, legislators and individuals. Canadian business lobbies via in-house public affairs departments, permanent Ottawa-based staff members, trade associations, personal contacts between senior executives and public officials, and

the presence of business executives on government task forces and commissions [Kernaghan (1985); Sarpkaya (1988)].

18. This reference is found in Curry and Wade (1968), p. 35.
19. Stanbury (1986); p. 361.
20. Pross (1982), p. 178.
21. Kernaghan (1985), p. 320.
22. An extreme example of government interference in the operation of a special interest group occurred in 1974 when John Turner, then Minister of Finance, warned the Retail Council of Canada and the Canadian Association of Broadcasters not to hire William Neville, his opponent in the recent federal election. Turner is reputed to have indicated that the groups' future access to government would be threatened if Neville was hired. Neville, an experienced public affairs consultant, had been courted by both groups to assume the leadership of the group. [Sawatsky (1987), pp. 61-62].
23. Partridge (1982), p. 32.

CHAPTER THREE

THE CANADIAN FEDERATION OF INDEPENDENT BUSINESS

INTRODUCTION

The objective of this chapter is to present an historical portrait of the Canadian Federation of Independent Business (CFIB), with particular emphasis on its lobbying activities and strategies for membership growth. The discussion is based on the theoretical issues outlined in chapter two and will interpret the development of CFIB in relation to those issues. Part I reviews the formation and organizational development of the association, its strategies for attracting members, policy issues of concern to the members and the organization, the lobbying tactics used, and its use of the Mandate questionnaire. Part I concludes with a discussion of the accomplishments claimed by CFIB and its post-budget victory boasts. Part II reviews in detail two tax-related lobbying campaigns conducted by CFIB as examples of its lobbying tactics.

PART I

FORMATION, GROWTH AND LOBBYING STRATEGIES

1. Formation

There is no evidence that CFIB was formed as a result of any of the government action or traditional formation theories outlined in chapter two. Rather, it was founded as an outgrowth of a tax revolt movement. Hence it is an example of Breton's coercion theory in operation. As founder John Bulloch likes to tell the story, he was reading a copy of Finance Minister Edgar Benson's Proposals for Tax Reform (1) in his bath one evening in 1969. Barely able to contain his fury over its contents, Bulloch, vice-president of John Bulloch Ltd. (a men's clothing store) and a business finance teacher at Toronto's Ryerson Polytechnical Institute, literally sprang from the tub to lead a populist tax revolt (2). What so angered Bulloch were the White Paper's proposals to alter the taxation of small business, in particular the proposal to remove the preferential tax rate then accorded small business (3). Bulloch not only believed this proposal to be detrimental to small business, he feared it would wipe out Canada's middle class (4).

Bulloch's father, a fierce free enterpriser and a staunch right winger, was locally infamous for using the newspaper advertising space of his business as a vehicle for expounding his personal views on everything from Communism to the proper role of women in society. Bulloch used this

ad space to publish a blistering letter to Benson critical of the White Paper. Response to the ad was instantaneous and angry. Hundreds phoned the store offering financial and moral support (McQuaig, 1987). As a result of this show of support, Bulloch organized major rallies in nine cities across the country, attended by thousands of owner-operators of small businesses. According to Bulloch, "They were almost throwing money at me" (5). At one major rally, he collected \$50,000 (6). These meetings coalesced the frustration of the attendees not only against the tax proposals, but also against the perceived threat of big business and the government's alleged lack of concern for small business.

Bulloch took a leave of absence from Ryerson, and with a few close associates formed the Canadian Council for Fair Taxation to fight the Benson proposals. Benson's criticisms of the Council gave the group momentum. Local chapters formed across the country. New members offered services, money and vocal support to the effort. Their objective was achieved: the government amended its original proposals (7). Although the Council gained national stature and was credited with mobilizing opposition to the White Paper, it was disbanded in early 1971, its objective achieved.

As a result of this initial victory, Bulloch decided that a more formal organization was needed to continue the

revolution. With approximately three hundred founding members, he organized the Canadian Federation of Independent Business as the self-proclaimed champion of Canadian small business. As Bulloch has stated, CFIB was "born in anger ... the unexpected offspring of federal government ineptitude" (8), commencing financial operations on August 3, 1971. Bulloch later stated that he was "onto something here that is much bigger than I envisaged" (9). Clearly an issue-oriented group, the fledgling organization claimed six hundred member businesses initially, and projected five thousand by the following February. A minimum budget of \$300,000 was established. The organizers realized from their Council experience that "raising political hell" adds clout to a protest (10). Therefore an early decision was made to organize along federal constituency lines to encourage political activism.

A visit to the offices of the National Federation of Independent Business in San Mateo, California furnished many of the operating methods used to this day by CFIB. Bulloch realized that the sales pitch used by this organization to recruit members, and its practice of annual personal calls to every member, were instrumental in its growth and success. Even CFIB's objectives were copied directly from the American body, as was the Mandate concept.

Because of the individualistic values inherited from his father [Partridge (1982); Smith (1984)], and his own religious fundamentalism (11), defending small business came naturally to Bulloch. During the decades following World War II, small business was generally considered the "unwanted stepchild of Canadian politics" (12). It had no existent lobby, no organized voice, and no advocate in the federal corridors of power. Small business had presented him with a movement waiting to be born. Bulloch almost singlehandedly made small business a political issue by making Ottawa realize that it did not have a listening post in one of the major business constituencies in the country.

2. Federation Objectives

The Federation has remained true to its original objectives, as published in the inaugural issue of Mandate.

They are:

- (a) to promote and protect a system of free competitive enterprise in Canada, and
- (b) to give independents a greater voice in laws governing business and the nation.

In 1975, Bulloch explained that, "Our major long-term objective is to preserve an economic system which affords opportunities to the individual, rewards effort, initiative and enterprise" (13). Along with these has been a determined effort to strengthen the entrepreneurial culture in Canada.

These objectives were only slightly modified in 1985, with the publication of the following statement of goals:

"CFIB exists to promote and protect a system of free competitive enterprise, to strengthen the entrepreneurial culture in Canada and to give independent business a greater voice in determining the laws that govern business and the nation." (14)

In the tax field, the organization has sought as its overriding objectives:

- (a) to reform, clarify, and simplify the Income Tax Act and its administration,
- (b) to achieve greater equity for small business in taxation matters, and
- (c) to create tax policies which stimulate the flow of capital to and within small businesses, and reduce both compliance costs and the overall tax burden on small business (15).

3. Organization Growth

From a fledgling group of about three hundred members, with two key employees located in one office, the Federation has grown to become the largest, and arguably the most successful, lobby group of its kind in Canada. It is the only truly national small business representative organization. Operations are headquartered in the Toronto Home Office, supported by seven regional offices. Gradually the Federation has added professional staff with clearly defined areas of expertise, especially at its national headquarters. As the number of employees grew to

approximately 165 by 1984, and has continued to grow thereafter, CFIB began to assume all of the trappings of a bureaucracy, and worse yet, at least perceptually, a big business. (See Table 3-1 for a detailed summary of the Federation's growth, and Table 3-2 for an organization chart.)

The appointment of a Chief Economist and Director of Research in 1977, with a budget in excess of \$500,000, was an important milestone in the development of research professionalism within CFIB. Catherine Swift, the new appointee, is an econometrician with experience in two federal departments. She was made responsible for directing the research function and the conduct of research on all economic and policy issues that have an impact on small business and the economy.

Two important advisory committees have been in existence for many years. A committee of members was formed in 1972 to advise the Federation on general policy issues (16). The Tax Advisory Council was formed soon after the organization commenced operations to provide counsel on tax policy issues.

4. The 1979 Organization Crisis

The organization changes adopted by the Federation cannot be credited to the natural maturing of a successful organization. Rather, they evolved from a deep-seated sense of internal frustration which erupted in the spring of 1979

as the organization's first major crisis point. This crisis, which received intense press coverage (17), shook the Federation and for a time threatened its very survival. Internal turmoil was triggered when Bulloch and Raymond Sherk, the vice-president and general manager, unilaterally decided to reorganize the field organization. The plan was to reduce the number of division sales managers from six to three, in effect, demoting several long time employees. When a delegation of sales representatives objected to the change, they were ejected from the Home Office by the police. CFIB then initiated legal action to prevent disgruntled employees from using confidential CFIB information and to prevent some from transferring to rival organizations. Ultimately, several staff members resigned. Several formed a new organization (the Canadian Organization of Small Business), the seventh spin-off from the CFIB to that date (18). In total, all legislative staff except one, and approximately one-third of the seventy person sales staff, resigned.

The two dozen dissenters, including six senior staffers, were critical of the autocratic management style of Bulloch and Sherk. In addition, they objected (a) to the plan to spend \$5 million on a new building rather than member services, (b) to the Federation's emphasis on high level lobbying rather than providing helpful day to day managerial advice to members, and (c) to an alleged lack of

communication between legislative and field staff (19). The planned demotions obviously did not engender attachment to Bulloch and the association. Internally, CFIB was in turmoil.

CFIB's inability or unwillingness to adopt more sophisticated administrative procedures dictated by the expansion of the organization, and its apparent lack of awareness of the emerging internal discontent preceding this crisis, are examples of the crisis points noted on Figure 2-2, especially the leadership and lack of delegation critical points. Although clearly autocratic, and possessing a personal distaste for committees and formal administrative procedures, Bulloch had possessed the clear ideas and zeal necessary to found and direct the organization in its formative years. With organizational expansion, however, other staff members began to discern deficiencies in Bulloch's leadership style. One can assume that a certain amount of their time was consumed by their concerns, thus preventing them from concentrating fully on developing policy issues and/or selling memberships.

As Figure 2-2 predicts, failure to resolve such a crisis will ultimately lead to the demise of the organization. Following a review of administrative operations by a management consultancy firm, the board of directors fired Sherk, the alleged culprit. New administrative procedures were installed. Overall policy direction became the

responsibility of the regenerated Board. As a result, the days of the one man band were over. Resolution of this crisis did, however, allow CFIB to refocus its energies on policy issues and membership solicitations. All it now needed was a significant issue to capture the attention of prospective members. Such an issue materialized in 1981 and is discussed in detail in Part II of this chapter.

5. Member Services

The Federation does not provide specific legal, tax or management advisory advice. Rather it refers members to professionals for detailed counsel pertinent to their individual problems. It was the lack of management advisory services which lead, in part, to the 1979 crisis and has generated criticism from former members such as Cunningham (1982). Other than the information content of its publications, much of which is obtainable elsewhere, and arguably is less informative than other sources, the services of the Member Services Information Division discussed in the next paragraph, and the fact that it serves as an outlet for the frustrations of its members, CFIB does not provide any direct services to its members.

The Member Services Department is responsible for responding to specific member's requests and complaints. By 1981, this three person group was reported to be handling approximately twenty thousand communications annually (20). Most were requests for information on government programmes

or on resolving bureaucratic difficulties. Over half of the calls were referred to as "comfort calls" - that is, calls from members feeling frustrated and isolated, or who could not be helped by Home Office (21). Spurred by competition from the Canadian Organization of Small Business, CFIB was forced to institute a Member Services Information Division in the early 1980's. Over four thousand individual requests for information were received in 1987 alone, primarily with regard to government programmes (22).

While the information content of CFIB's publications is certainly of some value to the members, and unquestionably the ability to vent one's frustrations is useful, these membership benefits can be easily obtained elsewhere, often at no cost. This dissertation argues, therefore, that these benefits are only of secondary importance to the members, whose principal motive for joining CFIB is considered to be their belief that CFIB will achieve legislative improvements for the small business sector. Thus they are motivated by the perceived coercion, or threat thereof, presented by government and big business and join CFIB to seek joint action to address their concerns. This dissertation, therefore, rejects Olson's by-product theory as the primary reason why members join CFIB.

6. CFIB Appointments to Government Advisory Agencies

As the Federation matured and gained a degree of prominence, its officials began to be invited to sit on

government boards, task forces, commissions and advisory councils (Table 3-3). Each appointment signalled increased recognition of CFIB on the part of policy makers and strengthened CFIB's access to future policy making.

7. Involvement With International Associations

The Federation has played an influential role in formalizing an academic and professional environment for the study of small business. In addition to financially assisting a number of texts on small business, CFIB was a founding member of the International Congress for Small Business, with Bulloch as a member of the steering committee. Bulloch and a Federation director were two of only three Canadians to attend the first International Symposium on Small Business held in Tokyo (23). Of twenty-five Canadian representatives, the Federation was the only Canadian organization at the second symposium held in Washington in November, 1976 (24). The Federation has continued its active participation in these international conferences, acting as a co-sponsor of the biannual Canadian meetings. Participation in these conferences has given CFIB an international persona, strengthened its credibility within the small business community, academe and government circles, and has solidified its position as the primary voice of small business in Canada.

8. Membership Growth

According to the Federation, a critical factor in its success is its size (25). When CFIB speaks, it purports to do so for its members. CFIB considers member participation in the Mandate programme, and the direction members give to policy proposals, to be the cornerstone of the organization's credibility (26). According to CFIB, the "phenomenal membership increases have given the Federation additional clout in Ottawa and the provinces, as well as financial stability" (27). Not only do the members provide one hundred percent of the operating funds, but they also provide a significant political lever which CFIB uses to enhance access to the corridors of power. In its approaches to government, CFIB reminds politicians and bureaucrats of the fervent allegiance of its members to the organization and implies that it can deliver or withdraw voter support for the government.

Bulloch quickly realized that survival was dependent upon pursuing significant issues and maintaining a high public profile. As noted in the previous chapter, survival is partly dependent upon an organization's ability to alter its strategies to changing circumstances. Bulloch has noted that after the 1971 small business changes were rescinded, the cash flow to the Canadian Council on Fair Taxation "went to zero overnight" (28), necessitating strategies for his new organization which would ensure a constant flow of funds. And following the 1981 budget, Bulloch noted that,

"We'll be down to 2,000 next year if this budget is implemented" (29). Regardless of the merits of quiet, behind the scenes consultations for achieving policy successes, from its very founding CFIB recognized that there would be no substitute for effectively reaching the member market than haranguing politicians from a soapbox. Bulloch lost no opportunity to get his or the Federation's name in the media (see section thirteen on Lobbying Strategy). Handling all of the promotional work himself, Bulloch utilized, as he has stated, "a thousand tricks" (30), to publicize the Federation. Two strategies the Federation adopted are releasing their pre-budget submissions to the media and claiming post-budget victories. Both have attracted much needed publicity to the Federation.

The promotional stunts were successful, if not always factually accurate. Membership grew steadily. Baetz (1985) has noted that during its first decade of operation, CFIB "had the greatest concentration of members per capita of any small-business organization in the world", and that "they were the most rapidly growing individual membership organization in Canada" (31). McQueen (1982) refers to the Federation as the "fastest-growing pressure group in Canada" (32), one which is now represented in every region and industry sector in the country. As Brimelow (1977) has stated, "There could be no better example of a successful small business than the CFIB itself" (33). Critics such as

Partridge (1982), however, have labelled CFIB "a slick, professionally managed business", "a masterpiece of marketing" and "an extremely well-oiled money machine" (34). Table 3-4 presents a membership profile for selected years.

Memberships grew rapidly during CFIB's first three years of operation. Although total memberships increased annually thereafter (Table 3-5), reaching seventy-seven thousand in 1987, except for 1981 and 1985, the annual growth rate declined towards the latter part of the 1970's and throughout the 1980s, falling to one percent in 1987. CFIB has, therefore, had to constantly strive to maintain its high profile in order to keep its name before the member market and maintain the perception that it is a successful organization to which individuals should belong. The organization's goal is to reach one hundred thousand members by 1991 (35).

The strategies used by CFIB to attract members have not changed radically over the years, although it now relies less on tactics such as its early publicity stunts (Table 3-6) which were intended to attract media attention and increase the organization's public profile. More recently, CFIB has seized upon real (the 1981 budget war and a public fight with the Business Council on National Issues regarding the small business deduction) or apparent (the value added tax) issues to engage in public battles against

the government or big business. And the media attention and member support from the victory claims has not diminished. Supported by these publicity strategies, the Federation's district managers continue to solicit new members annually.

TABLE 3-5

TABLE OF MEMBERSHIP AND FEES RECEIVED BY YEAR

Year	Number of Members	% Increase	Fees Received			Average		
			Current \$	% Increase	Constant \$	% Increase	(A)	(B)
1972	3181		\$ 137,101		\$ 137,101		43	43
1973	6787	113%	227,126	65%	211,084	54%	33	31
1974	15656	131	649,122	185	547,782	159	41	35
1975	27000	72	1,177,887	81	910,972	66	44	34
1976	34500	28	1,826,615	55	1,335,245	47	53	39
1977	44000	27	2,576,196	41	1,779,141	33	59	40
1978	50000	14	3,121,424	21	2,030,855	14	62	41
1979	53000	6	3,792,308	21	2,327,998	15	72	44
1980	55000	4	4,034,313	6	2,330,626	-	73	42
1981	60000	9	5,081,704	25	2,737,987	17	85	46
1982	62000	3	5,647,982	11	2,875,755	5	91	46
1983	64000	3	6,039,973	7	2,987,128	4	94	47
1984	66000	3	6,847,528	13	3,314,389	11	104	50
1985	73000	11	7,517,824	10	3,569,717	8	103	49
1986	76000	4	8,852,775	18	4,123,323	16	116	54
1987	77000	1	9,530,171	8	4,349,690	5	124	56

(A) Average annual fees per member in actual dollars

(B) Average annual fees per member in constant dollars

Note - Analysis of the revenue amounts in this table is found in Chapter six, Part VI, Section A.

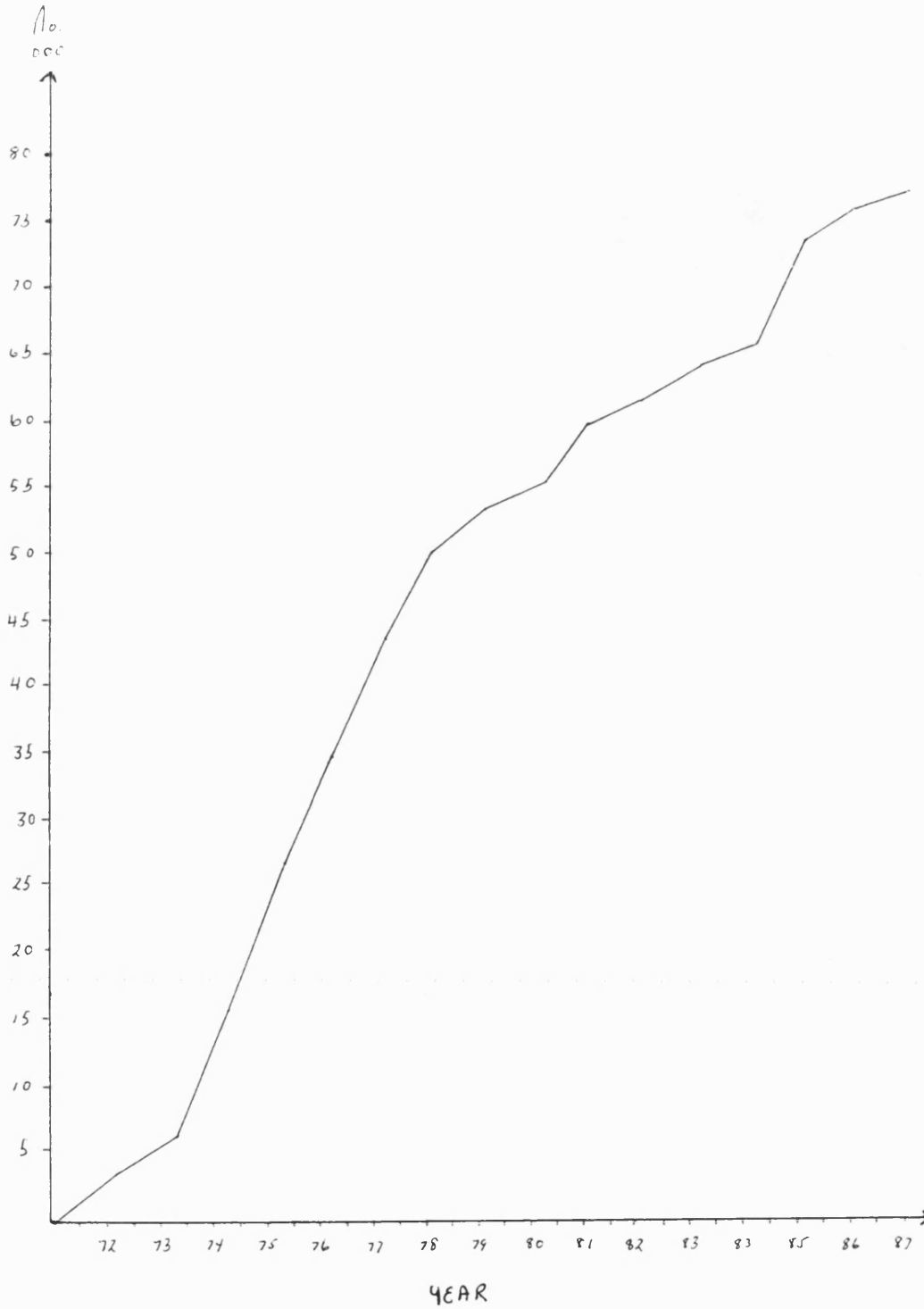
SOURCES: Mandate, the Action Report, and CFIB Annual Financial Statements

: The inflation figures used for this table were taken from the Canadian World Almanac and Book of Facts, 1991. (1990). Toronto: Global Press.

Plotting CFIB membership growth (Figure 3-1) and comparing the slope of the membership growth graph to Figures 2-1 and 2-2 (the life cycle graphs) reveals interesting insights into the development of CFIB's membership base. Overall, the growth slope closely parallels the slope of the life cycle growth pattern. CFIB's birth and infancy time periods were relatively short, the growth slope indicating sharp membership increases from 1971 to 1974. From 1974 to 1980 the growth slope indicates rapid expansion of the membership base, as predicted by the life cycle model's adolescence and youth stage. Interestingly, CFIB's late 1970s internal dissension does not appear to have outwardly retarded membership growth, although as indicated earlier, it is reasonable to conclude that it must have deprived the organization of some of its recruitment energies. One can conclude, therefore, that much of this dissension must have been kept within the organization, becoming public, and therefore potentially harmful to recruitment, only when the final crisis came to its much publicized head.

Figure 3-1 clearly reveals the levelling off of the membership base after 1979. Much of CFIB's time following the crisis was spent reassuring the members that all was well and that the organization was simply going through a

FIGURE 3-1
Annual Membership Growth



normal reorganization process. Mandate and Annual Report articles were written with the express purpose of reassuring the members, in particular several articles explaining the need for the much criticized new building (36). And CFIB was forced to form its Member Services Information Division at this time in response to another of the dissenters' criticisms.

As noted earlier in this chapter, following the 1979 crisis, CFIB needed a significant issue to serve as a launching pad for a renewed membership drive. As Table 3-5 indicates, membership was more or less levelling off at the end of the 1970s. The organization was clearly in need of revitalization, for, as the life cycle model would predict, failure to reactivate the propaganda machine would lead to stability or even the decline of the association. The revitalization of the organization and the expansion of its membership base following the 1981 budget war is also clearly revealed in Figure 3-1. As predicted by Figure 2-2, had this issue not surfaced, CFIB was threatened with potential decline in its membership. Fortuitously for CFIB, the budget presented an appropriate vehicle to exploit in its efforts to maintain its pre-1980 membership rate increases. Thus the 1981 budget could not have come at a better time for CFIB. Not only did the budget focus on an issue of vital concern to the members (taxation), it allowed CFIB to return to its successful tax protest roots. The publicity attracted by the Federation's war on the

budget (see Part II of this chapter) is credited with enhancing membership growth shortly thereafter (37). As Table 3-5 indicates, membership increased by 9% in 1981, a significant improvement over prior years.

CFIB was also able to capitalize on the intense media coverage generated by highly volatile public criticisms of the assessing policies of Revenue Canada (highlighted by the Progressive Conservative Task Force on Revenue Canada) to attract members in 1985. As noted on Table 3-5, membership increased by 11% in 1985. While this membership surge may have been attributable to other unidentified factors, it emphasizes the point that coercive issues of critical concern to the potential member market, especially tax issues, and the amount of publicity CFIB is able to attract to its campaigns against the issues, are the principal reasons why members join the organization.

As at the end of this dissertation's time period (1987), the organization has not yet reached the maturity stage - that is, the stage where membership growth levels off and remains relatively constant. Further analysis of Table 3-5 indicates that membership growth stalled following the 1985 surge. While the annual growth increments were not as dramatic in 1986 and 1987 as they were in the earlier years, the membership base is still expanding slowly. One wonders whether this is a direct reflection of the more conciliatory manner which has characterized CFIB's

interaction with the new Conservative government elected late in 1984 (this point is pursued further in Section AA of Chapter five), or the absence of an inflammatory issue to take to the member marketplace (38). As indicated by the slope of Figure 3-1 following the 1981 budget war, one would expect that CFIB will need another issue of that magnitude to generate significant membership increases. Events beyond the time frame of this dissertation, and CFIB's response to those events, would have to be reviewed to determine whether CFIB was able to attain its goal of 100,000 members by 1991, and whether it will remain as an influential player in the Canadian policy formulation process.

9. The Sales Spiel

All direct contact with existing and prospective members is made by a nationwide group of district managers. These are essentially self-employed salespersons, remunerated by commission based on the number of new members they solicit and on the number of renewals. Their income is therefore directly dependent upon their success in maintaining and increasing annual memberships. Bulloch has stated that, "The underlying strength of our organization is our decentralized field operation. District Managers are responsible for effective functioning of the Mandate programme, for new memberships, for the National Survey programme, for renewing member receipts, for appointments to the Advisory Committee, and, in many cases, for local

speaking engagements and publicity" (39). Each district manager is required to make at least one personal call on the members annually to maintain contact with the member, to collect membership fees, distribute CFIB publications, and ensure that members complete the annual national and provincial surveys.

The membership sales strategy has remained virtually unchanged since 1971. CFIB uses only personal interviews for selling new memberships and renewing members, a significant factor in maintaining the annual renewal rate at about eighty percent (40). All salespersons use the same slick and well-rehearsed sales pitch - reiterating CFIB victories, stressing the importance of small business to the economy, and asking members to become politicized. As Partridge (1982) notes, "sophisticated buzzwords" are used "to impress the uninitiated" (41). One member has stated: "I must admit that in my case - and I'm sure its true for a lot of other members - some of the terminology they use to describe the tax breaks and other concessions is a little hard to understand" (42). The carefully orchestrated eight minute spiel commences with a quick statement of the organization's objectives and how it functions, explains the Mandate programme, and reviews the virtues of small business and the problems inflicted upon small business by big business, government and the unions. The salesperson explains the services provided by CFIB, and indicates the benefits of joining the organization (43).

Promotional materials support the verbal spiel. The salesperson opens a binder in which is arrayed business cards of other members in the area; copies of CFIB news releases, occasional publications, national surveys, and past lobbying actions; and recent Mandates and Action Reports extolling Federation victories. If it is a renewal call, the member completes the national and/or provincial survey. On occasion, promotional material is left for display or distribution by the member.

On average, three of five prospective new members join the Federation. Salespersons prefer to call upon small retailers, manufacturers and wholesalers rather than professionals such as doctors and lawyers. These latter groups tend to ask too many questions, whereas the typical small businessperson is less likely to query the salesperson, accepting the spiel without question. Should the direct approach fail, salespersons resort to more high pressure tactics. In an effort to shame hesitant prospects, salespersons urge business acquaintances of a reluctant prospect to contact the individual recommending CFIB membership.

The Federation has no funding sources other than members' fees, which are voluntary and tax deductible. Members now pay between \$100 (originally \$15) and \$500 per annum. Publicly traded firms are not accepted for membership. The annual fee was, until the mid-1980's, voluntary, generally

based on the member's annual revenue. CFIB converted to an invoice format in the mid-1980's, which has had the effect of increasing annual revenue. Salespersons are totally remunerated by commission (50% on new memberships, 25% on renewals (44)), a significant incentive to sell memberships.

10. Federation Activities

In its efforts to further the interests of its members, the Federation:

- (a) regularly submits briefs, including pre-budget submissions, to the federal and provincial governments on a wide range of issues of concern to its members;
- (b) appears before government agencies, boards, parliamentary committees and task forces to press its case;
- (c) engages in media and public relations campaigns, and
- (d) argues its case in private meetings with cabinet ministers, caucus committees, opposition leaders, Members of Parliament and senior civil servants.

11. The Federation's Approach to Issues

The Federation does not attempt to function as a trade association or a self-help group. It is first and foremost a political action organization. It likes to describe itself as a "grass-roots political organization which ... remains resolutely aloof from any taint of partisanship" (45). Accordingly, it lobbies all three federal parties

simultaneously, seeking support for its policies from each (46). The Federation's general approach is to analyze, research and develop positions in every area of public policy, both federal and provincial. It strives to maintain consistent policy positions, based on a coherent philosophical platform.

12. Issues and Dominant Themes

CFIB does not deal with issues specific to individual businesses. Rather it deals with global issues (the "big picture" issues) affecting small business. As a political action organization it leaves the direct concerns of members to their trade associations. Its chief political concern is to ensure that no federal or provincial legislation affecting small business is debated without Federation input. Table 3-7 outlines the recurring issues and themes which appear in all CFIB publications and public pronouncements.

13. Lobbying Strategy

CFIB's membership growth can be linked not only to its capitalizing on significant coercion inducing issues of concern to potential members, but also to the manner in which it pursues these issues with policy makers, and especially, with the amount of publicity it is able to attract to its pursuit of the identified issues. Hence the need to develop lobbying strategies and tactics which have

as their fundamental objective the generation of media publicity.

The early lobbying tactics of CFIB exhibited all of the characteristics of Pross' ' issue-oriented group (47). Strident and fiercely adversarial, the Federation attacked government policies using a variety of unsophisticated tactics. Media exposure was vital. Whatever tactics would attract the press, television cameras, or a radio microphone were used. Print propaganda featured excessive rhetoric, flamboyant gimmicks and selective distortions of the facts (48). McQueen (1982) notes that Bulloch has been posed "in everything from a bathtub to a boxer's robe" in order to demonstrate the fighting nature of himself and the organization (49). CFIB were masters at delivering the message that they did not approve of certain government policies and demanded changes to those policies.

An important tactic used by the Federation is to publicly claim that its efforts have resulted in a victory for small business against the government. The general tone of such announcements clearly implies that Federation action was solely responsible for the change in the law. As noted in chapter two, these claims are listened to by the members because they address issues of concern to the members and because the members perceive CFIB to share similar values as themselves. In addition, one can suggest that these claims are "what the members want to hear", believing as

they do, that government is coercing them and that they are in need of a champion to fight the coercer. The Federation was particularly adept at feeding material to opposition members to attack the government in the daily parliamentary Question Period. Reinforced by claims of victories, and supported by advocacy advertising and public relations stunts, these pronouncements attained the desired degree of government and public attention. Appendix 3-1 provides examples of CFIB's early bombastic rhetorical style. Critics considered such provocative statements as nothing more than "shooting from the hip" reactions to important public issues (50).

Increased access to government, maturity, and a degree of success altered CFIB's tactics. Bulloch began to meet more frequently with the Prime Minister, cabinet, senior bureaucracy, and provincial premiers (51). Additional research assistants, academics and consultants were engaged. Additional Home Office staff were hired, several of whom had had extensive experience within government (52). Informal consultations tended to replace publicity seeking advocacy tactics. More briefs and papers were based on better quality research.

One should note, however, that along with the change in the tone of CFIB's advocacy tactics has come a general decline in membership growth (except for the surges following the 1981 budget and the attack on Revenue Canada). And,

although Table 6-11 indicates an overall improvement in the number of lobbying successes following the change in lobbying strategy, the majority of the significant successes (Table 6-9) occurred prior to the lobbying strategy change.

In spite of its new found maturity, the fundamental tactics of the Federation have not changed. The Federation still utilizes its traditional rhetorical style, is as media conscious as ever, and is as faithful to its Mandate directives as it was in the early 1970's. Indeed, as reaction to the November 1981 budget and the campaign against the proposed value added tax attest (see Part II of this chapter), the Federation can still effectively mobilize all of its vitriolic tactics when circumstances warrant. The tactics of CFIB may be somewhat smoother and refined along the edges, but they remain as attention grabbing and biting as ever. A number of commentators have suggested, however, that CFIB has, except for the 1981 war, lost much of its earlier bite, and hence, its effectiveness as a result of its transition to more conciliatory advocacy tactics (53).

14. How The Federation Attempts to Influence Government

(a) Overview

The key to successful lobbying is gaining access to appropriate decision makers. Access is achieved as a result of prior lobbying, which establishes the reputation of an

organization, and as a consequence of beneficial mutual exchanges between influencer and decision maker. According to CFIB, it has achieved its reputation as a result of its research capabilities, credibility, education programme, the media publicity it can generate, its ability to present viable proposals to government, and the Mandate programme.

(b) Federation Research

CFIB believes that its advocacy impact is only as good as its data. Therefore, it strives to present the most accurate and extensive data possible. Federation research is considered to be thorough and exhaustive (54) and is said by CFIB to be the best small business data available in Canada (55), hence enhancing its value to government. Furthermore, the information gathered from members tends to provide statistical data not otherwise available to government. Federation officials note that government officials regularly call upon CFIB for reports, data and information (56).

In addition to the Mandate polls, there are annual and occasional national and provincial surveys in which members rank their problems and individual concerns, and occasional surveys on specific issues for which the Federation wishes to obtain the views of the membership (Tables 3-8 to 3-12). These surveys, pioneered in Canada by CFIB, give a concise indication of the member's views on a host of provincial and federal issues and provide clear direction to the

Federation on a continuous basis. As a result, the Federation contends that policy is not formulated by the leadership of the organization, rather that it is an example of "Democracy in action" (57). These surveys also give the organization the ammunition it needs, by way of vote preference, in pressing the case of small business in Ottawa and the provincial capitals, and are considered by the Federation to be one of its strengths in comparison with other business organizations (58). Survey results and research reports are distributed to every member of the federal and provincial governments, major institutions, the media, and other organizations. As the Tables indicate, survey response is remarkably high. Considerable press coverage is often obtained when the results of one of these surveys is published.

(c) Education

The on-going education of bureaucrats, politicians, small businesspersons, and the public is a basic task of the Federation. The Federation has described its education activities as "subtle, yet all-embracing" (59). CFIB subscribes to the view of the late Professor Harry G. Johnson that politicians must be educated by external experts in the respective policy fields instead of relying on political forces to formulate policy (Sandford, 1979). Public relations extends to every organization with a "shred of opinion-forming potential" (60). Pamphlets and small texts have been prepared for distribution to the

general public, secondary school children and university students (61). Regular information sheets on topics of interest to members are inserted in Mandate (Table 3-13), a small business column has been distributed to several hundred weekly newspapers across Canada, and a small business radio series has been broadcast nationwide.

(d) The Media Publicity the Federation is Able to Generate

An important aspect of the Federation's success has been the advocacy advertising and public relations stunts it has sponsored. The Federation is particularly adroit at attracting the attention of the nation's print and electronic media. It has long realized that its polls possess news value, and that its publicity stunts succeed in getting the name of the organization into the newspapers and onto the newscasts. It has been said of CFIB that, "they have a good working relationship with government when the TV cameras are off. When they are on, John Bulloch ... becomes boisterous" (62). Bulloch and the Federation are frequently quoted in the media. Bulloch is now a regular member of the television commentary group which appears immediately after the reading of each budget speech. A number of the most prominent campaigns and advertisements are briefly described in Table 3-6.

(e) The Credibility of the Organization

Perhaps no other word is used more frequently by Federation officials than "credibility". Lobbying success is a direct

result of the credibility of an organization. As a result, the Federation believes that its reports command the respect of Members of Parliament, who view the positions taken by CFIB as being representative of the members. The Federation has variously attributed its credibility to at least eighteen factors (63).

(f) The Provision of Viable Policy Proposals

CFIB prides itself in presenting viable, workable and balanced policy alternatives in its submissions to government. Viability refers to the practical implementation and the political acceptability of the proposal.

(g) The Mandate Programme

Mandate informs members of pending and enacted legislation, presents the views of the Federation on important economic issues, gives the members a forum for expressing their own ideas to legislators, and gathers publicity and support for the Federation and its policies. The objectives of Mandate are (a) to gain the opinions and views of CFIB members on current public policy issues in order to present a national and unified voice to government at all levels, (b) to obtain statistically valid data from CFIB members, (c) to ensure that CFIB spokesmen present only members' opinions and views, and (d) to enhance the credibility and influence of the Federation (64).

Published every six weeks (Table 3-14), this four page publication contains articles and essays of concern to the membership; Federation policy or commentary on current issues; the Mandate poll; reports on the progress of government legislation, programmes, or actions; summaries of federal and provincial budgets, with comment thereon; notes pertaining to the activities of CFIB (briefs presented, meetings attended, speeches made); administrative items of concern to the members; pictures of Federation officials (usually accompanied by government officials or appearing with members or at public relations functions); and a sample of letters received from members. Distributed with Mandate, and occasionally included in the text, are a number of inserts containing information of interest to the members (Table 3-13). Tax tips are frequently presented in this format.

15. The Mandate Poll

"The Federation's credibility is based on the fact that ... it regularly polls large cross-sections of the independent business community by means of the Mandate" (65).

The above quotation indicates the critical importance of the Mandate poll to the Federation. The Federation is unique in that it is official CFIB policy to determine all policy positions and to pursue only issues determined by a majority vote of the members as expressed in these surveys. The Mandate votes are considered by Federation officials to make the Federation "a genuinely democratic organization"

(66). Mandate is generally recognized as the "quickest statistical survey of grassroots thinking in Canada" (67).

Each Mandate polls the members on three or four current or emerging issues. Members are asked to indicate whether they are "for" or "against" the issue. There is also a box for registering a "no opinion" response. If the undecided vote is more than ten percent, the question is considered too complicated or the arguments presented are assumed to be too balanced. Recently a box has been added for those with "no interest in the issue". Brief arguments for and against the issue were, until recently, presented after the question was stated. In early 1988, this portion of the questionnaire was replaced by a "background" to the issue. Between twenty and thirty percent of the members respond to the questionnaire (68). It is estimated that eighty percent of the members vote at least once a year (69).

Once the votes are tallied, Federation research staff prepare a comprehensive statistical data set to support the policy positions taken by the association. A summary of each poll is sent to each Member of Parliament and the provincial legislatures, and to other interested parties, and is published in the succeeding issue. Regularly, the Federation urges its members to take the time to respond to the polls and surveys. For example, members have been asked to "Give us the ammunition we need" to "argue your case and change policies in Ottawa and the provinces" (70).

The questions indicate the policy areas of concern to the Federation and its members. The thrust of the questions is to the legislation or regulation of economic policy, with virtually every question pertaining to existing or proposed federal, provincial or municipal legislative or regulatory powers. The implementation of CFIB policies would necessarily require amending or repealing existing or proposed legislation or regulations. Although only a few questions exhibit a more general, philosophical perspective, implementation of CFIB policies related to these questions would require a re-orientation of government policy, leading eventually to new legislation or regulations.

CFIB and the Mandate polls can be criticized for (a) setting the agenda for the association (as it is the Federation which selects the questions), (b) biasing the responses by the inclusion of arguments or background information, and (c) being more interested in the vote count than the depth of the questions (71). Whalen (1982) notes that polls may interfere with the decision making process, have a bandwagon effect as respondents attempt to be on the winning side, and tend to create an under-dog effect in that they bring attention to the problems of the vocally dissatisfied rather than other equally deserving, but less vocal, groups. There is also the general question as to the representativeness of CFIB's polls. One can

conclude, therefore, that CFIB's polls are more valuable in coalescing the members into a united and committed group than they are at directly influencing the formulation of policy. This point is expanded upon in chapter VI, Part II, Section B.

16. Federation Accomplishments

The success of CFIB can be measured on two dimensions: membership growth and lobbying achievements. Table 3-5 has outlined membership growth since 1971. As the largest lobby group of its kind in Canada, CFIB is clearly a success on this scale. As for its lobbying success, there is some disagreement as to the success of the Federation. Whereas critics belittle the record of the Federation (72), it has claimed important successes in its lobbying efforts. Arguably, its major success has been awakening government and public awareness of the role and importance of independent business in maintaining the overall economic health of the nation. An example of this heightened awareness was the creation of the federal Ministry for Small Business in 1976, claimed to be the direct result of CFIB lobbying (73), followed by the establishment of similar agencies in a number of provinces. The significance of this development is that politicians and bureaucrats now recognize small and medium-sized businesses as being distinct from large businesses. The Federation claims that its greatest success has been to ensure that no legislation

or public policy change potentially harmful to small business takes place without the direct input of CFIB (74).

On more specific issues, CFIB has claimed success in reducing the paperburden imposed on small business by the federal government (75); significant reform of the unemployment insurance legislation in 1979 ["one of the Federation's most notable achievements" (76)]; improvements to the Small Business Loans Act (77); and changes to the government's competition policy (78).

In the tax field, the Federation has claimed to be responsible for over forty changes to the Income Tax Act since its initial victory on the small business deduction in 1972 (Table 3-15). In terms of total tax savings, CFIB claims to have achieved reductions in the annual tax burden on small business of over \$1 billion in its first decade of operation (79), more than \$300 million in beneficial tax changes in 1979-80 alone (80). The Federation received recognition for its efforts in the documents accompanying the 1988 budget speech, the only organization singled out for mention (81).

These victory claims have not been universally accepted. As one columnist has stated, "to listen to (Bulloch), it seems the group has played a significant role in just about everything good that has happened to small business - tax breaks, law reform, and a shift in attitudes. But as one

Ottawa official quips, the group has taken a position on so many issues that it can claim successes on almost any initiatives taken to help small business" (82). And McQueen (1982) has concluded that Bulloch "has ... built a garden of sand" (83). Chapter six presents a detailed analysis of CFIB's victory claims.

17. Summary of Findings

The following are the key conclusions which can be drawn from this Part of the chapter:

- (a) CFIB was formed as a result of coercion felt by a segment of the small business community. This coercion related to the tax structure and to a general sense that government was not sufficiently helping small business.
- (b) Members join CFIB because they perceive the organization as a valuable ally in fighting the perceived coercion imposed on small business by big government and big business. As the selective benefits provided to members by CFIB are relatively limited, and can be obtained elsewhere without cost, members do not join CFIB because of these selective inducements. Hence this dissertation accepts Breton's coercion theory rather than Olson's by-product theory as the reason why members join the CFIB and as the rationale for the actions of CFIB.

- (c) Bulloch realized early in the history of the organization that cash flow would be critical to the organization's survival.
- (d) Significant issues, especially tax-related issues, would be necessary to capture the attention and the allegiance of the member market. Membership grew rapidly when CFIB was engaged in highly publicized tax battles with the government.
- (e) Publicizing the actions of the Federation would also be needed to inform the potential members of the association's work and to reassure the existing members that the Federation was effectively working on their behalf.
- (f) The victory proclamations were used to attract media attention and to demonstrate the effectiveness of the Federation.
- (g) The essential message of the victory boasts is that CFIB is solely responsible for the changes in tax law.
- (h) CFIB's polls are more beneficial to the organization in giving the members a sense of belonging to an effective organization, in participating in the process, and in forming them into a more cohesive group than they are in influencing policy makers.
- (i) Many of CFIB's tactics have been severely criticized and their claims of success have been belittled by commentators.
- (j) There has been a change in CFIB's tactics over the years. As the credibility of the Federation grew, the

early publicity-seeking stunts tended, except for the war on the 1981 budget, to be replaced by an on-going dialogue between CFIB and the Department. The change in lobbying strategy has been accompanied by a general decline in the rate of membership growth.

(k) The development of CFIB closely reflects the life cycle model outlined in chapter one. As CFIB has encountered its version of the model's crisis points, it has been able to rectify the situation via agonizing internal reorganization or a series of fortuitous taxation issues, to reorganize and revitalize itself to continue its pursuit of a larger share of the member market.

.....

The next section of the chapter presents a detailed review of two tax-related lobbying campaigns conducted by CFIB (its war on the 1981 budget and its campaign to prevent the introduction of a value added tax), as illustrations of CFIB's lobbying tactics.

PART II

TWO TAX-RELATED LOBBYING CAMPAIGNS

A. THE FEDERATION GOES TO WAR

1. The 1981 Pre-Budget Brief

In the preface to its September 14, 1981 pre-budget submission (84), CFIB stressed the confusing and contradictory nature of the Canadian political environment; that Canadians lacked confidence in the future and were suspicious, angry and worried; and that capital markets were jittery. In addition to alleviating these concerns, the government was urged to use the budget to attack high interest rates, institute across the board tax cuts, tighten unemployment insurance regulations, and reduce federal spending. According to CFIB, the investment climate for energy-related investments must be improved and the deficit narrowed. The Federation's message to government called for no major tax changes, no tax increases, and tax policies to encourage capital formation, restore the incentive to work, and encourage research and development. Because of a split Mandate vote, the Federation did not recommend interest rate assistance (85). The brief requested reduced corporate tax rates, enriched research and development incentives, increased annual and total business limits, an extended small business development bond programme, no capital gains rate increases, and increased registered retirement savings plan contributions (86). No response was received from the

Minister at the meeting at which the submission was discussed.

2. The Budget

In his landmark November 12 budget, Finance Minister Alan MacEachen attempted to implement the most fundamental tax reform since 1971 (87). The Minister stated:

"The budget reflects the government's basic philosophy that it is not right that many higher income individuals pay less tax than those with significantly lower incomes. Such disparities are difficult to justify unless tax expenditures are achieving important social and economic goals" (88).

3. CFIB Reaction

No fewer than 163 proposed amendments were contained in the budget documents. Some met with Federation approval, in particular: increases in the annual business limit to \$200,000 and the total business limit to \$1 million; extension of the small business development bond programme for one year; and an increase in the small manufacturers' tax rate limit to \$200,000.

In spite of these measures, the budget unleashed the greatest torrent of criticism directed at any budget, or Finance Minister, in Canadian history (89). Reaction from CFIB was instantaneous and vicious. Although the initial impact of the proposals did not arouse concern, upon closer inspection the Federation branded the budget "a monster on our hands" (90), "a disaster" (91), "a tax grab disguised

as tax reform" (92), "a cancerous abortion" (93), "a bag of snakes" (94), "a product of arrogant bureaucrats" (95), "the most serious threat to enterprise in Canada" since the Benson White Paper (96), "a massive tax grab disguised as closing loopholes" (97), and "blatant propaganda" (98).

The Federation was particularly critical of the lack of public input prior to the budget and its negative impact on small business. CFIB concluded that the budget would "cost smaller firms millions of dollars per year" (99), result in more bankruptcies and receiverships and fewer startups (100), and create a "very emotional, very political tax battle" (101). Government, CFIB charged, had shown an "unconscionable ignorance of the operation of capital markets" (102), was merely closing loopholes it had created (103), and was "kicking us in the mouth" (104).

Announcing that the budget revealed a "shocking lack of practical knowledge of the business community" (105), that "MacEachern and his advisors have proven how little understanding they have of what makes small business and the economy tick" (106), and that, "This budget was made up by a group of zealous, myopic technocrats who have been waiting in the wings for more than 10 years for a susceptible ... minister" (107), the Federation urged the government to delay implementation of the measures pending public hearings by the Commons Standing Committee on

Finance and Economic Affairs on twelve complex issues (108).

4. The Campaign

Later billing itself as "the first business organization to go all out against the budget" (109), CFIB declared "war" on the Department, which became the number one priority of the Federation (110). Supported by a "war chest" of \$250,000, the Federation's campaign objectives were "to convince the politicians that the budget spells disaster for many smaller companies" (111), and "to develop a national consensus among provincial governments and business" against the budget (112).

The campaign was formally launched at a news conference held several days after the budget. CFIB was a key organizer of a coalition of twenty-three associations which on December 9, 1981 held a joint press conference attacking the budget and issued a joint press release calling for major changes to the budget (113). A later national press conference intensified the media campaign. A special Mandate was prepared to inform members of the details of the national campaign and to list the Ottawa and local address and telephone number of all 282 Members of Parliament. Members were asked to telephone or write their Member of Parliament expressing displeasure with the budget. Members were also requested to inform the Federation of plans and projects cancelled because of the

budget, especially those resulting in job losses. Provincial CFIB officials were requested to approach the newspapers and to be available for radio and television interviews to spread the Federation's message. Full page advertisements appeared in the Toronto Globe and Mail and in newspapers across Canada, expressing the Federation's ten major budget criticisms (Appendix 3-2). Over ten thousand individuals returned a form attached to the advertisement, registering their displeasure with the budget.

Meetings with provincial premiers, cabinet ministers and officials were held to rally support. The Federation received no response to its pleas from a meeting with the Minister. Representatives of the Federation met with approximately twenty other business leaders and the Prime Minister, with a Progressive Conservative party budget task force, and with about twenty members of the Liberal party caucus. Letters were sent to all Members of Parliament and to provincial government officials. An open letter to the members pledging to continue the fight was printed in Mandate (114).

Two detailed summaries of the Federation's position were published. Budget 81: What it Means for Small Business summarized the Federation's initial reaction. Federal Budget: Report # 2 was mailed to all Members of Parliament, premiers, highly placed political and bureaucratic decision

makers, and tax professionals serving the small business community. Both documents were prepared by the Federation's Tax Advisory Council, with tax and legal advice received from Federation governors and outside experts. In the latter document, the Federation was critical of the government's statistics and estimates of the tax effect of proposals, and outlined alternative policies that might be acceptable if the complete budget was not withdrawn. In this report, CFIB acknowledged the cooperation of the other groups in its budget battle (115).

Following a second meeting with the Minister, "at the Minister's request", according to the Federation (116), twelve budget changes were announced on December 18, 1981 (117). The Federation was particularly pleased with four (118). Furthermore, the government announced that five other important measures would be sent to a Standing Committee for further study. In addition, forty-two housekeeping measures omitted from the budget were now expected to be included in the legislation implementing the budget.

5. The June 28, 1982 Budget - A Government In Retreat

Following seven months of intense public debate, the government brought down a budget on June 28, 1982. As the Federation was still embroiled in its war against the 1981 budget, no brief was submitted prior to the budget. The Minister postponed the Part II tax; announced that the

introduction of the interest proposals would be deferred at least to 1983 and would not apply to commitments relating to employee share-purchase loans undertaken prior to November 12, 1981; introduced indexed term deposit certificates and registered shareholder investment plans; and stated that the government had rejected the indexation of capital gains. After reviewing the extent of the changes, Bulloch stated that input from CFIB members was a "key factor in forcing Ottawa to make some changes in the budget" (119). He concluded that, "Our war against the budget was the toughest test the Federation has ever faced" (120). However he did acknowledge that, "We cannot claim sole authorship of the changes; but most honest observers would acknowledge our leadership role" (121).

The Federation continued its campaign for the complete withdrawal of the 1981 budget even after the 1982 budget speech outlined this significant retreat by Mr. MacEachen. Mandate urged members to "Keep the HEAT on" federal politicians by personally contacting them at their home or local constituency office (122). Branding the budget speech "a bombshell" (123), the Federation called for a federal election as, in its opinion, each of Mr. MacEachen's three budgets was not part of a political party platform. In addition to the complete withdrawal of the budget, the Federation now sought the elimination of the capital gains tax. During this period a submission expressing the

Federation's sentiments was made to the House of Commons Standing Committee on Finance, Trade and Economic Affairs.

One of the most significant political developments in the aftermath of the 1981 budget was the September 1982 transfer of Mr. MacEachen to the Ministry of External Affairs and his replacement as Minister of Finance by Mr. Marc Lalonde. At a meeting following the cabinet shuffle, a CFIB delegation led by John Bulloch met the new Minister to review the implications of the 1981 budget and to set the agenda for an anticipated early 1983 budget. According to Mandate, CFIB believed that the "federal government's policies ... must change fundamentally or the nation will be facing an even worse calamity than now exists" (124). During this meeting, the Federation requested that the Minister reverse the 1981 budget proposals (especially those pertaining to interest deductibility, capital cost allowance, and the Part II tax), eliminate the capital gains tax, and reduce government spending. The Federation credited this meeting with reversing the interest and dividend proposals, extending the small business development bond programme, and other major and minor changes (125).

6. CFIB Summarizes Its Victory

A year after the 1981 budget, the Federation printed a Mandate article entitled "Federal Budget: A Year Later", in which it declared, "Ottawa in full retreat" (126). In

this report, the Federation published a report card on its accomplishments, grading each on an "A+" to "F" scale (Table 3-16). CFIB claimed to have reversed one-half million dollars of proposed taxes.

With the publication of this report, the Federation's war essentially came to an end. It is perhaps appropriate to conclude this section with the following comments from the Federation and one of its critics.

In Mandate No. 97, the Federation stated:

"Against all odds, the Federation and its 64,000 members were able to convince other business organizations, the public and finally the government, that the budget was an unmitigated disaster."

"The story can now be told: our credibility was under attack because we were implacable foes; we refused to make behind the scenes deals which would have sacrificed one group of members for the sake of another. Some said the Federation had lost contact with its members, others said we were hysterical and still others treated us as outcasts, yet they all eventually agreed we were right."

However, Member of Parliament John Evans, who attended the December meeting between the Federation and the Minister, has stated that, contrary to Bulloch's public statements that the meetings were "stormy", and that a yelling match ensued, there was no shouting. Furthermore, Bulloch refused to detail specific complaints, preferring instead to discuss the political impact of the budget. According to Evans, Bulloch "destroyed his effectiveness as a force for

small business" by his comments (127). One wonders whether this was the reason the other groups let CFIB lead the battle?

7. The Outcome

Their leadership role during the war proved costly to Bulloch and CFIB. According to CFIB, "the Federation has paid a price by taking its fair share of criticism and abuse" from both government and the media (128). Stung by what they perceived to be a violation of the unwritten conventions of lobbying, Department officials temporarily cut-off CFIB from its normal channels of communication to government, which led to a decline in government's acceptance of CFIB and Bulloch.

However, CFIB did accomplish its true objective when it commenced the budget war - that is, to increase its membership base. As noted on Table 3-5, memberships began to rise following the budget war, renewing the likelihood that CFIB will attain its ultimate goal of a membership base of one hundred thousand by 1991.

B. CFIB'S CAMPAIGN TO STOP THE VALUE ADDED TAX

1. Introduction

Although not directly related to the pre-budget submissions of CFIB, the association's campaign to prevent the implementation of a value added tax presents another concise example of the Federation's tactics in tackling an issue of concern to its members. Canada has levied a federal sales tax on the value of manufactured goods since 1924, at varying rates dependent upon the category to which the goods are assigned. Hence the tax is frequently referred to as the manufacturer's sales tax. This tax has long been considered antiquated, inefficient, and grossly unfair by manufacturers and tax analysts. Numerous studies of the system have been conducted, all concluding that the system should be substantially revised (129).

2. The Early Years

CFIB is among the many interest groups which have taken part in the debate on this issue. As early as 1973, CFIB became concerned when the federal government indicated that it was considering a value added tax as a possible replacement. No fewer than seven Mandate questions have been asked seeking guidance from the membership and raising the members' awareness of the issue (Table 3-17). Although CFIB foresaw several potential benefits to such a tax, its primary concern related to the perceived complexity of the value added tax (reference to European experience indicated a complex system of exemptions and exclusions), as well as

administration problems and high compliance costs. Recommendations for improving the system included applying the tax on the selling price of imported goods, rather than the duty-paid value, and reducing the rate from twelve to ten percent (130).

Three benefits of the value added tax were cited in early Mandate articles. A value added tax would avoid the pyramiding effect of the manufacturers' sales tax, which effectively becomes larger as the provinces add their retail sales tax on top of the federal tax. In addition, a value added tax would shift the system to a cost base, thus being an incentive to reduce costs. It was also believed that the government was considering a value added tax as a partial replacement for the corporation income tax. CFIB estimated that a five percent value added tax could raise the same revenues as the corporation income tax. This conversion of the tax base was perceived to be more equitable as CFIB believed a tax on profits rewards the inefficient and penalizes the successful.

The Federation, however, preferred a national sales tax, a proposal developed by the Carter Commission, as a replacement for the manufacturers' sales tax. The national sales tax was seen as a benefit as it would shift the tax burden to large companies and away from small and medium-sized firms. CFIB pledged to study the issue further.

3. The Wholesale Sales Tax Option

In 1978, the federal government floated a wholesale sales tax as a trial balloon. This idea was rejected by the Federation, which continued to advocate a national sales tax (131). CFIB reiterated well-known flaws of the manufacturers' sales tax: it created unfair competition as it included marketing and distribution expenses in the tax base; and imported goods were taxed on their value after duty is paid, but not on subsequent advertising and warranty costs. In addition, wholesalers and retailers would face a heavier burden because the wholesale sales tax would be imposed on the wholesale level, requiring adjustments for wholesalers who sold as retailers, as opposed to those who sold exclusively to retailers.

In contrast, a national sales tax was seen by CFIB as a beneficial improvement. It was perceived as easier to administer, and equally treating all goods, thus lowering inventory costs to wholesalers and retailers. In addition, public awareness of the national sales tax would be greater than the wholesale sales tax as it would be levied at the retail level in the distribution chain.

4. Reaction to the Conservative Pledge to Reform the Sales Tax

Although debate and discussion on sales tax reform continued for many years, it was not until the Conservative government proposed sales tax reform in its 1984 economic

statement that the issue again reached the public arena (132). Concerned that the government would implement a value added tax, CFIB released its entire arsenal of rhetoric, launching a "battle to stop value-added tax (VAT) dead in its tracks" (133). Labelling the idea a "nightmare for every small business" (134), a "proposed tax grab" (135), and "a regressive tax, hitting lower income earners more severely" (136), CFIB, "Armed with our members' mandate" (137), vowed to "oppose this potential new tax system with all our strength" (138). Mandate headlines screamed opposition to the value added tax. "CFIB readies for battle over threat of VAT nightmare", read one (139); "Wilson warned: Kill VAT or face a tax revolt", read another (140).

CFIB met with the Minister, threatening a tax revolt similar to that against the Benson proposals which spawned CFIB. The value added tax was linked to the government's deficit restraint programme, CFIB charging that rather than cutting spending (a CFIB recommendation), the government would use the value added tax to reduce the deficit. The members were warned that each one percent of value added tax would equal \$2.5 million in tax revenue, thus playing on the members' belief in government waste and their fear of still more taxes. CFIB warned the government not to publish its promised value added tax discussion paper, and commissioned a study of value added tax experiences in Europe. Cabinet members and provincial premiers were given

a copy of the value added tax instruction book used by small businesses in Britain as an indication of the complexity of the tax. CFIB warned that, "An army of bureaucrats would be required to collect the VAT" (141), thus appealing to the members' fear of still more government intrusion and paperburden.

"VAT zapped" read the Mandate headline following the 1986 budget's failure to include a value added tax discussion paper (142). CFIB did note that, although the value added tax idea had been scrapped, the government was now examining a business transfer tax as the manufacturers' sales tax replacement. CFIB noted that, "This success is a result that can be traced directly to sustained, forceful opposition from CFIB staff, supported by member input" (143). It pledged to keep close watch on proposed changes to the manufacturers' sales tax. Anti-value added tax messages were later delivered in the 1985 and 1987 pre-budget briefs.

5. The White Paper Sales Tax Reform

A discussion paper released with the government's 1987 tax reform package proposed several options for replacing the manufacturers' sales tax. Although the government's preferred alternative was a national sales tax, other options were outlined, including a value added tax. CFIB reacted by issuing a special Tax Alert poll in which the members were asked to indicate their preference from among

five alternatives. Based on this vote, CFIB rejected a combined federal value added tax and provincial retail sales tax (Table 3-18). Government was informed that in return for CFIB's cooperation in reforming the manufacturers' sales tax, it must:

- (a) impose one federal/provincial system, not two,
- (b) provide a uniform federal/provincial tax base with few exceptions, and
- (c) implement a system of deferred payments and a collection fee to help compensate small businesses for the cost of compliance.

6. The Outcome

The government's final proposal for replacing the manufacturers' sales tax was the goods and services tax which was implemented on January 1, 1991. This tax was levied on all goods and services consumed in Canada, and will be in addition to the applicable provincial sales tax. CFIB has launched a campaign protesting the perceived inequities of this new tax.

C. SUMMARY OF PART II

Part II has presented a review of two CFIB tax-related lobbying campaigns. One should note the provocative nature of CFIB's rhetoric, the manner in which CFIB appeals to the fears of its members, and the efforts of CFIB to attract media attention. Each campaign was concluded with a claim

of victory. Whether or not these boasts are justified will be discussed in Part I of chapter six.

ENDNOTES

1. In 1962 the federal government appointed a royal commission (the Royal Commission on Taxation), chaired by the late Kenneth Carter, to critically review the existing tax system (in particular, the income tax system), and to make recommendations for reforming the system. After conducting hearings across the country and publishing a number of background research studies, the commission's final report was presented to the government in February, 1967. The report recommended sweeping changes to the tax system, the most fundamental of which was a recommendation for a much more comprehensive tax base, notably the inclusion of capital gains in the tax base. The report "was hailed both in Canada and elsewhere, as a milestone in the field of tax reform" [Harris (1986), p. 4].

The government's response to the Carter Report, Proposals for Tax Reform, was issued in November, 1969. This White Paper was much less comprehensive than the Carter Report, but did contain many of the Report's essential recommendations: one-half of capital gains would be included in the tax base; the individual would continue as the tax unit; there would be a single fifty percent tax rate on all corporate income; the personal tax system would be integrated with the corporate tax system; and the individual rules and exemptions would generally follow the Carter recommendations.

These proposals generated almost as much controversy as the Carter Report, much of which was focused on the special committee of the House of Commons and the Senate which was convened to study the White Paper. Eventually, the government introduced its tax reform legislation in June, 1971, effective January 1, 1972. The significant features of tax reform included the capital gains provision of the White Paper, elimination of the gift and inheritance taxes, the introduction of income averaging annuity contracts, retention of the individual and the corporation as the tax units, introduction of the distinction between "public" and "private" companies, and the introduction of the small business deduction.

2. McQueen (1982), p. 44; Schreiner (1970), p. 4.
3. The White Paper proposed to increase the income tax rate on small business from thirty-five to fifty percent on the first thirty-five thousand dollars of business income.
4. Schreiner (1970), p. 4.

5. Partridge (1982), p. 32; Baetz (1985), p. 326.
6. Partridge (1982), p. 32; Baetz (1985), p. 326.
7. Small business was to be taxed using a dual tax rate: twenty-one percent on taxable income under fifty thousand dollars, and, by 1976, forty-six percent on taxable profits in excess of fifty thousand dollars.
8. CFIB: A Decade of Action For Independent Business, p. 4.
9. Schreiner (1970), p.4.
10. Schreiner (1971).
11. Brimelow (1977), p. 52.
12. CFIB: Summer Report, 1978.
13. CFIB: Special Summer Report, 1975.
14. Mandate No. 119.
15. CFIB: A Decade of Action For Independent Business, pp. 8-10.
16. CFIB: Special Summer Report, 1975.
17. See for example: Gooding (1979), pp. 1-2; Estabrook (1979), p. 5; and Partridge (1982), pp. 37, 91-92.
18. Gooding (1979), p. 2.
19. Baetz (1985), p. 340.
20. Baetz (1985), p. 340.
21. Baetz (1985), p. 340.
22. The 1987 Action Report indicated CFIB provided assistance regarding:
 - (a) government programmes;
 - (b) the interpretation of government legislation;
 - (c) financial services;
 - (d) available government assistance;
 - (e) recommendations on appropriate business actions;
 - (f) referrals to appropriate government agencies;
 - (g) possible intervention with government on behalf of members;
 - (h) CFIB activities; and
 - (i) recorded members' concerns for possible future action.
23. Mandate No. 36.

24. Mandate No. 45.
25. For example, in A Decade of Action For Independent Business (p. 5), CFIB noted that, "The importance of the Federation's views increases daily as cross-country membership tops the 55,000 mark". Similar statements are expressed in other annual reports and in the Mandate.
26. See for example, comments in the 1984 and 1986 Action Reports.
27. Mandate No. 61.
28. Baetz (1985), p. 326.
29. Russell (1982).
30. Partridge (1982), p. 35.
31. Baetz (1985), p. 329.
32. McQueen (1982), p. 44.
33. Brimelow (1977), p. 51.
34. Partridge (1982), p. 30.
35. This information was revealed by a CFIB district manager in an interview with this researcher (9/21/90).
36. See for example: Mandate No. 73; CFIB: Summer Report, 1979; and CFIB: Summer 1980.
37. McQuaig (1987, p. 232) notes that Bulloch had been "wafting around somewhat lost since his anti-government heyday in the early 70s". She concluded that the 1981 budget "couldn't have come at a better time" for Bulloch. Stanbury (1986) has asked whether the budget war was intended to solidify the members' support more than it was designed to attain budget changes.
38. The major tax issue at this time was the proposed Goods and Services Tax, which was criticized by so many individuals, groups and politicians that CFIB was unable to clearly distinguish itself from the other critics to exploit the publicity value of the issue.
39. CFIB: Summer Report, 1977.
40. Baetz (1985), p. 331.
41. Partridge (1982), p. 37.

42. Partridge (1982), p. 37.
43. The information contained in this section pertaining to the method of conducting a sales call was communicated to this researcher by a CFIB district manager during a personal interview (9/21/90).
44. Baetz (1985), p. 331.
45. CFIB: A Decade of Action For Independent Business, p. 5.
46. Bulloch has stated that he has rejected approaches by each federal party to stand for election [Brimelow (1977), p. 52; Smith (1984)].
47. See chapter two, section B3.
48. For example, following the 1974 lawsuit against the federal government which claimed \$100 million as losses allegedly incurred by members during a postal strike, Bulloch admitted that, "We made it look like we'd done all sorts of work to come up with that number ... But it was just a good round number. All those tricks of mine were just stunts to get our name in the paper." [Partridge (1982), p. 36]
49. McQueen (1982), p. 44.
50. Partridge (1982), p. 94.
51. Baetz (1985), p. 337. See also the summary of pictures in Appendix 5-2.
52. Jim Bennett, for example, the Director of National Affairs, was a nine year veteran of the federal civil service [Baetz (1985), p. 338].
53. See for example, Evans' comments in McQueen (1982), p. 44.
54. Gooding (1980, p. S3) notes that "they are the only up-to-date figures on what is bothering small businessmen across Canada".
55. CFIB reiterates this point in numerous Mandates and Annual Reports.
56. CFIB: A Decade of Action For Independent Business, p. 5.
57. Mandate No. 71.
58. Mandate No. 71.

59. CFIB: A Decade of Action For Independent Business, p. 18.
60. CFIB: A Decade of Action For Independent Business, p. 4.
61. The Federation has assisted with the publication of, or has published itself, a number of pamphlets and texts. The pamphlets Small Business is Good Business and Small Business ... The Soul of Your Community were published by the Federation. A university text, Guide to Small Business Management, and Small Business: Building A Balanced Economy (Peterson), referred to by Brimelow (1977, p. 51) as the "definitive academic study of Canadian small business", were published with financial assistance from the Federation.
62. Source unknown.
63. The Federation, in numerous Mandate articles and in A Decade of Action For Independent Business and the Action Reports, has attributed its credibility, and thus its success, to:
- (a) its provision of balanced position papers;
 - (b) the thoroughness of its research;
 - (c) the Mandate programme;
 - (d) the non-partisan nature of the Federation;
 - (e) the fact that its regular polls are conducted with large cross-sections of the independent business community;
 - (f) its independence, derived from the upper limit placed on the size of financial contributions it can accept from members;
 - (g) its nationwide base of support;
 - (h) the bilingual nature of the organization;
 - (i) the fact that its policies are determined by the entire membership, not by management or a group of insiders;
 - (j) the size of the organization;
 - (k) the number of years the Federation has been in operation;
 - (l) its past record of achievement;
 - (m) its publicity and media exposure;
 - (n) the reputation and credibility of John Bulloch;
 - (o) the intensity of concern demonstrated by the members for the issues;
 - (p) the Federation's ability to identify key actors in the policy making process;
 - (q) its provision of viable policy alternatives; and
 - (r) the fact that the survey results are reported to all Members of Parliament.
64. Baetz (1985), p. 330.

65. Mandate No. 10.
66. CFIB: Special Summer Report, 1975.
67. Dingwall (1981), p. S4.
68. Baetz (1985), p.330.
69. Baetz (1985), p.330.
70. Mandate No. 138.
71. Stanbury (1986), pp. 342-343.
72. See for example: McQueen (1982), Partridge (1982), Cunningham (1982), and Languedoc (1986).
73. Peterson (1977), p. 133; Brimelow (1977), p. 51; Partridge (1982), p. 32; McQueen (1982), p. 44.
74. CFIB: A Decade of Action For Independent Business, p. 22.
75. CFIB: A Decade of Action For Independent Business, p. 11.
76. CFIB: A Decade of Action For Independent Business, p. 12.
77. CFIB: A Decade of Action For Independent Business, p. 15.
78. CFIB: A Decade of Action For Independent Business, p. 21.
79. CFIB: A Decade of Action For Independent Business, p. 10.
80. CFIB: Annual Report, 1980, p. 1.
81. Department of Finance: Sales Tax: Measure Relating to the Treatment of Marketing and Distribution Costs - Technical Notes; p. 1.
82. Dingwall (1981), p. S4.
83. McQueen (1982), p. 44.
84. CFIB: Pre-Budget Submission to the Honourable Alan J. MacEachen, September 14, 1981.
85. Baetz (1985), p. 343.

86. More specifically, CFIB requested:
- (a) a reduction of the corporation income tax by one percent in 1981 and a further one percent in 1982;
 - (b) an enrichment of the research and development tax credit to twenty-five percent;
 - (c) a provision to make the research and development tax credit refundable for non-taxable firms;
 - (d) an increase in the annual business limit to \$200,000 and the total business limit to \$1,000,000;
 - (e) extension of the small business development bond programme, and the inclusion of proprietors in the programme;
 - (f) that the government resist the urge to increase capital gains rates; and
 - (g) increased contribution limits for registered retirement savings plans.
87. His stated objectives were to:
- improve the fairness and equity of the system;
 - enhance incentives for individuals to work, save and invest;
 - reduce economic distortions caused by tax preferences;
 - improve the neutrality of the federal sales tax by shifting it to the wholesale level;
 - rationalize and justify the cost of tax incentives and assistance;
 - reduce the federal deficit, and
 - reduce or leave unchanged taxes for ordinary Canadians, and especially low income taxpayers. (Department of Finance: The Budget in More Detail, November 12, 1981).
88. Department of Finance: The Budget in More Detail, November 12, 1981, p. 29.
89. See for example: Myers (1982a) and (1982b).
90. Baetz (1985), p. 344, quoting a CFIB official.
91. Mandate No. 89.
92. Baetz (1985), p. 344, quoting a CFIB official.
93. Baetz (1985), p. 344.
94. Hay (1981), p. 35.
95. Mandate No. 92.
96. Marketing (1981), p. 16.
97. Marketing (1981), p. 16.

98. McGregor (1982), p. 4.
99. Mandate No. 89.
100. Mandate No. 89.
101. Silversides, A. (1981), p. B15.
102. Silversides, A. (1981), p. B15.
103. Silversides, A. (1981), p. B15.
104. Silversides, A. (1981), p. B15.
105. Silversides, A. (1981), p. B15.
106. Mandate No. 89.
107. Russell (1982).
108. The budget measures which aroused the most voriforous Federation anger were:
 - the replacement of the general averaging provision with a forward averaging mechanism;
 - a curtailment of interest deductibility, limiting the interest deduction to the amount of interest income earned in the year, with the option of treating one-half of any excess as a capital loss, deductible against taxable capital gains and up to \$2,000 of other income in the year;
 - termination of the capital gains reserve provisions;
 - a provision denying incorporated employees deductions they would not receive if unincorporated;
 - a denial of the deduction for deferred pension plan contributions where a principle shareholder is a beneficiary of the plan;
 - a limitation of the amount contributed to a registered retirement savings plan by a member of a deferred profit sharing plan to \$3,500;
 - a restriction on capital cost allowance in the year of acquisition to one-half of the normal rate;
 - an extension of the five percent corporate surtax for two years, reduced by one-half in the second year;
 - a provision requiring that dividends no longer rejuvenate the firm's entitlement to the small business deduction; and
 - the introduction of the Part II tax, a 12.5% tax on dividends paid out by small businesses from earnings subject to the small business deduction.
109. Mandate No. 91.

110. Mandate No. 91.
111. Mandate No. 91.
112. Mandate No. 92.
113. CFIB had contacted over eighty organizations, over fifty of which joined the coalition.
114. Mandate No. 91.
115. The Federation:
- endorsed a Canadian Manufacturers' Association proposal that a general industry-government task force review the capital cost allowance proposal,
 - recommended that the government implement the forward averaging proposal only after more study,
 - requested that the Department detail the abuses alluded to in the budget documents pertaining to the existing installment sale and averaging systems and the tax cost of the abuses;
 - requested full deductibility for interest incurred on registered retirement savings plan contributions,
 - recommended that the Department withdraw the proposed Part II tax, or, failing that, levy it only on profits earned after November 12, 1981,
 - asked for an optional fifteen percent special tax on surplus income that could be distributed free of tax,
 - requested a restoration of deferred profit sharing plans,
 - endorsed a proposal of the Automobile Dealers' Association of Canada that the automobile standby charge taxable benefit be increased to one-half of the lease cost by 1984,
 - requested the elimination of the interest provisions, or a revision permitting an upper limit for interest expense deductibility of \$10,000 against non-interest income on loans assumed to buy small and medium sized businesses, and
 - recommended the appointment of a task force to study the implications of the U.S. capital cost allowance changes, with no change to the existing system until the review is completed.
116. Mandate No. 90.
117. Department of Finance: Notes on Transitional Arrangements and Adjustments Relating to Tax Measures Announced November 12, 1981.
118. The government now proposed to allow as a deduction against other income a maximum of \$10,000 in interest

costs on funds borrowed to buy shares of taxable Canadian companies. Taxes payable on the sale of a partnership, incorporated small business or family farm would be payable as the money is received in installments to a maximum of ten years. Interest costs related to the acquisition of shares of a private company by a significant shareholder would be fully deductible. Finally, interest costs paid by employees to finance the purchase of their employers' shares would be fully deductible, to the extent of the employee's income.

119. Mandate No. 90.
120. Mandate No. 97.
121. Mandate No. 97.
122. Mandate No. 94.
123. Mandate No. 94.
124. Mandate No. 96.
125. Mandate No. 97.
126. Mandate No. 97.
127. McQueen (1982), p. 44.
128. Mandate No. 91.
129. For example, the federal government has commissioned at least three studies of the sales tax system: the Royal Commission on Dominion-Provincial Relations (the Rowell-Sirois Commission), in 1940; the Royal Commission on Taxation (the Carter Commission), in 1966; and the Federal Sales Tax Review Committee (the Goodman Committee), in 1983.
130. Mandate No. 11.
131. Mandate No. 60.
132. Department of Finance: A New Direction for Canada.
133. Mandate No. 119.
134. Mandate No. 119.
135. Mandate No. 119.
136. Mandate No. 119.
137. Mandate No. 119.

138. Mandate No. 119.
139. Mandate No. 119.
140. Mandate No. 121.
141. Mandate No. 120.
142. Mandate No. 123.
143. Mandate No. 123.

CHAPTER FOUR
THE TAX POLICY PROCESS

INTRODUCTION

This chapter concludes the conceptual foundation on which the empirical work and analysis will be based, and is presented in three sections. Part I briefly outlines this researcher's model of the tax policy process, with particular emphasis on the role of interest groups, and identifies the subset of the model to be analyzed in later chapters. Part II reviews the literature pertaining to taxation and the budget-making process, highlighting the interaction between interest groups and the Department. The chapter concludes with a discussion of the mutual exchanges between interest groups and government decision makers. This discussion is modelled on Trebilcock et al (1982) and Hartle's (1988) concept of "games" introduced in chapter two, and is referred to as the "special interest group-politician/bureaucrat game".

PART I

A COMPREHENSIVE MODEL OF THE TAX POLICY PROCESS

A. Introduction

An adequate model of the tax policy process must include all participants (and assign to each their proper role), encompass the evolving nature of the political arena in which the budget is formulated, and account for all of the changing issues, problems and concerns facing decision makers and those attempting to influence policy. Although it is impossible to test the complete model in a dissertation, such a model will be briefly outlined. The model is this researcher's interpretation of the process, based on the literature reviewed for this dissertation and my personal interpretation of the policy process. The particular subset of the model to be analyzed in succeeding chapters will then be identified.

B. Public Policy

Final decisions as to the content of public policies are made by politicians and bureaucrats and emerge through the interaction of these decision makers, interest groups and individuals bargaining with one another from a self-interest perspective. Public policy is couched in terms of the public interest, is intended to solve economic and/or social problems, reflects a high degree of political sensitivity and the ideologies of politicians, and contains a commitment to nationally accepted norms. Policy makers are affected by the perceived urgency of current or

emerging social and economic problems. This sense of urgency is reflected by and brought to the attention of decision makers by interest groups, individuals, public opinion polls and the media.

Policy makers have multiple rather than single objectives, which change over time as government's concern for an issue fluctuates due to evolving circumstances. What is critical at one point in time may not be at a later date. Since the weight attributed to any one major influence varies over time, consistency would not necessarily be the criterion for evaluating policy except that very broadly stated philosophic positions would be maintained.

Since the policy process must be situated in a specific political environment, the popularity of the government and its election prospects are of concern to the governing party. The implementation of policy exhibits the intuitive desire of politicians to have their policies accepted by the electorate, policy announcements motivated by the political necessity of "being seen doing something", and errors and inaccuracies between preliminary estimates and actual results. Policy decisions are based on a satisficing mode of analysis, the result of the balancing of a myriad range of situational variables (1). Room must be left, however, for government to act altruistically and for long-term political gain, rather than exclusively for short-term political objectives.

C. Interest Groups

One would expect interest groups to pursue self-interest objectives, prefer long-term satisfaction to short-term gains, have relatively consistent themes and philosophies, lobby government for policies favourable to their members, and communicate information to government which is useful to policy makers.

Interest groups claim to represent their members to government and to have successfully influenced the formulation of public policies to secure distributional policy benefits desired by their members. They perceive themselves as petitioners, subservient to, and totally dependent upon, policy makers. Thus the size, membership cohesion, and potential ability of an interest group to deliver or withhold votes is perceived as particularly influential in determining its lobbying success. Interest groups, therefore, strive to build their membership and discourage the development of rival associations. Of more importance than the group's actual size, however, is government's perception of who the group represents, and the size of that larger constituency.

Group members, whose financial and political support are necessary for the association to survive, join because they believe the collective benefits achieved by the groups and the selective benefits provided by the groups outweigh the

costs of membership. However, members are not concerned that common benefits spill over to non-members.

D. Tax Policy

One would expect tax policy, a subset of public policy, to be a reaction to the perceived social, economic, legal and political influences/problems of the day, in that government attempts to address these issues, in part, by enacting new or amended tax measures. Government policy makers are apprised of these problems, and the specific tax requests of interest groups, from the pre-budget submissions of the groups and from their own intelligence gathering network. The pre-budget period is, therefore, characterized by a stream of proposals to the Minister or his officials from the groups seeking legislation favourable to their members. These proposals are formed, shaped and constrained, in part, by the situational variables.

Although the ultimate decisions are made by the Minister and his political advisors, bureaucrats significantly influence and shape the final set of tax measures. During pre-budget deliberations, Department officials are responsible for generating the specific proposals which are considered for the budget. Officials review the external proposals, combining them with internally generated ideas and programmes which may have existed within the Department for some time. Faced with

innumerable requests for tax measures, decisions must be made as to how to deal with the requests. Officials adopt selection strategies which filter and prioritize the incoming submissions, determining which tax proposals to include in a budget and which to omit or defer.

Because of the inherently political nature of the policy process, political considerations enter into pre-budget deliberations, and political strategies are employed. The Minister determines the timing, theme, and final content of the budget speech. The benefits and costs are strategically disbursed across taxpayer groups. Politicians bestow benefits on marginal voters and attempt to transfer the cost of tax policies to voters either so solidly aligned to the incumbant party that they would not be expected to vote against the government, or to groups so alienated against the party that they would not vote for the government in any set of circumstances. Costs are also disbursed throughout society in such a manner as to affect all individuals equally, thus reducing the potential for large-block dissatisfactions.

Tax policy must also be balanced. Frequently, new programmes are funded from new taxes or by curtailing existing programmes. New taxes are introduced with reference to the introduction of similar taxes in other jurisdictions or countries. Underlying the tax policy process are the government's need for tax revenue,

perception of equity and fairness, determination to adhere to or diverge from established taxation principles, and desire for fundamental versus incremental change.

Tax policy is constrained by the fiscal balance; constitutional constraints which necessitate the division of tax powers; international events, tax policies, and treaties; and by administrative and enforcement problems. Transitional problems from an old to a new tax system further complicate the implementation of new tax measures. Such transitional concerns as perceptions of fairness, the need to depart from accounting concepts, windfall gains and losses, capitalization of existing rules in asset values, and the need for grandfather rules (2), hinder the implementation of new tax measures.

Because of these influences, tax policy lacks a dominant and continuing economic or social theme which is maintained in successive budget speeches, and tends to produce budget measures which bear relatively little consistency over time.

E. Successfully Influencing Tax Policy

How does an interest group attract the attention of Department officials so as to enhance the acceptance of their proposals? Or expressed differently, why do Department officials pay attention to the proposals of a particular pressure group? Government is willing to include

proposals from an interest group in its budget amendments if it perceives the benefits from doing so to outweigh the costs. Interest groups provide government with information, resources and political support. (See Part III of this chapter which applies the "games" concept to the relationship between interest groups and the Department.) The greater the benefits supplied, the more likely the chance of success.

Timing is also critical to success in attaining favourable tax legislation. An association must present its submission during the budget gestation period when the government is formulating ideas for budget consideration. Submitting a proposal before the government is prepared to act on the issue may cause the proposal to be lost in the shuffle. Submitting a proposal after the government has decided to act upon the issue excludes the interest group from any degree of influence. It does, however, allow the association to claim that its proposal influenced the government's decision.

In addition to the presentation of pre-budget briefs, interest groups adopt a number of strategies to enhance their lobbying efforts. They claim to represent a significant and influential membership, engage in mutual exchanges of information/resources with policy makers, attract media attention, issue claims of influence, form coalitions, issue propaganda statements, demonstrate, use

strident rhetoric and selective disinformation, publish opinion polls, and seek the support of the public.

F. Focus of the Dissertation

As the preceding model is too extensive for dissertation purposes, the empirical work and analysis will focus on one aspect of the comprehensive model - that is, the efforts of one interest group, the CFIB, to influence tax policy. CFIB's pre-budget submissions and other advocacy tactics (in particular, its post-budget victory claims) will be examined, with specific emphasis on the Federation's rationale for these lobbying tactics. The presentation of pre-budget briefs by CFIB has attracted considerable media attention and is the subject of many of the communications between the group and its members. Therefore they represent potential policy decisions which have visible results. CFIB has also publicly stated that it has been able to achieve tax policies beneficial to its members. The analysis in chapter six will relate the hypotheses outlined in chapter two to the pre-budget briefs and post-budget victory claims of CFIB to be reviewed in chapter five.

PART II

THE FEDERAL REVENUE BUDGET

A. INTRODUCTION

This section of the chapter reviews the literature pertaining to the Canadian tax policy process, with particular emphasis on the consultation process and the presentation of pre-budget submissions to the Department, which is the primary focus of this dissertation. The purpose of the discussion is to operationalize the self-interest objective of interest groups with respect to their actions in the budget process presented in chapters two and three and to present a general background of that process to aid the reader's understanding of the review of CFIB's pre-budget submissions which follows in chapter five. The section focuses on the revenue budget, the document which concludes the tax policy process and announces which interest groups, if any, have become tax policy "winners" for the current budget period.

B. TAX POLICY

Tax policy, that aspect of fiscal policy concerned with the formulation, enactment and implementation of new or modified tax measures [Tax Legislative Process Committee (3); Hartle (1982); Robinson and Sandford (1983)], is a public issue because it deals with how politicians carve up the public pie. The tax policy process may be defined as the decision making stages and procedures through which tax changes evolve within the government. Sandford (1971) notes

that tax policy encompasses changes to the structure of taxation, the nature and detail of individual taxes, and the administration of the tax system. According to Aaron and Galper (1985), the objective of tax policy is the reduction of tax induced bias created by the pursuit of economic efficiency. Arguably, tax policy has the most pervasive influence of any form of government involvement in the economic and social lives of individual and corporate Canadians. Virtually every Canadian is affected by taxation, and especially by changes to tax laws (4). The importance of tax policy has been succinctly stated by the Tax Legislative Process Committee as follows:

"Apart from questions relating to basic civil liberties, few matters affect all members of the public to the same extent as budget policies."

(5)

A new tax embodies a major change of principle, and emerges from a lengthy process of consultation and study which began long before the announcement date (Robinson and Sandford, 1983). While new tax laws generally exhibit long-term government objectives, alterations to an existing tax law may be implemented for short-term objectives (Robinson and Sandford, 1983). The resultant changes may constitute a comprehensive revision of the tax system (6), or may be piecemeal (Sandford, 1966), marginal (Maslove, 1989) amendments proposed in annual budget speeches (7). Although related to other substantive policy fields, tax policy is said to have "a life of its own" (8), and is, according to Dobell, "the heart of the economic policy process" (9). Brennan and Buchanan (1984) refer to major

tax reform as institutional reform to the political framework.

For purposes of this dissertation, tax policy is defined as any budget measure which results in an amendment to the Income Tax Act. Tax policy decisions are inherently discriminatory in that no single element of the tax code has such universal application as to equally affect all taxpayers (10). Alternatively, there may be tax policy by inertia - that is, the failure to adjust the system to changing circumstances or problems (Robinson and Sandford, 1983). Tax policy is, therefore, a complex policy selection process. By their very nature, tax measures provide for exclusions and inclusions, creating "winners" and "losers". Groups or individuals seeking to influence the formulation of tax measures, and equally importantly, to determine why some measures are accepted by government officials while others are not, must understand the policy process in order to number their members among the "winners" on budget night for, as Buchanan (1984b) has noted, there are no constitutional reasons to assume that the benefits of tax policies will be spread evenly over the electorate.

C. APPROACHES TO THE STUDY OF TAXATION

Taxation has been studied from both normative and positive perspectives. Each provides a rationale for the formulation of tax policy, and for the motives of the individuals and

groups which attempt to influence the formulation of tax measures.

1. Normative Models of Tax Policy

Equitable taxation theory (11) is based on the work of Haig (12) and Simons (13). The traditional theory of equitable taxation has been supplemented by theories of optimal taxation (14) and fiscal exchange (15). Normative theories, however, do not provide a rationale for the actions of the participants in the tax policy process. For such a rationale, one must examine positive theories of taxation.

2. Positive Models of Tax Policy

Canadian literature has examined taxation from several distinct positive perspectives, each implicitly defining tax policy somewhat differently.

(a) The Legalistic School

The legalistic school examines tax policy from a compliance perspective (16). Much of this literature presents a general overview of Canadian taxation (17), analyzes proposed or recently announced budget measures (18), or reviews a single issue or provision of the Income Tax Act (19).

(b) An Economic Perspective of Tax Policy

Research by Canadian economists tends to examine the economic impact of taxation on individuals and corporations from a cause and effect perspective, exploring such questions as equity, the appropriate tax base, or the optimal mix of incentives or deductions (20). Public choice economists and public administration theorists have extended this analysis to a discussion of rent-seeking behaviour (21), with a particular emphasis on the marginal voter [Borins (1988), Hartle (1988)] and to election self-interest (22). Analysis of the Report of the Royal Commission on Taxation has commanded much of the attention of Canadian economists.

(c) Tax Policy as a Decision Making Process

There has been a paucity of research pertaining to the policy formulation process [Good (1980); Hartle (1982)], primarily because of the intense secrecy traditionally attached to budget deliberations (Hartle, 1982), and because the subject of power and politics at the national level is so sensitive that researchers cannot gain full access to the data (Murray and McMillan, 1983). This approach is concerned with budget preparation and a critical analysis of problems encountered in the budget exercise (23), reforms to the process (24), or with an examination of the decision making process itself (25).

3. Focus of the Dissertation

It is this rarely researched decision making perspective, which concentrates on the actions of the actors, which is developed in this dissertation.

D. TAX POLICY AS A DECISION MAKING PROCESS

1. Alternative Theories of the Tax Policy Decision Making Process

In order to formulate a theory of why decision makers act as they do, it is useful to examine what it is that they do. This section reviews a number of models of the decision making process which are potentially applicable to the Department's role in the tax policy process.

(a) The Budget-Maximizing Bureaucrat

Niskanen (1971) and Breton's (1978) portrait of the budget-maximizing bureaucrat does not appear to adequately describe Department officials. The Department has no programmes to manage (its essential function is to act as the government's macroeconomic manager); it is not financed by budget appropriations dependent upon spending; and its services are not normally supplied by the external marketplace. Nor does the Department supply goods and services in the same manner as spending departments (26), although several of Hartle's commentators view the transfer of tax monies to the provinces and municipalities as a spending function (27).

(b) The Politics of Expediency

Silver (1985) suggests that no model can analyze the tax formulation process. Rather, in his view, politicians look to what is deemed to be politically expedient in determining what will be included in, or left out of, any given budget.

(c) The Politics of Anticipation

Good (1980), following Wildavsky (1974), examined the Department from a policy formulation context. He postulates the notion of the "politics of anticipation", based on the thesis that officials ("the tax community"), motivated by a desire to maintain the integrity of the tax system, tailor amendments to the Income Tax Act so as to deflect, or protect the Minister from, uncertainty, embarrassment or conflict. According to Good, officials formulate tax policy by anticipating the reactions of outsiders (the "attentive actors") to budget amendments, and by using tactics that will eliminate or reduce adverse reaction (28). As he views political considerations as guiding tax policy, Good excludes the direct influence of outsiders on tax policy. He concludes that tax policy is not the result of bargaining between interested participants; rather, officials observe the views and past behaviour of interested outsiders, consultation taking place only when officials cannot pre-determine the reaction of outside interests. The briefs, submissions and meetings with association representatives are not used to determine what

it is that the petitioners want, but to gauge the degree to which they will accept Department proposals.

Although Drache (1980) is inclined to support Good's theory, and Doern, Maslove and Prince (1988) argue that Good lends support to the notion that the revenue output of tax policies is more the result of policy inertia and/or the need to protect revenue sources, Department officials interviewed by both Hartle (1982) and this researcher were generally critical of Good and/or his thesis. Typical of the reaction were such comments as "not true", "nonsense" and "how does he know?" (29), which is not surprising given the rather shoddy portrait Good presented of the officials. Hartle, while generally supportive, noted that Good's explanations "sound like accusations of cowardice and unprincipled behaviour on the part of senior officials" (30), and suggested that had Good had more experience with senior officials his analysis of their behaviour may have been different.

An official interviewed by this researcher was somewhat milder in his criticism, noting that while Good's analysis "may" have been accurate in 1975, it does not properly describe the Department's post-1981 consultation process and decision making procedures. One might ask, for example, why interest groups would submit briefs if they had no influence on the process? The fact that the groups submit

briefs indicates that the groups must perceive some merit in the submissions.

(d) Hartle's "Games" Theory

Hartle (1988), following Trebilcock et al (1982), while not dismissing Good's "politics of anticipation", postulates his "games" theory (31) as the basis for understanding the tax policy process (32). This model advances our knowledge of the process in that it expands the scope of input to include a significantly more important role to interest group submissions.

Doern and Phidd (1983) take exception to Hartle's "games" theory, especially the narrow, purely economic determinism contained therein. For Doern and Phidd, the concept of self-interest expounded by Hartle becomes so dominant as to become "virtually useless as a model" (33). Their conclusion on Hartle, and public choice theory in general, is that "one is constantly left with the impression that one is generalizing about the head of a pin" (34).

2. Focus of the Dissertation

The models presented by Good and Hartle are based on interviews conducted in the late 1970's with then current and former Department officials. It is questionable whether either analysis is currently applicable given that the conduct of pre-budget deliberations, especially the consultation process, was drastically revised following the

1981 federal budget. Nothing of a similar nature has been written in the Canadian context since the publication of Hartle's (1982) text. This dissertation will seek, in part, to determine whether the Good/Hartle models are currently appropriate to the tax policy process.

E. PRE-BUDGET CONSULTATIONS

1. Overview

Critical to an understanding of the role of pre-budget submissions and interest group attempts to influence tax policy is an understanding of the pre-budget consultation process, especially the post-1981 budget broadening of the process. This section reviews the development of the consultation process and provides a background for the section on pre-budget submissions which follows.

2. Pre-1981 Consultations

Historically, the budget process was secretive and insular. This practice originated when a budget's sole purpose was to raise government revenues by way of tariffs and excise taxes, and is a carryover from Canada's British parliamentary heritage. Long after the tax base was extended to income, secrecy dominated the budgetary process. Avoiding a conscious or unconscious budget leak is an absolute necessity (35). The reasons for budget secrecy are sound and well accepted. No individual or group must be able to profit by arranging their affairs with prior knowledge of budget changes (36).

Budgets were traditionally prepared without consultation or discussion with other government officials or outsiders (Hartle 1982), and without informing the Cabinet of the contents until a few hours before presentation. The Minister's policy options were limited to proposals received from his officials as he was prevented from establishing consultative bodies to which he might refer tax or fiscal initiatives (Tax Legislative Process Committee, 1978). The limited pre-budget consultations which were held were essentially one-way exchanges of information and views. Ministers occasionally requested the input of certain groups to get a feel for what the groups wanted in the next budget, but without indicating the alternatives under consideration (Tax Legislative Process Committee, 1978) (37).

Groups requesting specific tax measures or wishing to make their views known made their presentations to the Department, never knowing whether their proposals were understood or even considered [Tax Legislative Process Committee (1978); Hartle (1982)]. They had no knowledge of the proposals of other groups, and had little opportunity to discuss their proposals with the Minister (Tax Legislative Process Committee, 1978). In general, officials listened to the presentations, rarely responding directly for fear of tipping their hand (Hartle, 1982). Even less frequently would they seek advice and information from the associations.

According to Good (1980), the Department made a deliberate decision to avoid interest groups or to have contact with them, entering into serious negotiations only when their uncertainty was high. Consultation, he argues, took place only when the tax community could not predetermine, or found it difficult to anticipate, the reaction of attentive actors. By reading their briefs and listening to their presentations, officials were able to assess the degree of group concern and commitment for the issues and their proposals so as to determine the group's reaction to the inclusion or exclusion of a proposal from the forthcoming budget.

The Tax Legislative Process Committee (1978) has summed up this period as follows:

"Because of the historical significance of fiscal legislation in our parliamentary tradition, outsiders have no real opportunity to offer constructive suggestions before the budget proposals are announced." (38)

From a policy making perspective, it became increasingly clear that as a consequence of budget secrecy, Ministers and their officials were seriously constrained in the information they could disclose, particularly as budget day approached. For the Minister and his officials, budget secrecy limited the frankness of the government's response to special interests and the thoroughness of the subsequent discussions. Furthermore, those who made representations could not know in advance how their submissions related to

the government's budget options. They therefore could not ensure that their presentations would have maximum effect.

As the budget became more of an instrument of social and economic policy, criticism of the process mounted. These criticisms centered on three key issues: the related questions of budget secrecy and the lack of consultation, and to a lesser extent, the date of the annual budget (39). Successive Ministers spoke of the need to open the budget making process to more meaningful public involvement (40).

3. The 1981 Budget

The issue crystalized with the November 1981 budget (41). The business community and tax professionals voiced public outrage at the sweeping measures proposed, many of which were costly to their interests and greatly increased the complexity of the Income Tax Act. The major criticisms related to the lack of prior warning of the tax changes and the Department's failure to consult the business and tax community with regard to the economic consequences of the measures. Critics noted that the budget was almost exclusively prepared by insiders, primarily economists, who had little practical experience or knowledge of the "real world".

Prior to his reassignment, Mr. MacEachen asked the Canadian Tax Foundation to prepare a comprehensive report recommending improvements to the budget and tax legislation

processes (42), and published a government report on consultation (43). The new Minister, Mr. Marc Lalonde, not wishing to repeat his predecessor's mistake, adopted simplification and consultation as dominant themes of his tenure in office. As McQuaig (1987) has stated, "In the bloody aftermath of November 1981, consultation became a religion within the department" (44).

4. Post-1981 Consultations

The political fall-out from the MacEachen budget not only intensified the desire of interest groups to make their views known to the Minister, but has made the Department more accessible to input from special interests. An invitation was extended to interest groups to submit pre-budget proposals to widen the scope of input into the decision making process. Many interest groups, and virtually all of the major ones, now participate in this annual budget exercise (45).

Another reason for the more open consultation process is that the Department has lost much of its power in recent decades as some of its power base has been hived off to other departments [Hartle (1982); Young (1983)]. In addition, much of the Department's former glamour has been tarnished as a result of its handling of recent federal budgets (46). Thus one could hypothesize that Department officials, hurt by criticism of themselves and the Department, have sought to smooth relations with various

constituencies affected by tax policy by granting them greater access to the Department.

5. The Value of Consultations

Consultations benefit government in that they give policy makers an opportunity to persuade interest groups to accept their policies (Pal, 1987), determine the different tastes of the electorate and the intensity of their policy preferences (Breton, 1974), identify the interests of particular sectors of the community, determine what the voters want [Downs (1957); Breton (1974); Wildavsky (1974)], and set priorities (Wildavsky, 1974). Gillespie (1983) has noted that consultations are used to reduce political costs (in particular, group criticism), and reduce the opposition of those who stand to lose as government knows that those who have the most to lose and those with greater resources will complain.

F. PRE-BUDGET BRIEFS

1. The Presentation of Pre-Budget Briefs

Interest group leaders present pre-budget submissions (47) to obtain favourable tax benefits for their members (48), or, as Pal (1987) has indicated, to defend or extend their interests. However, Downs (1957) has stated that the objective of the submissions is to change the voters' idea of what policies are desirable and the government's view of how best to please voters. And Anderson (1977) notes that, "these presentations are most directly related to the need

for status" (49). Hartle (1982) has stated that some submissions take on a "ritualistic quality" (50).

Most submissions address similar themes (51), tend to be somewhat adversarial, and are characterized by private, self-interest tax proposals beneficial to group members. Interest groups rarely include tax proposals which would benefit taxpayers other than their members. All briefs are assumed to be biased (Hartle, 1988), the petitioners providing only the facts supportive of their cause (Downs, 1957). These facts are assumed not to be false, but are not necessarily complete (Downs, 1957). Stanbury (1986) notes that the amount and quality of the analytical work presented is generally quite low, and that they contain undocumented generalizations about the importance of present and proposed policies.

The groups portray themselves as dependent petitioners, pleading their case before government policy makers (Hartle 1982) who are assumed to possess monopolistic powers (Buchanan, 1984a). As Faulkner (1982) has noted, they "seem compelled to posture as fighters, not negotiators" (52). The government, although having invited the submission of briefs, is viewed as a listener or "passive observer" (Hartle 1982), receiving information from the groups but rarely responding directly, and certainly not publicly, to their proposals. Rarely is there a full discussion of the pros and cons of issues (Hartle, 1982).

Considerable publicity is generated by the pre-budget submissions, especially by the more media conscious lobby groups. Post-submission press releases and news conferences also allow lobbyists to attract media attention, which helps to inform the public that the group is actively lobbying for tax changes. The ultimate accolade for such groups is to be invited to appear on the televised post-budget analysis programmes conducted by each of the national television networks.

2. Are Pre-Budget Briefs Effective?

Opinion varies as to whether or not special interests exert influence. Certain groups publicly claim to have significantly affected tax policy and to have obtained tax concessions beneficial to their members (53). Wildavsky (1974), Good (1980), and Hartle (1982), on the other hand, would argue that such groups have little direct influence. Good has argued that, "No outside attentive actors influence federal tax policy in substantial ways. What is decided as tax policy is to a large extent what the tax community decides" (54). Wildavsky has stated that, "The most that participants will claim is to have an informed judgement or an educated guess" (55). Hartle (1982) has argued that the submissions merely convey the expectations of a segment of the electorate to the Department. One official noted that, "a change in legislation can occur because of many influences ... it's very hard to measure

who is effective ... people have a naive idea that you can look at an event and say you stopped the government" (56).

G. PRESCRIPTIVE ADVICE FOR INFLUENCING POLICY MAKERS

In order to be effective, a group must first have its proposals seriously considered by the Department. Lobbyists realize that the best way to influence the executive is to influence the advice the executive receives. The critical question for interest groups concerned with influencing tax policy is to determine how best to get their message to the Department, such that their proposals will be included in a forthcoming budget. A successful lobby group must develop a strategy which maximizes the likelihood of achieving its objectives, since the proposals of every petitioner cannot be accommodated in a given budget, assuming the Department was inclined to include any. In the words of one official, "some submissions I'll read because I know they do quality stuff ... some associations get a reputation for being good on some issues and poor on others" (57). Another commented that, "groups that can get the big picture, and perceive national interests, have an advantage" (58).

Prescriptive advice for achieving lobbying success abounds. Downs (1957) noted that groups should focus on policies that are about to change; Hartle (1982) that awareness of the parliamentary and electoral timetable, and the personality and issue interests of the Prime Minister, are crucial; and Sawatsky (1987) that "when pressing a case",

lobbyists should "always wrap it in the cloak of public interest" (59). Wade (1975) has categorized groups as either reformers or radicals. Reformers, he suggests, must reduce or neutralize opposition; build support to the degree necessary to win; present problems as urgent and solvable; reassure the apprehensive; seek reciprocal benefits; and appear sincere. Radicals must dramatize injustice; identify with the highest values of the culture; keep up the pressure; and embarrass and isolate the opposition. He further recommends a specialized and differentiated strategy, especially with technical and complex policy issues.

For Wildavsky (1974), success is not the result of well prepared briefs; rather it is the result of the interpersonal skills of the petitioner and the maintenance of cordial relations with government officials. Because the annual budget can be announced at any time, typically about six weeks before the delivery date (Hartle, 1982), it is imperative that interest groups maintain contact with officials throughout the year, as there often is too little time to make an effective presentation after the budget has been announced. Wildavsky (1974) recommends such strategies as the cultivation of an active clientele; the development of confidence among government officials; exploiting opportunities; keeping in touch with officials during the year; playing on themes; showing that the proposal will obtain results, especially that a large number of voters

benefit; and presenting proposals separately if clientele support is high. The best presentations, he states, are brief and to the point. Groups should avoid all or nothing ultimatums, as these can potentially be disastrous.

Wildavsky (1974) also suggests that submitting a proposal that the group cares about but which it knows will fail is one way of showing members that they care, and that it is government that is the "bad guy". Bureaucratic behaviour, he states, can be predicted because of the continuity of personnel. Interest groups should, therefore, read published government documents to predict proposals that will be accepted.

H. THE BUDGET SPEECH

The federal revenue budget process encompasses the conception, formulation and subsequent enactment of tax laws, and culminates in the reading of the budget speech in the House of Commons by the Minister of Finance. The budget speech is important to this dissertation because the efforts of interest groups to influence tax policy decisions as the content of the budget speech is determined is the inquiry's primary focus.

The budget is the principal vehicle for presenting to Canadians the government's economic forecast and the policy initiatives proposed pursuant to that assessment. As Wildavsky (1974) has stated, "The budget is the lifeblood

of the government, the financial reflection of what the government does or intends to do" (60). The speech is also an accounting of the government's financial affairs. Prepared jointly by the Minister and his officials, the budget follows the general principle of parliamentary control of government revenues - that is, all revenues must be generated pursuant to an Act of Parliament. In recent years, influenced by Keynesian theory (Woodside, 1983), the budget has become more of a social and economic statement as tax measures have increasingly been utilized as an instrument of economic stabilization and social progress (Hartle, 1982). Gillespie (1978) argues, however, that many of these efforts failed to improve the status of the poor during the 1970s. The speech is couched in general macroeconomic terms and addresses such questions as whether the economy is to be stimulated or restrained and which structural changes, if any, are necessary. Only the broad features of tax measures are outlined. Specific details are generally referred to subsidiary documents (61), although these have been criticized by D'Aquino et al (1983) as increasingly complex and cumbersome documents.

Whereas the process is continuous, the budget is a snapshot (Hartle, 1982), indicating whose preferences will prevail, who gets what government policies, how the government mobilizes to solve pressing problems, and the victories and defeats emerging from the adversarial decision making process (Wildavsky, 1974). Thus the budget is a highly

visible and legitimate part of the government policy making process.

According to long standing practice, the government must retain the confidence of the Commons for its budget proposals and stands or falls on Parliament's acceptance of the tax measures. Two Canadian Prime Ministers have experienced the defeat of their government as the result of budgets (62). This tradition, and the impact of the budget on the financial status of Canadians, ensures that federal budgets are the subject of intense political debate.

The objectives of the budget speech are:

- (a) to express the government's social, economic and fiscal priorities,
- (b) to review the general position of the government's financial accounts and the economy for the past year, make comparisons with past experience, and present forecasts for the year(s) ahead,
- (c) to announce new programmes and economic incentives,
- (d) to relate the expenditure programme for the new year as presented in the Main Estimates (63) to the expected revenues from existing tax sources,
- (e) to propose changes to tax legislation, and
- (f) to congratulate the government on its achievements (Hartle, 1982).

For the general public, interest groups and tax practitioners, the announcement of new or amended tax measures is the most significant aspect of the speech.

Each budget speech has adopted a theme(s) which is designed to set the tone of the speech and capture the message of the government. The budget tone acts as the principal decision premise for making tax changes. There have been two types of budget speeches: those with a single dominant theme, with all tax measures contributing to the theme; and multi-theme budgets, where diverse proposals are designed to achieve several policy objectives. Table 4-1 presents the dates, party in power, Finance Minister and major themes of the budgets reviewed in this inquiry.

PART III

THE SPECIAL INTEREST GROUP - POLITICIAN/BUREAUCRAT GAME

A. Overview

Department officials pay attention to the representations of interest groups because they are willing participants in Trebilcock et al (1982) and Hartle's (1988) exchange "games", in particular what is referred to in this dissertation as the interest group - politician/bureaucrat game. As indicated in chapter two, interest groups possess resources valued by politicians and bureaucrats. In turn, the groups seek beneficial concessions from government policies. The spoils of this game are shared based on the players' relative negotiating strength (Curry and Wade, 1968) and their ability to make their resources available to government.

B. Exchange Resources Available to Interest Groups

Representative associations come to the negotiating table with pledges of political support and assistance in carrying out the policy maker's legislative function.

1. Political Support

(a) To Influence Voters

An important aspect of mobilizing political support is the ability of candidates to convince the electorate of the wide spread acceptability of their position on important issues. Politicians are cognizant of the impact interest groups have on the voting public. Not only do interest

groups directly represent thousands of potential voters, but certain groups are perceived to represent the entire constituency from which their members are drawn (64). Such groups reflect the intensity of member political support or disapproval and allow politicians to gauge the voter appeal attaching to themselves, their policies, and their party, and are a source of political intelligence in that they reveal the preferences of the electorate (Stiglitz, 1988), the intensity thereof, the differences in tastes among the electorate, the changes in utility for each individual as a result of each public policy action (Breton, 1974), and in general, the members' likely voting intention.

Promises to support the government or threats to withhold support or to publicly criticize the government are, therefore, powerful pressure group assets. The ability of interest groups to generate media publicity enables these groups to attract the support of significant sectors of the electorate. Pressure groups demonstrate support for politicians by favourable comments in their publications, speeches, media statements and advertising campaigns, and by engaging in implicit logrolling - that is, by refraining from criticizing politicians (Downs, 1957).

Eismeier (1979) has noted, however, that there is little evidence of taxpayer retribution at election time. What evidence there is is inconclusive, due in part, to the

fact that, although policies are divisible (Curry and Wade, 1968), voters vote for a basket of policies rather than in a single peaked manner.

(b) Financial Aid

Politicians require money and volunteers to campaign. Although direct bribery is rare, lobbyists engage in rent-seeking behaviour by indirectly providing monetary support for politicians who are sympathetic to their cause and support their proposals (Stiglitz, 1988). The groups naturally expect a return from any contributions they, or their members, make.

2. Non-Political Support

(a) A Source of Information, Expertise and Grassroots

Feedback

Government officials need accurate, factual information and advice because ministers have little time for detailed analysis (Saumier, 1983), the magnitude of the budget is so great that information is needed to reduce the politician's workload [Wildavsky (1974); Penner (1988)], the election process does not generate much information about the population's demand for specific government services [Niskanen (1971); Stiglitz (1988)], and politicians have little knowledge of the costs of supplying public services (Niskanen, 1971). Sproule-Jones (1983) also notes that elected officials often do not have the self-interest to acquire such information on their own. Because interest

groups possess an immeasurable amount of useful information which is often more detailed and industry specific than that possessed by government, politicians and bureaucrats value the information provided by pressure groups and rely on their experience and expertise for information. This information also helps politicians respond to media and parliamentary committee questions (Wildavsky, 1974).

Much of the information is unsolicited. On other occasions, government directly solicits information, such as when officials request an association to conduct a poll on its behalf or asks for specific data collected from members. The information communicated ranges from "hard" technical data and expert advice, opinion, and forecasts on the efficacy of existing and proposed policies, programmes and regulations, to "soft" information such as the complaints, concerns and demands of the association or its members (Kernaghan, 1985) and the views of the collected membership on issues and government policy.

The groups, as an interested public, also serve as a source of, and a sounding board for, new ideas. As Robinson (1989) has noted, politicians often have very unclear policy goals and objectives. The groups thus can supply a fresh source of policy ideas. Government also can assess the grassroots feedback from their own plans, thus determining the broad consequences of proposed policies, exposing policy outcomes and consequences unforeseen by

bureaucrats, and gauging the acceptability of their policies. Group leaders can inform government of the "harm" of new policies, not in the form of profits, but in terms of jobs or output. This important gauge of public support gives government officials an indication of the programmes which are working and which are not (Faulkner, 1982), the member's views on the policies which should be altered, and in general is a useful way for politicians to test public opinion. Anderson (1977) has noted that negative dissent provided by the groups is often more valuable to bureaucrats than positive comments.

Information from interest groups also helps bureaucrats give advice to politicians, which in turn, helps their promotion prospects (Hartle, 1988) and mobility in and out of the bureaucracy (Peacock, 1978). Promotion, however, may not be a motive for Department officials as they are relatively few in number and there is relatively little movement in and out of the Department.

**(b) As an Alternative and Counterbalance to the Power of
the Bureaucracy**

In a world where the public agenda is increasingly diffuse, politicians cannot rely on a single point of view or source of information. Politicians engaged in internal power struggles with their officials use their contacts with interest groups as an alternative source of political countervail to counterbalance the power of the bureaucracy

(Faulkner, 1982) and the information, advice and expertise supplied by bureaucrats (Breton, 1974). Although Grimond (1978) and Ostry (1986) argue that some civil servants function with altruistic motives, at least some of the time, and traditional public administration theory dictates that officials act solely as providers of non-partisan counsel to their political masters, bureaucrats are assumed in the public choice literature to have their own goals, some of which may not be consistent with those of politicians and their political advisors. Knowledge and power are jealously guarded by bureaucrats, who are alleged to withhold or distort information going up and down the bureaucratic chain so as to maximize their power (Breton, 1974), and who know that promotion and the other perquisites of the bureaucracy go to those in charge of specific programmes and to those whose advice is found to be useful by political masters (Wildavsky, 1974).

(c) Communication With Group Members

The group's internal publications allow policy makers to speak directly to members in a manner not possible in the public press. Published interviews, explanations of government policy, and pictures of politicians receiving association representatives allow politicians an opportunity to express their side of issues, show their concern for the membership, help explain policies to the membership and the public, make sure the members know the facts behind a policy, and make voters aware of the

benefits they are receiving from government (Downs, 1957). Bureaucrats use these publications to transmit their message to the membership, thus using the group to partially perform a task otherwise required of civil servants. This facilitates the bureaucrat's job of communicating the intricacies of the legislation and simplifies programme implementation. It is also an invaluable service to the membership.

(d) Legitimizing Policy

Interest groups grant decision makers approval of their policies and legitimacy for their actions when bureaucrats and politicians consult pressure groups in the development and implementation of policies. Such consultations, especially with groups opposed to proposed policies, enable government officials to assess the probable implementation effects of policies on sectors likely to be affected. By giving groups a chance to have their views heard and ostensibly taken into account, support can be generated, group objections neutralized, or criticism tempered. [Pross (1975b); Anderson (1977)].

(e) As a Source of Clout Within Cabinet

Interest groups can help decision makers gain support for their policies within government. By claiming to speak for the interests of the major group affected by the department's policies, dissident departments are more

likely to support government policy. [Faulkner (1982); Kernaghan (1985)]

**(f) Assistance in Drafting Laws, Regulations and the
Details of Government Programmes**

As bureaucrats realize that the implementation of policy is facilitated by legislation and regulations that are easily understood and applied, pressure groups are often asked for advice in drafting the guiding principles or writing the text of policy. Input from affected groups can uncover anomalies, interpretation difficulties, and other procedural problems prior to the promulgation of the amendment or regulation. (Anderson, 1977)

(g) Delegation of Administrative Responsibilities

An important aspect of policy implementation is the delegation of certain administrative responsibilities by bureaucrats to representative organizations. Participation in policy implementation may include controlling those implicated to see that they observe the rules involved; supervising or applying controls on those implementing the policy; sanctioning those who transgress the rules; or handling appeals. Other groups answer members' questions pertaining to the applicability of the law, provide continuing education services for their members, or conduct research on behalf of government. All of these are functions which government would otherwise be required to perform.

C. The Cost of Participating in the Games

Participation in these games is not without its potential costs. Interest groups can threaten decision makers by lobbying against a policy, thus attracting unfavourable publicity and a degree of criticism to the policy, which could potentially diminish the public's support for the policy. As a result, politicians may be forced to create non-optimal laws, may experience a loss of prestige, esteem, and effectiveness, or be less able to bargain for future policies with other government officials (Wildavsky, 1974). Of course, politicians and bureaucrats must determine the true influence of the interest group, as its claims may exceed its true influence (Downs, 1957).

D. Summary of the Costs and Benefits to the Minister and Department Officials of Participating in the Interest Group - Politician/Bureaucrat Game

Section J of chapter two summarized the costs and benefits to the members and the interest groups from participating in these exchange games. This section summarizes the costs and benefits to government decision makers from participating in the mutual exchanges with interest groups.

Potential Benefits to the Minister and Bureaucrats

Minister

1. Political intelligence: gauge of public support; reaction re the acceptance of new or amended laws; barometer of the effects of policy on the members/public; grass-roots feedback on issues and concerns of the members; information as to which programmes are working and which are not; test of public opinion
2. Votes
3. Tangible campaign support

4. Alternative policy suggestions
5. Testing ground for new ideas
6. Opportunity to ease the acceptance of unfavourable legislation
7. Alternative source of intelligence to Department officials
8. Source of clout within Cabinet
9. Opportunity to identify the interests and concerns of specific segments of the public

Bureaucrats

1. Promotion by supporting and defending the Minister or the policy initiatives of the Department
2. Support in carrying out the policies, legislation or regulations of the Department
3. Delegation of some administrative responsibilities

Both Parties

1. Receipt of technical, industry specific and expert advice, information, views, opinions, and forecasts
2. Channel of communication to the members
3. Education of the members and the general public

Potential Costs to Politicians and Bureaucrats

1. Implementation of non-optimal laws
2. Unfavourable publicity
3. Criticism/lack of support for policies

E. The Relationship Between the Special Interest Group - Politician/Bureaucrat Game and the Members of Interest Groups

As indicated in chapter two, there is an inherent circularity between the various "games" which have been outlined in this dissertation. The members of interest groups supply the political support and funding which allow the groups to continue to function. The interest groups supply vital information, political, and occasionally, financial support to politicians and bureaucrats. Although the point has not been extensively developed in the dissertation, bureaucrats provide technical and political advice to their political masters. Finally, the politicians

must, to some extent, depend upon voters influenced by the interest groups to retain their seat in Parliament. One can conclude, therefore, that it is the mutual benefits of engaging in these "games" which explains the relationships between and among the various policy process participants.

With respect to the interest group - politician/bureaucrat game and the members, access to the decision making process by interest groups is dependent upon their ability to remain useful to policy makers, by supplying information not possessed by the politicians and bureaucrats, communicating the government's policy positions to their members, or by carrying out administrative functions delegated to them by government. Failure to remain useful to government in these ways renders the interest group impotent in its attempts to influence policy making. Thus the group would be reduced to one which was only able to supply direct services to its members.

Although the provision of direct services is important to the members, and many smaller organizations exist solely to provide such services, it is the perception that the association has access to government which is a prime motive for joining a representative association. As Litvak (1982) has noted, association representatives tend to believe that their members view policy outcomes as the prime criteria in rating the effectiveness of the association. Thus the associations perceive the need to

demonstrate their lobbying success so as to maintain themselves as viable entities.

Finally, it is worth repeating that politicians are dependent upon the voters to retain their seats in Parliament. Given that lobby groups, and especially the more media conscious ones, are perceived to represent the entire constituency from which their members are drawn, politicians must be cognizant of the ability of interest groups to publicly support or criticize their policies. Thus by engaging in mutual exchanges with interest groups, politicians attempt to further their electoral self-interest.

SUMMARY

This chapter has presented this researcher's model of the tax policy process and identified the subset of the model to be analyzed in later chapters, reviewed the literature pertaining to tax policy and the budget-making process, with particular emphasis on the role of consultations and pre-budget submissions, and concluded the discussion of the mutual exchanges of information and resources between interest groups and policy makers first introduced in chapter two.

The analysis to follow will focus on the decision making aspect of the budget deliberations, and more specifically on the rationale for the presentation of pre-budget

submissions by CFIB and its post-budget advocacy tactics, in particular its announcement of budget victories.

The literature review revealed that relatively little has been written on the decision making aspect of tax policy in comparison to the literature related to the actual preparation of the budget and criticism of the budget making process. It was noted that the consultation process was made more public following the 1981 budget, which has afforded interest groups greater access to the budget formulation process. With respect to the pre-budget briefs, much prescriptive advice has been presented for improving the likelihood of acceptance of a group's proposals, yet there have been conflicting views as to the true influence of such presentations. It has been noted, however, that the presentation of the briefs can be used as a media vehicle for publicity-conscious interest groups.

Finally, the discussion of the interest group - politician/bureaucrat game has revealed many tangible benefits to all participants from engaging in these mutual exchanges. However, while these exchanges may provide a rationale for the relationship between interest groups and policy makers, it is as yet unclear that they provide a basis for concluding that interest groups can directly influence the content of tax policy. (This point is pursued further in later chapters.) It has been suggested that the publicity attached to the presentation of the briefs may be

more related to the need for interest groups to maintain status and a high public profile than to directly attain policy concessions.

- - - - -

The next chapter will review the pre-budget presentations and post-budget reaction of CFIB. Chapter six will analyze these submissions and will attempt to determine whether CFIB has been able to directly influence tax policy. Should the analysis fail to adequately make such a determination, the chapter will seek to determine the rationale for the advocacy tactics of CFIB, in particular the publication of post-budget victory claims.

ENDNOTES

1. Key economic, political, fiscal and social variables signal the need for government action, impact on the timing of government announcements and generally shape and constrain the options available to policy makers. For example, the unemployment, interest, or inflation rate will influence the content of certain budget measures and the type of response made by the government. The electoral timetable will motivate politicians to act immediately or in the future and will partly determine the type of tax measure proposed. The federal deficit will act as a constraint on tax policy. And emerging social issues (such as public demands for universal day care) are often addressed, in part, with tax policies. Interest groups will base many of their specific tax requests, or will justify others, by referring to the same list of situational variables.
2. A grandfather rule is a transitional rule which exempts incomplete transactions or certain established situations from the implications of new amendments to the Income Tax Act. For example, when the February 26, 1986 budget proposed new at-risk rules for limited partnerships, grandfather rules were proposed to exempt limited partnerships existing on February 25, 1986 from the new rules.
3. The Tax Legislative Process Committee was formed by the Canadian Tax Foundation to study the Canadian tax policy process in the light of numerous criticisms of the process made by the Royal Commission on Taxation, a Minister of Finance, officials of the Department of Finance, tax professionals, academics and the media. The six members of the committee were drawn from the professional tax and legal communities, the Foundation and academe. The committee presented its report to the Hon. Jean Chrétien in November, 1977.
4. Tax changes, because of their direct effect on disposable income and the cost of living, ultimately are a significant factor in determining the standard of living of ordinary Canadians.
5. Tax Legislative Process Committee (1978), p. 157.
6. Such as the Canadian reforms of 1971 and 1987, and the American revisions of 1986.
7. In addition to policy issues, a given budget also contains fiscal policy changes [Cohen (1978); Tax Legislative Process Committee (1978)], structural changes related to the machinery of the tax system [Cohen (1978); Tax Legislative Process Committee (1978); Hartle (1982)], and technical measures

responding to inconsistencies and anomalies in the Income Tax Act (Good, 1980).

8. Doern and Phidd (1983), p. 103.
9. Dobell, R., p. 14.
10. Government has many tax policy levers at its disposal: tax base adjustments amend the existing income or expenditure rules or propose alterations to the exemptions/allowances; tax rate adjustments alter the basic or preferential rates, introduce or withdraw tax credits or surtaxes. Government may also impose a minimum tax, choose between tax expenditures or direct initiatives for the delivery of tax incentives, or bring back an old tax measure, somewhat modified, under a new name (Sandford, 1987).
11. Equitable taxation theory features a comprehensive tax base and equal treatment of taxpayers in similar economic circumstances. The private economy is characterized by inequities created by the imperfect capitalization of tax loopholes across income sources, and is not seen as highly competitive. The theory espouses the values of liberty and equality. Although both horizontal and vertical equity are paramount features of the theory, horizontal equity is considered more important. Tax policies are the outcome of competing special interests in a pluralistic mode of government. [Hettich (1979); Hettich and Winer (1984); Hettich and Winer (1985)]. Equitable taxation theory was applied in Canada in the Report of the Royal Commission on Taxation (See Endnote 1, Chapter 3).
12. Haig, R.M. ed. (1921). The Federal Income Tax. New York: Columbia University Press.
13. Simons, H.C. (1938). Personal Income Taxation. Chicago: University of Chicago Press.
14. Optimal taxation theory, an outgrowth of the welfare economics of Mill, Pigou, Rawls, and others, is based on different normative assumptions than equality theory. The optimal taxation approach is more qualitative than quantitative and may be useful in setting the parameters of tax policy. The private economy is viewed in terms of general equilibrium and competitive markets. Economic efficiency and vertical distributional justice as reflected in a social welfare function are valued. Horizontal equity is a constraint. Political behaviour is ignored as an omniscient social planner is implicitly assumed. [Hettich (1979); Hettich and Winer, (1985)]

15. More recently, fiscal exchange theory, which resembles public choice theory, has emerged in the literature. This theory emphasizes constitutional revision and views the private economy in terms of functioning markets and resource allocation decisions which may be responsive to tax changes. Minimizing the risk of coercion of the individual by the state is the over-riding concern. Individual liberty is the central value, efficiency and equity are subordinate concerns. Fiscal exchange must have political behaviour because it requires a need to impose constraints on such behaviour. Wicksell, Brennan, Buchanan, and Lindhal are leading exponents of this theory. [Hettich (1979); Hettich and Winer (1985)]

16. The objective of the legalistic school is to explain the law, or more frequently, changes to the law, which is not surprising since many of the writers, and virtually the entire audience, are lawyers and accountants comprising the professional tax community. As an indication of the lack of importance this school gives to non-compliance issues, the publication indices of the prestigious Canadian Tax Foundation classify as "tax policy" fewer than thirty-five of approximately one thousand articles published in its bimonthly journal and other publications from 1972 to 1987. Approximately one-half were published between 1972 and 1977, the period following major reform of the Income Tax Act. Furthermore, the Foundation's two annual conferences focus on new tax compliance issues. Whereas participants at the Foundation's annual general conference discuss a wide range of current tax problems from the perspective of the professional tax community, the Foundation's annual Corporate Management Tax Conference focuses on a single topic. For example, the 1983 Conference dealt with real estate, and the 1986 Conference was devoted to a comprehensive review of corporate financing.

Other authors [for example: Krishna (1978) and Hanson, Krishna and Rendall (1981)] devote only a small portion of their work to non-compliance issues, the remainder examining various aspects of the law. Even materials which utilize the term "tax policy" in the title use it to refer to explanations of the law. Thirsk and Whalley (1982), for example, discuss such topics as tax shelters, housing incentives, resource taxation, and pension plans. Typical of the tax proposals of this school is the annual brief of the Joint Taxation Committee of the Canadian Institute of Chartered Accountants/Canadian Bar Association, which highlights technical and administrative problems related to the Income Tax Act.

17. See for example: Salyzyn (1981) and Perry (1984).

18. See for example: Wise (1983); Arnold (1985); and Young (1987).
19. For example, Hanson et al (1978) discuss the taxation of deceased taxpayers; Smith (1979) tax expenditures; Bird (1980a, 1980b) corporations and tax incentives; McFetridge and Warda (1983) research and development; and Krishna (1983) capital gains.
20. See for example: Muzondo (1979); Boadway, Bruce and Mintz (1984); Mansfield and Switzer (1985); Salyzyn (1985); and Mintz and Whalley (1989).
21. Hartle (1983, 1985 and 1988).
22. See for example: Woodside (1979); MacNaughton and Winn (1981); and Thompson and Stanbury (1984).
23. See for example: Cohen (1978); Hartle (1982); and D'Aquino, Doern and Blair (1983).
24. See for example: Gow (1973); Young (1983); Strick (1985); and Lindquist (1985).
25. See for example: Good (1980); Hartle (1982); Silver (1985); and Weyman (1985).
26. However, to the extent that tax policies are in the nature of "tax expenditures", one might presume Niskanen's analogy to be appropriate.
27. Hartle (1982), p. 3.
28. Good identifies these tactics as incremental calculations, assessment of the political climate, and mutual trust.
29. Hartle (1982), pp. 41-42.
30. Hartle (1982), p. 65.
31. See Chapter 2, Section D4 for an earlier discussion of these "games".
32. Hartle also rejects social welfare theorists, who, he believes, have unrealistically analyzed the process, and public administration/political science theorists who, he alleges, narrowly interpret the role of bureaucrats to one of providing technical advice to politicians.
33. Doern and Phidd (1983), p. 145.
34. Doern and Phidd (1983), p. 145.

35. The political consequences of a budget leak can be swift and profound. Mr. Walter Gordon was roundly criticized for engaging outside experts to assist in the preparation of the June 1963 budget. More recently, the Canadian press loudly trumpeted two alleged budget leaks. In 1982, Mr. Marc Lalonde was forced to make cosmetic changes to the details of budget measures which were inadvertently captured by press photographers at a pre-budget photo session. There were calls for his resignation when Mr. Michael Wilson invited a select group of senior tax professionals to review and comment on the technical details of one of his budgets.
36. According to the Hon. George Nowlan (House of Commons, June 19, 1963), the public must be assured that "the Minister, like Caesar's wife, is above suspicion". (Department of Finance: The Budget Process - A Paper on Budget Secrecy and Proposals for Broader Consultations)
37. Former Finance Minister Crétien, for example, notes that he never prepared a budget without consulting associations representing big business, small business, and organized labour [Chrétien (1985), p. 112]. There are also references in many of the pre-1981 budgets to consultations held with interest groups. Another Minister noted that, "in the end, of course, I ... had to make my own judgements, reach my own conclusions, and carry the government with me".

In addition, Mr. Lalonde established the practice of travelling throughout Canada prior to each budget soliciting comments from all sectors of the business community. Each succeeding Minister has also established an informal group of external advisors who are consulted on tax policy matters.

38. Tax Legislative Process Committee (1978), p. 162.
39. By parliamentary tradition the Minister typically announces the date of his budget speech several weeks prior to its presentation in Parliament. This often necessitates hurried preparation of the budget speech, leaving little time for consultation with outsiders. Traditionally there has never been a regular date for the budget speech. As noted in Table 4-1, Canadian budgets have been presented throughout the year. This causes problems for interest groups desiring to make a pre-budget submission, for tax professionals charged with maintaining an up-to-date knowledge of the Act, and for the officials of the Department responsible for preparing the speech. Frequently there has been insufficient time for any of the above to adequately prepare whatever input they may have to the pre-budget deliberations.

Most reformers have suggested a fixed date for the annual presentation of the budget. This suggestion has received lip service from successive Ministers. However the political aspect of the budget has held sway. Ministers do not wish to be constrained by a fixed date. They prefer the freedom to announce their budget as the political fortunes of the government dictate.

40. Mr. Donald Macdonald was the first to publicly suggest that the exchange of pre-budget information should be both more extensive and open to public scrutiny. His 1976 budget speech highlighted two aspects of the budgetary process requiring particular study: the strict rule of secrecy and the procedures for consideration of the budget proposals following their introduction in Parliament. Mr. Crosbie expressed similar concerns in 1979.

41. See chapter three, Part II A.

42. The Tax Foundation recommended:

(a) The establishment of a number of ad hoc consultative bodies or task forces to which the Department might refer initiatives in the areas of tax or fiscal policy or to which particular problems or proposed budget measures might be referred for outside consultation and advice on specific technical tax questions, particularly in highly specialized areas of the law.

As a result of this recommendation, the June 28, 1982 budget announced the establishment of an ad hoc committee of financial, accounting and economic individuals to study the Department's consultation paper on inflation and advise the government by September 9, 1982. The budget also invited interested non-members to respond to the discussion paper.

(b) The establishment of a permanent advisory committee consisting of outside tax specialists to provide advice on a regular basis to the Minister and his officials. This Finance Advisory Committee would consist of tax professionals, economists and government officials who would act as a sounding board for the Minister and as an early warning system for developments in the private sector.

(c) Increased use of consultants engaged on special assignments and tax specialists brought into the Department under the government's Executive Exchange Program.

(d) The establishment of a Tax Reform Commission, a permanent body which would be independent of government and Parliament. Its responsibilities

would be to regularly review the tax system and make recommendations for its improvement. It would also be authorized to undertake studies and hold hearings.

- (e) The increased use of pre-budget consultative documents. These would include Green Papers, White Papers, or other less formal documents providing information on policy or technical issues the Minister wanted to address in a future budget. The Foundation believed that consultative documents would remove the subject matter from the veil of budget secrecy. Their publication would inform those with a particular interest or expertise that an area of tax policy was under consideration and would enable them to make representations before final decisions are taken. The release of background and discussion papers on certain policy initiatives or technical changes that are under consideration also would undoubtedly serve to improve the two way communication process. An added recommendation was that these papers could be subject to a conference or to public hearings, the record of which would be published.

The first consultation document emerging from this recommendation was the inflation paper published with the June 28, 1982 budget.

43. Department of Finance: The Budget Process - A Paper on Budget Secrecy and Proposals for Broader Consultations. (1982)
44. McQuaig (1987), p. 103.
45. Other groups do so on a less regular basis. Individual taxpayers also petition the Department. Good (1980, p. 95) has indicated that the Department may receive up to eight thousand letters from individuals annually.
46. Most notably, the proposal to index the personal exemptions, tax brackets and Old Age Security payments to reflect only increases in the consumer price index in excess of three percent, announced in the May 23, 1985 budget.
47. All pre-budget briefs are formally addressed to the Minister. According to Department officials, the Minister's staff reviews the brief's content, determines the extent of political and taxation analysis needed, and arranges meetings between the Minister and certain of the groups. Policy ideas emanating from the briefs are then passed to the Budget Committee for detailed study and analysis. From these briefs and the accompanying meetings, initial tax measures may be altered so as to reduce or eliminate adverse reaction from the interest groups.

According to Good (1980), the Minister rarely proposes innovative changes to the Committee's final package. This relatively narrow view of the Minister's role is disputed by a number of Hartle's commentators. One former Minister related, "I recast the draft to reflect the tone I wanted"; another that, "It is misleading to suggest that the Minister's changes are ... 'invariably minor'" [Hartle (1988), p. 27].

In addition to the formal briefs, group representatives frequently present their case in informal private meetings with the Minister and his officials. Both the formal submissions and the private consultations are frequently supplemented by an on-going exchange of correspondence between the interest groups and the Department.

48. The Mining Association of Canada and the Canadian Manufacturers' Association made such comments in the documents reviewed by this researcher for this dissertation.
49. Anderson (1977), p. 296.
50. Hartle (1982), p. 18.
51. A review of available pre-budget submissions indicates that interest groups frequently make comparisons with the American economy and tax system, advocate a reduction of the federal deficit, highlight adverse tax policies on their specific industry, and point out perceived errors or misconceptions in the government data. Most of the 1987 tax reform briefs expressed general support for the government's tax reform agenda.
52. Faulkner (1982), p. 241.
53. For example, in its 1987 Annual Report, the Mining Association of Canada informed its members that, as a result of meetings between the Association, other groups, and the Minister, tax proposals were modified more to the members' benefit than earlier proposals of the Minister. The 1987 Canadian Manufacturers Association Annual Report noted that it had achieved victories for the manufacturing sector after many years of lobbying. And the Life Underwriters Association of Canada claimed in its March 3, 1988 Bulletin that its meetings with the Minister resulted in substantial changes to the government's proposed investment income rules which would be of benefit to current and prospective policy holders.
54. Good (1980), p. 45.
55. Wildavsky (1974), pp. 29-30.

56. Author unknown.
57. Author unknown.
58. Author unknown.
59. Sawatsky (1987), p. 49.
60. Wildavsky (1974), p. 128.
61. Commencing with the November 12, 1981 budget, the Department has released a number of subsidiary documents along with the budget speech. These documents explain the budget in more detail, provide extensive schedules of the fiscal impact of the budget measures, contain forecasts of the government's fiscal position for a number of future years, and afford the government an opportunity to discuss its economic forecast. In addition, a number of single topic discussion papers have been issued from time to time. The Bibliography lists all budget documents released and reviewed during the time frame of this dissertation.
62. As a result of the May 6, 1974 budget, the Liberal party led by Lester Pearson was the first government in Canadian political history to be defeated in Parliament on a budget vote of non-confidence. The Progressive Conservative government of Joe Clark was defeated as a result of its December 11, 1979 budget, primarily because of a proposal to impose an eighteen cent per gallon gasoline excise tax.
63. The Main Estimates, often referred to as the "expenditure budget", are the government's projected spending plans for the coming year. The Estimates are generally tabled in early winter so as to be passed into legislation prior to the commencement of the government's fiscal year on April 1.
64. This point was emphasized by Department officials during interviews with this researcher.

CHAPTER FIVE
THE EMPIRICAL MATERIAL

INTRODUCTION

This chapter introduces the empirical material to be analyzed in this dissertation and is presented in three Parts. Part I outlines the nature of the empirical data, its source, and refers to a number of problems encountered in collecting the data. Whereas chapter four discussed the consultation process, the submission of pre-budget briefs and the revenue budget in general terms, this chapter focuses on the income tax proposals of CFIB, the major budget measures announced during the time frame of this dissertation, and CFIB's post-budget reaction, all of which is chronologically developed in Part II. The final section contains in tabular form a categorized summary of the income tax proposals of CFIB, the principal data base to be analyzed in the following chapter, and indicates which were contained in a budget and which were not.

PART I

SUMMARY OF EMPIRICAL DATA

A. Overview

The empirical data consists of (a) a content analysis of CFIB pre-budget submissions, Mandate and other CFIB publications, the budget speeches and accompanying documents published by the Department, documents obtained from other interest groups, and media announcements, and (b) interviews conducted with CFIB and government officials.

B. Content Analysis of CFIB Publications

1. Mandate

The Mandate content analysis consists of a review and subject matter classification of all articles, questions, pictures and letters contained therein since the founding of the organization. These reviews have been essential to acquiring an understanding of the organization and have given an overview of CFIB activities. Each analysis is broadly divided into economic and non-economic content. Further subdivisions of each of the broad categories have been made. In particular, tax related items have been categorized as income tax related or non-income tax related.

The articles, in summary, reflect the focus or perspective of CFIB and the issues and concerns it deems important, and review the actions it has taken. The articles can be presumed to also reflect CFIB's perception of the writing style and content considered necessary to attract the attention of the members. Mandate pictures are visual confirmation of contacts with government. Subject to the comments in the following paragraph, the letters are evidence of the concerns of the members. CFIB policy is determined, in part, by member response to the Mandate questions. Tables 5-1 to 5-6 summarize the subject matter content analysis. Table 5-1 summarizes the Mandate articles, Table 5-2 the pictures, and Table 5-3 the letters. The income tax questions contained in the Mandate

polls are summarized in Table 5-4, the content of the tax questions in Table 5-5. Table 5-6 summarizes the questions which appeared in a brief, those which did not, and the apparent reason for their omission. Appendices 5-1 to 5-4 contain the detailed subject matter of each article, picture, letter and question. Appendix 5-4 also notes the results of the members' vote.

A number of questions and concerns have emerged in preparing the summary of members' letters. Because CFIB Home Office officials refused this researcher's request for interviews, I have not been able to determine the number of letters received by CFIB, and therefore, the percentage of letters published, and whether the letters are reported in full or are edited by CFIB. Nor has it been possible to establish whether the published letters are a representative sample of those received or if they are published for their perceived propaganda value in supporting an issue the Federation is pursuing. It has also not been possible to determine whether CFIB responds to the letters or forwards the contents to Members of Parliament with the questionnaire results. Resolution of these issues would have made for a more comprehensive analysis but, other than the potential editing of the letters and their use as a propaganda vehicle, is not considered critical to the overall analysis, because, as chapter six will argue, CFIB does not base its tax proposals on input from its members. Rather, it includes in its briefs issues it

predetermines are more likely to be included in a budget. Such a strategy is pursued because it increases the probability that CFIB will be able to claim post-budget victories.

2. Pre-Budget Briefs

Two problems have been encountered in compiling the summary of Federation pre-budget proposals.

- (a) I have been unable to obtain original copies of the Federation's pre-1980 briefs as they are no longer maintained in CFIB's library. I have, therefore, had to rely on condensed versions of the briefs contained in Mandate, supported by later Mandate and media commentary, to construct a list of pre-1980 tax proposals. As it is reasonable to assume that Mandate has reported all major proposals, the survey of pre-budget proposals for this period is considered to be relatively comprehensive. Furthermore, as it is CFIB's normal practice to tenaciously press for action on specific items until they have been achieved, one is led to believe that proposals omitted from an early Mandate article are likely to be repeated in later newsletters. In addition, CFIB's post-budget reaction, especially its victory claims reported in Mandate and the media, has added to the completeness of the summary. Therefore, my failure to obtain the original briefs will not be a major impediment to

completing the dissertation. There remains, however, the possibility that early proposals, which were not successful and consequently quickly abandoned, have not been identified.

- (b) In preparing its briefs, CFIB frequently repeats or modifies earlier proposals. In preparing the summary, repeated proposals have been counted once, whereas modified proposals have been listed separately because by varying the manner in which a proposal is presented, CFIB may have altered its reception by Department officials.

C. The Budget Documents

A review of all budget speeches and accompanying documents has been made. The budget measures have been categorized and the government's economic and political assessment, as contained in the subsidiary documents, has been noted. The budget speeches and accompanying documents which were reviewed for this dissertation are listed in the Bibliography.

D. Interviews

Because of the inherent limitations in any review of public documents, and the opportunities such documents present for deliberate misinterpretation by the preparer, for more insightful analysis one must go beyond the public record to interviews (Borins, 1988). Lengthy open-ended interviews have, therefore, been conducted with five senior officials

of the Department, two provincial CFIB officials, and a provincial Deputy Minister who has had extensive interaction with the Federation. After initially agreeing to be interviewed, CFIB Home Office officials refused to meet with me. I was informed by a CFIB official that the questionnaire on which the interview was to be based was too close to the "proprietary nature" of the organization. In addition, the Federation expressed concern that confidential information revealed in the interviews could fall into the hands of their competitors. In addition, a number of CFIB regional officials refused to respond to a written set of questions drawn from the question set intended for the Home Office. Although these refusals have precluded the collection of potentially useful evidence, they do not materially detract from the overall analysis as CFIB's views are abundantly available in Mandate and the public press. Therefore, I believe that sufficient documentary material has been accumulated to satisfactorily complete the dissertation. Furthermore, sufficient quotations have been obtained from CFIB publications to generate a comprehensive profile of the Federation's views.

E. Documents Obtained From A Selected Sample of Canadian Interest Groups

A number of Canadian interest groups were requested to forward information on their respective organizations, and any pre-budget submissions and other documents pertaining to taxation initiatives undertaken by the organizations.

Unfortunately, few groups furnished pre-budget briefs submitted within the time frame of this dissertation. Those briefs which were acquired deal either with the 1987 tax reform debate or post-1987 budgets. My review of this material has presented a general overview of Canadian interest groups, in particular those which submit pre-budget briefs. The majority of these organizations were located in the Reports of the House of Commons Standing Committee on Finance and Economic Affairs and the Standing Senate Committee on Banking, Trade and Commerce, both of which held extensive 1987 public hearings on tax reform. All organizations which furnished documentary materials are listed in the Bibliography.

F. Other Sources

Post-budget analysis and commentary has been obtained from a host of journals, periodicals and the public press. In addition, a computer search was conducted for published material by and about CFIB. This background information has been incorporated into the text.

PART II

THE INCOME TAX PROPOSALS OF THE CANADIAN FEDERATION OF INDEPENDENT BUSINESS

A. Introduction

From its inception, CFIB has participated in the annual pre-budget consultation process by presenting a formal budget brief to the Minister. Although individual proposals are occasionally forwarded directly to the Minister, virtually all CFIB income tax proposals are contained in these briefs. It is in these submissions, and in the accompanying private consultations, that the major effort is made to influence government. These submissions are frequently supplemented by a variety of supporting advocacy tactics. Media announcements, speeches, appearances before parliamentary committees, and direct approaches to other bureaucrats and politicians have been utilized to press CFIB's cause. These supporting tactics are intended to attract public attention to and support for the proposals, to induce other special interests and parliamentarians to support the proposals, and to indicate to politicians the extent of political support for the proposals.

The content and writing style of each submission is generally similar. In addition to enunciating tax proposals, the text examines and discusses economic issues, events and trends, primarily as rationale and support for the tax proposals. Government initiatives in the economic and tax fields are also reviewed. The Federation also

takes this opportunity to outline its philosophy on various issues. Frequent reference is made to Federation surveys and research findings, reports of external research agencies, government discussion papers, and outside experts. Comparisons are made with the American economy and small business environment. Where appropriate, the Federation makes reference to past Department documents or requests for pre-budget input from interested groups. These references convey a sense of informality and a personal touch to the briefs. Statements are couched in terms such as "CFIB is ... pleased to respond to" (1), "we would suggest" (2), "we are looking towards" (3), or "your discussion paper" (4).

Consistent themes are expressed in the submissions, although not always to the same degree. Economic issues such as investment incentives, government spending, the deficit, interest rates, and the job creation record and potential of small business are referred to frequently. Criticism of past government policy, the need to maintain competitiveness and productivity, curbing inflation, alleviating regional disparity, and international comparisons are other recurring topics.

Contrary to its more bombastic public statements and Mandate pronouncements, none of the reviewed briefs resorted to strident rhetoric. The briefs presented the CFIB proposals in rather straightforward language, "urging"

or "recommending" government action. There were no "demands" for action.

The following survey outlines the development of the Federation's income tax proposals, and, except for the 1981 budget which was discussed in chapter three, summarizes the major tax measures announced in each budget and reviews CFIB's post-budget reaction. The survey provides necessary historical background for the analysis to follow in chapter six, and focuses the dissertation on the basic hypothesis stated in chapter one - that is:

The primary objective of CFIB when making pre-budget submissions and when issuing post-budget victory claims is to enhance its appeal to the small business community so as to increase the membership of the Federation.

The empirical material is also intended to provide the evidence for the support or rejection in chapter seven of a number of the supporting hypotheses outlined in chapter two. In particular, the empirical material will demonstrate how CFIB uses its pre-budget submissions and the publication of its reaction to the budgets to inform present and prospective members of its successes, enhance member cohesion, mobilize political support when necessary, attract publicity to the association, identify the members with the organization and increase its public profile. As is argued throughout the dissertation, these strategies are employed by CFIB to attract and maintain its members, and indirectly, to prevent them from joining rival interest groups.

One should note the repetitiveness of many of the proposals, and the manner in which CFIB takes credit for many of the budget announcements. Whether these claims are legitimate will be investigated in chapter six.

B. The First Year

The inaugural issue of Mandate invited Council for Fair Taxation members to continue as members of the new organization, with each Council member offered free Federation membership for 1971, and initiated the Federation's campaign for tax reforms beneficial to small business. Mandate Question No. 1 requested the members' response to the small business incentive championed and won by the Council, an issue that has remained important into the 1990's. At this early stage, the Federation offered critical commentary on tax issues and general statements of intentions. Mandate reviewed the progress of tax reform legislation and was critical of a number of reform measures (5). Further study was required, the Federation believed, on the rules pertaining to investment income, capital gains and general averaging (6). CFIB pledged to work for more generous rollover provisions for capital gains; amendments to the taxation of partnerships and private corporations; an increase in the total business limit; reductions in the cost, and an increase in the availability of, tax rulings; and the elimination of the restrictions on investments eligible for purchase by registered retirement savings plans (7). The Federation was also critical of the measure

increasing the deductible contributions to registered pension plans to \$2,500 from \$1,500 (8). The members were urged to "continue a constructive dialogue with their MP's" in order to stimulate speedy passage of the legislation and to achieve amendments beneficial to small business (9).

C. A Call For Pre-Budget Submissions

In early 1972, the Minister expressed a desire to receive suggestions from small business for improving the Income Tax Act. The Federation termed this request a "milestone in the relations between the independent business community and Ottawa", believing that henceforth the 99.9% of Canadian business not represented by big business would now be heard in the corridors of power (10). CFIB responded with a brief dealing with the taxation of small business, partnerships, professionals, and individuals, recommending a more public pre-budget deliberation process. Among the twenty-eight points outlined in the brief, the Federation addressed the complexity of the Income Tax Act, the tax penalty for investing surplus funds in investments other than the business itself, the harmful consequences of transferring a business to an owner's children, inadequate income averaging provisions, the tax penalty paid on the sale of assets where there is a subsequent re-purchase of new assets of a similar nature, and the new partnership rules, which made partnerships more expensive to operate (11). With regard to the complexity of the Income Tax Act,

the Federation was of the opinion that this was caused by government bias against the investment of surplus profits outside the business and towards persons who increased the value of their businesses with the intention of passing the business to their heirs.

The first post-tax reform budget was brought down on May 8, 1972. Its stated objectives were to provide incentives for Canadian industry to grow, compete and provide jobs, and to set the stage for Canadian industry to be competitive in world markets (12). Key indicators pointed to continuing economic growth. The government's first priority was to bring about further reduction in the unemployment rate. A decline in employment in the manufacturing sector required new policies to stimulate this important sector (13). This policy angered CFIB, which consistently has pursued policies designed to reduce the incentives offered to large corporations, especially manufacturers, and is an example of the coercion perceived by the small business community. The 1973 budget stated that these manufacturing incentives "represent a first major step in the development of a coherent set of new industrial policies" (14).

The tax measures were introduced to strengthen the competitiveness of the economy, to promote faster production and employment growth, and to create greater social justice by relieving the financial burden borne by particular groups or individuals (15). The major measures

introduced were a two year writeoff for manufacturing machinery and equipment; a reduction in the corporation tax rate on manufacturing and processing profits; new rules to distinguish manufacturing and processing profits from other profits; repeal of the 115% capital cost allowance base for manufacturers' depreciable assets; amendments to the installment rules; and a number of technical measures remaining from tax reform.

D. CFIB Commences Action Against Revenue Canada

Another coercion-inducing source for small business has traditionally been the assessing procedures of Revenue Canada, the government department responsible for administering the tax system. Following numerous complaints from members, the Federation prepared a 1973 brief calling for a royal commission to study the manner in which Revenue Canada approached small business (16). The thesis of the brief was that it is Revenue Canada's duty to help small business with its problems, not to act exclusively as a tax collector. The brief noted that members no longer believed a satisfactory dialogue could be conducted with respect to tax disputes as Revenue Canada had become too legalistic in assessing and collecting taxes. While many small businesses allegedly refrained from lodging legitimate appeals because of the cost, bureaucratic delay, and uncaring attitude of Revenue Canada personnel, CFIB forecast an increased number of potential appeals as tax reform complicated the system. Meetings were held with Revenue Canada officials with

respect to these concerns (17).

The Federation continued its attack on flaws in the Income Tax Act, adding three general proposals to its expanding list of essential tax code revisions, requesting more opportunities for the granting of advance tax rulings, suggested that there was too much discretion in the interpretation of the term "surplus stripping", and requested an increase in the time allowed for filing a notice of objection (18).

E. Initial Tax Victories

The objectives of the 1973 budget were to reduce unemployment and inflation, increase the real incomes and standard of living of Canadians, and enhance regional economic expansion (19). This budget introduced the principle of indexation (20), a proposal which, according to the Minister, "puts Canada in the vanguard of countries with advanced tax systems" (21). Other significant measures introduced were an extension of the two year fast write-off provisions; removal of the ineligible investment test (22) with regard to the investment of retained earnings in investments unrelated to the business activities of small businesses; and the elimination of the deemed disposition of farm property bequeathed to a farmer's children.

The budget produced the Federation's initial use of the phrase "tax victories" (23). CFIB noted the repeal of the

ineligible investment clause, the rollover of capital gains tax on death granted to farmers, indexation of the personal tax system, and the announced tax cuts - "a number of victories by your Federation" (24). Analysis of the Federation's victory claims is found in chapter six, part III.

F. The Capital Loss Issue

Decidedly an issue-oriented group in its early years, CFIB continued to add significant tax issues to its list of demands to press upon government. Announcing that it had commenced action on another of its recurring tax themes, the Federation registered its disappointment with the failure of tax reform to provide for the writeoff of capital losses against regular income (25).

G. Support for a Conservative Tax Proposal

The Federation announced support for a Progressive Conservative party 1973 election campaign tax credit plan which would have offered a tax deferral of fifty percent on investments in small businesses to a maximum credit of \$5,000 (26). Although CFIB was concerned that the plan only provided for capital infusions of \$50,000 to \$100,000, the plan was reported to have received strong member support.

H. Reaction to a Negative Income Tax Proposal

When the Federation became aware of the government's consideration of a negative income tax as its response to

a perceived need to adjust the tax system to the needs of the most lowly paid individuals, the Federation branded the idea a costly bureaucratic scheme, rejecting the notion on the grounds that the plan would be an incentive to reduce efforts by the unemployed to seek employment and of the poorly trained to up-grade their job skills (27). The Federation also concluded that working families would not take advantage of the scheme because of its attendant welfare stigma. Furthermore, the proposal was seen as a public subsidy to low wage industries and government employers which would result in a further push to increase the minimum wage. The Federation proposed a more integrated family allowance, minimum wage and welfare programme. Mandate contained examples of the computations necessary to implement a negative income tax (28), which was rejected by sixty-five percent of the members in a Mandate questionnaire (29). The communication of such data is an example of the manner in which CFIB uses its polls to reinforce its arguments when pressing an issue with policy makers.

I. Two 1974 Budgets

Inflation, and breaking the inflationary spiral, were the themes of the first 1974 budget, brought down on May 6. This budget introduced the registered home ownership savings plan, an important incentive to young families contemplating the purchase of a residential dwelling. Other new measures introduced were the imposition of a ten

percent corporation surtax; a provision that final tax installments be paid at the end of the second month after the fiscal year end rather than the third month; the disallowance of carrying costs on undeveloped land as a deductible expense; relaxation of the corporation reorganization rules; simplification of the pre-1972 corporation surplus distribution rules; new rules making it easier to withdraw from partnerships; and an increase in the annual and total business limits.

A significant Federation victory was announced with respect to the last measure, considered by the Federation to indicate that the Minister shared the Federation's philosophy that "the most effective way to assist independents is through tax incentives rather than bureaucratically-administered programs" (30).

This budget made history as it was the first Canadian budget to be defeated in the Commons, thus precipitating a federal election which returned the Liberals to power. The Federation expected that the annual and total business limit victories would be re-introduced in the anticipated fall budget (31).

The re-elected Liberal government re-introduced the majority of its May tax measures on November 18. Many were re-introduced unchanged, others slightly modified. A number of new measures were introduced, especially a significant

new housing measure, the multiple unit residential building programme. The one hundred percent writeoff of expenditures on new machinery and equipment for manufacturing and processing in Canada was extended without a termination date. The fast writeoff for pollution equipment was also renewed.

The Federation announced that it would be attempting to influence the government to widen the tax differential between foreign-owned branch plants and Canadian owned companies and would be pursuing a request for tax incentives for investments in small, risky businesses (32).

J. Relief From Capital Gains Tax Added To CFIB's

List of Tax Proposals

An economic recession, fueled in part by the world oil crisis of late 1973, had begun to affect the Canadian economy as the 1975 budget was being prepared. The budget noted that whereas Canada's social welfare policies were sheltering individual Canadians from the full impact of the recession, the outlook for the economy as a whole was weak, especially the automobile industry and house construction. The creation of productive and satisfying jobs remained a government priority. This budget contained the first discussion of the necessity for restraining government expenditures. The most significant new initiative was the introduction of the investment tax credit, a measure to reduce, within limits, the tax liability of business by

reducing the after-tax cost of new capital acquisitions.

The Federation continued its campaign for an increase in the total business limit to \$1 million and commenced its efforts to relieve small business of the provisions of the capital gains rules requiring a mandatory deemed disposition of capital assets on death, requesting that the Department waive the capital gains tax where the company passed to a resident Canadian individual or company (33). Pursuit of this issue is an example of the manner in which CFIB attempts to form a cohesive membership base in support of a significant tax issue of concern to the members. Variations on both of these themes continued for the next decade.

K. The May 25, 1976 Pre-Budget Brief

The 1976 pre-budget brief requested relief from the capital gains tax on death, permission to re-invest registered retirement savings plan and deferred profit sharing plan funds in small firms, an increase in the annual and total business limits, and a reduction in capital incentives to large corporations (34). These are further examples of significant tax issues of concern to the members that CFIB has pursued in its effort to align the members to the organization.

After campaigning against the imposition of wage and price controls, the newly re-elected Liberal government

introduced its anti-inflation programme on October 13, 1975. The programme imposed wage and price guidelines designed to stem the rate of inflation, perceived to be the country's major economic problem. As a result, the May 1976 budget contained little in the way of new initiatives or measures, except that the limits on the small business deduction were raised. Other measures included adjustments to the capital cost allowance rates and increased registered retirement savings plan contribution limits.

L. Small Business Must Attract And Retain Capital

Another recurring theme, the need for the government to enhance the ability of small business to attract and retain capital, was launched with a 1977 brief to the federal and provincial governments. The Federation advocated tax incentives to improve the flow of risk capital to small businesses, the deduction of approved equity investments from other income by small business owners, enhanced capital gains treatment for investments in small businesses, and the creation of a risk investment company category within the Income Tax Act (35).

In addition to continuing the pressure for actions directed at improving the flow of risk capital to small business, changes to the provisions pertaining to the succession of small businesses were advocated in a brief to the Minister. Other specific tax proposals included personal tax cuts, changes to the capital gains provisions on death, and a

proposal for a spousal salary deduction (36). This latter proposal is believed to have been originally made several years earlier, as CFIB claimed that this victory was the culmination of an eight year struggle when the deduction appeared in the 1979 budget (37).

Canadians found themselves drawn into a persistent inflationary spiral in late 1976 and early 1977. High unemployment, a fall in business profits, and liquidity and debt/equity ratio problems affected the economy. The government countered these problems with the following 1977 budget measures designed to stimulate consumer spending and investment: an extension of the investment tax credit; the inclusion of capital and operating expenditures on research and development in the investment tax credit; an increase in investment tax credit rates in slow growth areas; a provision that capital losses would be deductible against other income to a maximum of \$2,000; a three percent inventory allowance as a deduction against taxable income; taxation of venture capital investments as capital gains; and deferral of the capital gains tax on the sale of a commercial business or on the sale of a farm, where the proceeds are used to buy another business or farm.

In the view of the Federation, the Minister "singled out business in general and small business in particular for special attention" in his budget (38). Although no victory claims were made, the Federation reported a number of the

budget measures would be beneficial to small business (39).

M. Employment Tax Credit Programme

In a brief to the Minister, the Federation argued that jobs were being eliminated as existing tax breaks resulted in investment in new machinery. Because fast writeoffs and grant/loan guarantee schemes were not suitable for small business, which is not capital intensive, the Federation proposed an employment tax credit of between \$2,000 to \$3,000 per job created to combat unemployment (40). A press conference announced further details of CFIB's plan. The credit would be twenty-five percent of a company's increased wage bill, adjusted for regional differences and unemployment rates, resulting in higher potential credits than the initial proposal (41).

Although CFIB reported that the Minister announced an employment tax credit scheme as requested by the Federation (42), Mandate registered CFIB's dissatisfaction with parts of the government's programme. Noting that the proposed plan "differs from the CFIB proposal in some potentially serious ways", the Federation reported its "grave misgivings" about the plan. Of prime concern was the requirement that eligible workers be hired from Canada Employment centres, not freely chosen as CFIB had proposed. CFIB members were requested to keep the Home Office abreast of difficulties encountered in the operation of the plan (43). The significance of this and other CFIB victory

claims is analyzed further in chapter six, part IV, section D.

N. The April 10, 1978 Pre-Budget Brief

The 1978 pre-budget brief continued the fight against legislation deemed discriminatory to small business (44). In a paper presented to the cabinet, the Federation argued for tax incentives for individuals and institutions investing in new or expanding domestically owned companies (45). New measures announced in this budget included a tax deduction for incremental research and development expenditures; increased flexibility for the re-investment of registered retirement savings plan withdrawals; and a provision for the tax free transfer of incorporated family farms from a farmer to his children.

O. Further CFIB Victories

In a 1978 brief to the Minister of State for Small Business, CFIB re-iterated two of its major tax policy recommendations: a provision to deduct one hundred percent of business investment losses and an exemption from capital gains tax for shares of small firms held for five years (46). The submission also asked for policies intended to encourage new investment, increase internal profitability, and expand research and development (47).

The overall tone of Mr. Chrétien's November 1978 budget was described as "responsible", with the emphasis on assistance

to producers rather than consumers (48). New measures announced were a restriction of the small business deduction to a proscribed list of eligible businesses; a significant expansion of the investment tax credit; an amendment to allow developers to deduct carrying costs on their land inventory; a twenty-five percent research and development tax credit; and an indefinite extension of the fast writeoff for pollution control equipment. CFIB reported that the investment tax credit and small business deduction amendments were the result of meetings between CFIB, senior government officials and cabinet ministers with regard to drafting the legislation (49). Part III of chapter six discusses in detail the reaction of the members, media and government officials to these and other CFIB victory claims.

P. Small Business Deduction Proposals

A 1979 brief was presented to the Minister intended to "assist the Department ... in drafting the new legislation" related to the qualification of service corporations for the small business deduction (50). In the opinion of the Federation, proposed revisions to the small business deduction rules followed consultations with CFIB and the brief submitted to the Minister (51). The new amendments would ensure that service corporations qualify for the small business tax rate if less than two-thirds of their revenue is from one client and they employ at least five full-time employees.

Defeat of the Liberal government in the 1979 general election necessitated an August re-submission of the 1979 brief to the new Conservative Minister. This brief is the earliest CFIB authored tax document acquired by this researcher. The main points of CFIB's proposed amendments would have expanded the number of small firms qualifying for the tax preference (52).

Q. Capital Gains Concerns

The Federation also presented its proposals to opposition parties in hopes that they would press for amendments during Parliamentary debate and/or that the opposition would be more receptive to its proposals should they form a government. For example, during a 1979 meeting with the opposition Conservative caucus, the Federation asked the party to re-think its proposal to exempt the shares of Canadian public companies from capital gains tax. The Federation showed support for a Conservative proposal to index the capital gains tax (53).

R. Victory on the Spousal Salary Deduction

While the 1979 brief re-confirmed a number of earlier CFIB proposals (54), Mandate reported a meeting with the Ministers for Small Business and Trade urging action on the spousal salary deduction (55).

New measures introduced in the 1979 budget were a mortgage interest and property tax deduction (a CFIB proposal); a

Canadian common stock investment plan; a spousal salary deduction; the introduction of the small business development bond programme; a new provision to allow farmers to obtain relief from capital gains tax on the first \$100,000 of the taxable capital gain on the sale of a family farm; and the imposition of a five percent corporate surtax.

However, the December 1979 budget was defeated on a vote of non-confidence in the Commons. Although Mandate attributed the Conservative defeat to its failure to deliver on pre-election promises (56), most observers believe that the government's proposal to implement an eighteen cent per gallon excise tax on gasoline was the primary reason for the government's fall (57). Regardless, two critically important 1979 tax measures proposed in Mr. Crosbie's budget represented victories, albeit short-lived, for the Federation. The spousal deduction, advocated for many years, was one of the budget's major small business initiatives. CFIB estimated this measure would benefit "several hundred thousand smaller businesses" and produce tax savings of up to \$160 million annually (58). This statement is an example of the manner in which CFIB informs its members of the magnitude of the alleged victories it has attained for small business. In chapter six, part IV, section E4, this issue is discussed in greater detail. The other victory was the proposal to allow interest payments on up to \$500,000 of new small business development bonds

issued before 1981 to be treated as dividends for tax purposes. This would mean that the interest would be non-taxable to the lender and non-deductible to the small business and would effectively reduce the cost of acquiring capital by three percent. The Federation pledged to continue the fight for these provisions in the budget to follow the ensuing general election (59).

In an article entitled "THE FEDERATION WINS A KEY BATTLE", Mandate heralded the re-introduction of the two key provisions of the defeated 1979 budget in the April, 1980 mini-budget (60). Interestingly, the article indicated a six year fight for the spousal deduction, two years less than was indicated earlier (61). The spousal deduction was now reported to effect "more than 100,000 small and medium-sized businesses", of which about eighteen thousand were CFIB members, and would negate the need to incorporate to take advantage of the deduction (62).

S. The October 20, 1980 Pre-Budget Brief

CFIB addressed its 1980 brief to the deficit (63) and to the need for the government to depart from the policies of the 1960's and 1970's. The government was urged to emphasize investment and development at the expense of policies supporting personal consumption, and to build for the future rather than protecting the government's past record. CFIB foresaw declining gross national product, corporation profits and business confidence. In the view of

the Federation, there was little the government could do to combat inflation. CFIB was critical of fiscal transfers to the provinces and urged the Department not to de-index the personal income tax. According to CFIB, other weaknesses in the economy were the propensity of Canadians to consume more than they produce, resulting in the need to import savings for investment, and the current account deficit, estimated at \$6 billion. Government action was deemed necessary to attack the balance of payments deficit, increase productivity in relation to consumption, and increase savings and investment. CFIB reported that alarmingly high interest rates were the most critical problem facing members, resulting in a curtailment of expansion plans and depressed profit margins. Re-tooling, a critical need for expansion, required much new capital. The brief advocated improvements to the small business development bond programme, an increase in the annual and total business limits, an enhanced inventory allowance, and enriched research and development tax incentives (64).

The budget was described as a "good news, bad news" budget (65). The "good news" small business initiatives reported to members were extension of the small business development bond programme, a tax credit for certain investments in designated high unemployment areas, and re-institution of the multiple unit residential building programme (66). The Federation concluded that proposed increases in unemployment insurance premiums constituted the budget's

"bad news".

CFIB pledged to fight the termination of the deduction for contributions made by "principle shareholders" to executive level pension plans (67) and proposed changes to the capital gains tax rules (68). In a speech delivered at a national pension conference (69), Bulloch pressed for an increase in the amount of deductible contributions the self-employed could make to a registered retirement savings plan (70).

T. The April 19, 1983 Pre-Budget Brief

Whereas many aspects of the Canadian economy were seen as stabilizing or swinging into recovery, unemployment was viewed by CFIB in its 1983 pre-budget submission as the country's major economic problem. Recurring problems were the deterioration of the corporate equity base, caused by high inflation, interest and tax rates; and persistent federal deficits. Canadian balance sheets exhibited an imbalance between debt and equity. Critical policy goals were more rapid industrial adaptation; a reduction in interest rates; an increased equity base, competitiveness and investment; and stimulation of new small business startups. These policies were, according to CFIB, preferred to policies requiring massive fiscal stimulation.

This short summary of CFIB's economic policy position demonstrates one aspect of the exchange transactions

implied by Hartle's (1988) "games" theory. The information conveyed to government, although biased, summarizes the views, opinions and policy positions of a significant sector of the electorate and may often contain valuable economic intelligence unavailable to decision makers. These views also allow policy makers to gauge the intensity of the members for the issues and may allow the officials to determine the group's acceptance of their decision to include or exclude the issue from forthcoming policy statements. In return for providing this information, representative associations expect to have an influence on the policy process, and hopefully, to find their policy positions expressed in future government legislation.

Tax proposals contained in the brief included an expanded loss-carryover provision, permission to invest fifty percent of the funds from self-administered registered retirement savings plans in the sponsoring firm, enhanced research and development rules, implementation of the registered stock investment plan, the creation of a separate class of small business corporation in the Income Tax Act, an exemption from capital gains tax for investments in Canadian controlled private companies if the shares are held for five years, the re-institution of deferred profit sharing plans and permission to re-invest plan funds in the sponsoring firm, and a deduction for the underwriting fees incurred on new equity issues (71). Chapter six, part III discusses the reception accorded this

and other CFIB briefs by Department officials.

The budget announced a further expansion of the investment tax credit; the introduction of refundable investment tax credits; a new special recovery share-purchase tax credit and flow-through research and development shares; extension of the loss carryover periods; and an indexed security investment plan.

Reaction to the 1983 budget was carried under the heading, "Our message is getting through" (72). The use of such headlines is an example of CFIB's attempts to maximize the link between itself and its members and to demonstrate the effectiveness of the organization. Bulloch commented on the changed attitude in Ottawa now that Mr. Lalonde had replaced Mr. MacEachen. The budget was reported to contain three measures reflecting CFIB proposals: the research and development and investment tax credit provisions for loss companies, and the loss carryover rules.

U. Tax Simplification

As it is well known that small business suffers from undue compliance and administration costs (Sandford, 1981), simplification of the tax system was urged in a March 1976 brief to the Minister of National Revenue (73) and in the 1979 pre-budget brief (74). When the influential Canadian Tax Foundation convened a special conference to discuss the issue in July, 1983, CFIB's Patricia Johnston presented a

paper outlining the Federation's continuing support for tax simplification (75)..

V. A Brief to the Macdonald Royal Commission

In 1983, the Liberal government empowered a royal commission (76) to "inquire into and report upon the long-term economic potential, prospects and challenges facing the Canadian federation and its respective regions, as well as the implications that such prospects and challenges have for Canada's economic and governmental institutions and for the management of Canada's economic affairs" (77). CFIB, along with other interest groups, prepared a brief for presentation to the commission using information gleaned from the Federation's 1983 job creation survey, an extensive study of job creation in Canada, as support (78), and another example of CFIB's use of its survey results to reinforce its policy positions. This data primarily dealt with the job creation impact of small business on the Canadian economy, concluding that small business will be the source of new jobs as Canada builds to a full employment economy. According to the Mandate report, the Federation was "able to use data on small business that even Revenue Canada and Statistics Canada don't have" (79). The income tax recommendations were a re-iteration of earlier pre-budget proposals. These policies were required to boost the average annual formation rate of new businesses, to increase the growth of existing and new businesses, and to overcome the chronic

undercapitalization of small business (80).

W. Registered Retirement Savings Plan Changes

"VICTORIES on RRSPs", proclaimed a Mandate article (81) which reported CFIB success in registered retirement savings plan reform, a Federation concern "since 1976", in particular, government proposals to raise the contribution limits, permit taxpayers to carryforward unused contribution room, and allow farmers to invest \$120,000 from the sale of a farm in a registered retirement savings plan.

X. A Renewed Attack on Revenue Canada

Responding to numerous complaints from irate taxpayers, the opposition Conservative party conducted Canada-wide hearings in early 1984 to identify and catalogue taxpayers' problems with Revenue Canada (82). CFIB met the task force in eight Canadian cities (83) and presented a brief outlining changes deemed necessary to curb the powers of Revenue Canada and improve the administration of the Income Tax Act. In summary, the Federation pressed for a reversal of the assumption that taxpayers are presumed guilty by Revenue Canada until proven innocent, for the reimbursement of full costs for successful tax appeals, the appointment of a strong Minister of National Revenue, elimination of the tax collection quota system, and a complete overhaul of the administrative procedures of the Department.

Presented subsequent to the 1984 budget speech, a Revenue Canada brief to the Minister reviewed administrative difficulties experienced by taxpayers, and especially members, with Revenue Canada (84).

Y. The February 15, 1984 Budget

Mandate summarized the February 1984 budget and reported that, in its pre-budget meetings with the Minister, CFIB outlined tax simplification measures desired by small business. The budget proposed a number of measures of particular concern to the Federation and its members. Simplification measures included elimination of the cumulative deduction account and the distinction between active business income and non-qualifying business income, and legislation dealing with specified investment businesses, personal service corporations and corporate partnerships. Measures were introduced to reduce the administrative burden and improve the fairness of tax administration, award costs for successful tax appeals, extend the appeal period, change the tax installment rules, simplify the automobile standby rules, and allow farmers to contribute up to \$120,000 of taxable capital gains from the sale of qualified farm property to a registered retirement savings plan. Further pension reform was proposed that would allow unused contribution entitlements to be carried forward, introduce a registered pension account, increase contribution limits for money purchase plans, and remove the limits on employee contributions to

registered defined benefit plans. Finally, the budget proposed the creation of an employee profit-participation plan. Bulloch noted that many of these "could be classified as victories for the Federation" (85).

Following the 1984 general election, CFIB wrote to each new Member of Parliament urging that priority be given to passing the tax legislation remaining from the February budget (86).

Z. Additional Administrative Changes

In spite of the 1984 budget announcement that successful tax case appellants would receive compensation for up to \$1,000 of their costs, the Federation was not satisfied (87). Although claiming that the proposal had been the result of "a decade of Federation lobbying" (88), CFIB persisted in its call for full compensation. The Federation claimed another victory when the Minister announced that the full extent of compensation would be determined in future by the courts (89).

Other administrative changes brought to the attention of members were the announcement by the Revenue Minister that Revenue Canada staff would henceforth treat taxpayers more "humanely", especially with respect to tax collections and potential legal action; the appointment of a new Deputy Minister of National Revenue; and the establishment of a task force to review the operations of National Revenue

(90). These changes were claimed to be the result of complaints from the Federation, other special interests and individual taxpayers, the intense media exposure given to the operations of Revenue Canada, and the publicity generated by the Conservative task force (91).

AA. Reaction to the Statement on the Economy

On November 8, 1984, the newly elected Progressive Conservative government unveiled its blueprint for the future economic development and fiscal management of Canada in a policy paper tabled in Parliament (92). The Federation's reaction to the statement was generally supportive and upbeat (93). Although the deficit forecast was considered to be "shocking", CFIB believed that the government was implementing a programme favourable to business expansion and growth. Mention was made of the statement's singling out of small business, beset by excessive regulation and a lack of incentives, yet possessing significant job creation potential. The article noted CFIB's presence on the new committee formed to study government spending. The government's agenda, as expressed in the economic statement, featured several issues considered important by small business: namely, a review of the unemployment insurance programme, legislation to permit taxpayers to postpone the payment of tax while an appeal is in progress, tax simplification, and the excessive regulations burdening small business.

Written in response to the economic policy paper, CFIB's 1985 pre-budget brief is an example of the manner in which, as mentioned in chapter two, an interest group conveys the views and opinions of its members to federal officials. The brief stressed the importance of appropriate government response to what CFIB perceived to be changing economic circumstances. According to the brief, the key to understanding the changing economic environment was the recognition of the past record of and the future potential for job creation demonstrated by small business. The Federation attributed virtually all of the national net increase in employment between 1978 and 1982 to firms with fewer than thirty employees. Furthermore, according to CFIB data, the bulk of net employment growth took place in firms that did not exist in 1978. The brief went on to delineate opportunities for deficit reduction, indicating certain expenditure programmes which could be curtailed.

The Federation presented an eight point set of "national economic goals" for Canada, advocating policies to ensure interest rate competitiveness; enhanced entrepreneurship and the small business sector; the accumulation of sufficient equity capital; government action as a catalyst and advocate of business growth and expansion; reduced government regulation and paperburden; development of the economy through "multiple informal, non-institutional, local channels"; resist the urge to prop-up dying businesses; and strengthen the entrepreneurial culture (94).

Tax proposals contained in the brief advocated a one hundred percent write-off of allowable business investment losses, the re-investment of fifty percent of the market value of self-administered registered retirement savings plans in Canadian controlled private companies, an election to rollover all or a portion of the capital gain from investments in one active small business corporation to another, a rollover of the shares of a Canadian controlled private company to the owner's children, an allowance for provincial tax credits in venture capital corporations, and the elimination of certain tax shelters (95). The contents of this brief were presented to the Prime Minister and the provincial premiers and finance ministers prior to a Finance Ministers' federal-provincial conference in January, 1985 (96). Early in the spring, Bulloch summarized the points made in the brief in a ninety minute meeting with the Minister. The meeting was followed by a joint news conference, at which Bulloch urged the Minister to adopt the proposals made in the brief (97).

BB. The May 23, 1985 Budget

The most significant new initiatives introduced in the 1985 budget were a lifetime capital gains exemption; repeal of the indexed security investment plan; replacement of the existing special \$120,000 registered retirement savings plan provision for farm capital gains and replacement of

the intergenerational \$200,000 deferral on gains on small business shares; increased tax-assisted opportunities for investing in small businesses; improved research and development, small business development bond and investment tax credit incentives; termination of the scientific research tax credit; and increased contribution limits for private pension schemes and deferred profit sharing plans (98). The budget also implemented many of the administrative measures discussed by the Conservative task force.

In bold typeface, three-quarters of an inch high, the front page of Mandate proclaimed, "BUDGET SPOTLIGHTS SMALL BUSINESS" (99). The lead paragraph stated, "CFIB initiatives propelled small business to the forefront in the blockbuster federal budget, yielding a sweeping series of victories for the independent". The article went on to state that ninety-nine percent of the Federation's proposals were met, some to a greater extent than the actual proposal, and that the budget represented "a fundamental shift in government philosophy". A page one chart (Table 5-7) detailed the extent of the Federation's victories. The most important of these were claimed to be more generous investment loss provisions; the lifetime capital gains exemption for individuals; a provision to allow fifty percent of self-directed registered retirement savings plan funds and certain deferred profit sharing funds to be invested in small companies; permission for

pension funds to establish partnerships with venture capital firms; increased registered retirement savings plan contribution limits; promises of action on payroll tax complaints, an exemption for small firms from the temporary five percent corporate surtax, and action to reduce the deficit.

In commenting on these measures, the Federation noted a series of Mandate votes and CFIB data argued strongly for the capital gains exemption (see chapter six, part I, section B1 for detailed analysis of this issue); that the registered retirement savings plan proposals represented a direct result of CFIB lobbying over seven years, and were similar to its recommendations to the Macdonald commission; that CFIB "clout" led to an exemption from the corporate surtax and the preservation of the inventory allowance; and that the research and development tax credit was originally a Federation proposal. The deficit reduction measures and the perceived shift in government philosophy towards that of the Federation were strongly endorsed (100).

CC. The February 26, 1986 Pre-Budget Brief

The objectives of the Federation's second 1985 submission (101) were to identify the changing role of small business and the powerful implications on economic policy presented by the small business sector. This statement stressed that the world's developing economies were in a state of transition, and that employment growth was now focused on

the information service sector, not manufacturing. The Federation viewed the major economic roles of the state as eliminating barriers to growth and change, encouraging citizens to become more adaptable and flexible, encouraging entrepreneurship and small business development, and assisting those who are adversely affected by market forces to re-educate and re-train. Society, according to CFIB, was gradually de-centralizing and de-institutionalizing.

The brief pointed out a number of economic trends fueled by small business. As the Federation's research indicated was the case in other industrial countries, Canada's net employment growth originated almost exclusively from small business. Furthermore, the bulk of the growth came from firms not in existence in 1978. Other identified trends were findings that early retirement and unemployment stimulate entrepreneurs, that technology changes create opportunities and productivity improvements, and that average family income was rising. All of these presaged a growing demand for higher quality, more specialized goods and services.

According to the brief, these rapid economic changes favoured the entrepreneur, necessitating economic policy changes from "big" to "small". Government was urged to look to local rather than institutionalized pools of capital, shift incentives from grants and subsidies for large businesses to tax incentives for small business, reduce

capital intensive incentives and tax rates, convert the unemployment insurance programme from social welfare to insurance, and educate for entrepreneurship, not careers in large institutions. Tax savings should flow to registered retirement savings plans, not large established pension funds. Canada should link its economy with the United States, not "interventionalist" Europe. And the government should encourage free trade and dismantle existing trade barriers.

The Federation summarized its vision of tax policy as follows:

"All of the government's tax incentives must be judged in terms of their ability to improve the flexibility of Canadian markets and to encourage Canadians to become more technological, international, and entrepreneurial." (102)

The brief praised the government for the capital gains exemption and changes to the registered retirement savings plan rules. The Federation urged government not to be too restrictive in determining non-qualifying non-arm's length investments, not applying these rules to related investors such as parents or spouses. With regard to the corporation income tax, the brief reviewed the contents of the government document, The Corporation Income Tax System: A Direction for Change, and expressed support for reasonable initiatives to eliminate capital incentives and reduce corporation tax rates.

Specific recommendations were made for reducing the deficit, and for altering the specifications of the Small Business Loans Act. With a clear reference to its political power, the Federation re-stated its opposition to a value added tax.

Tax proposals in the brief advocated changes to the rules pertaining to the Part II tax; the disposition of assets; the deadline for filing an appeal; the cost of developing a potential enterprise; the automobile standby charge; the interest, dividend and capital gains deduction; losses incurred by taxpayers from loans provided at below normal interest rates or for guaranteeing loans without consideration; dividends paid by small firms; and provincial tax credits (103).

As another example of the manner in which CFIB informs its members of its successes, the headline to the Federation's summary of the 1986 budget read, "The latest federal budget produced significant victories for the Canadian Federation of Independent Business" (104). The Federation praised the government for its continuing deficit reduction efforts, and claimed credit for preservation of the capital gains exemption and increased registered retirement savings plan contribution limits, the elimination of the Part II tax, and the failure of the government to institute a value added tax. The loss of the general investment tax credit was accepted as it was accompanied by lower corporation tax

rates.

DD. Tax Reform

The Conservative government established tax reform as an early objective of its term in office (105). The 1986 brief was prepared pursuant to the Minister's general request for response to his Guidelines For Tax Reform in Canada, tabled on October 23, 1986. The brief contained no specific tax proposals. Rather it was a general discussion of various aspects of taxation, generally re-stating earlier positions such as the job creation potential of small business. Its purpose was to establish the Federation's position on tax reform, rather than to propose specific tax initiatives. It did contain praise for government and support for the corporate rate reductions. As a guideline for tax policy, the Federation indicated that additional tax revenues should come from eliminating tax preferences to large business, and from reduced grants and subsidies.

The Federation's current philosophy on tax policy was stated as follows:

"The role of tax policy, as it relates to small business, is to help offset the negative effect that governments have on the operating and financing costs of small-scale enterprise and to compensate for imperfections in the marketplace."
(106)

In general terms, the brief encouraged the continuance of lower federal and provincial corporate tax rates; the business investment loss, capital gains exemption, and loss

carryover provisions; and expressed support for the deductibility of bona-fide interest and other financing charges. It expressed the wish that personal tax rules become more competitive with those in the United States.

The brief reported on the Federation's Survey on Possible Tax Revisions. The members expressed support for a reduction of individual tax deductions to balance lower personal rates, and the elimination or reduction of corporate deductions without a rate reduction. The members did not support a business transfer tax or the repeal of the capital gains exemption. In the view of the Federation, the capital gains deduction was an indication of government's awareness of the importance of equity financing to small business. The brief urged the government to give more publicity to its spending control efforts.

As the tax reform dialogue between the Department and interest groups continued following the tabling of the government's White Paper on Tax Reform in June, the Federation responded to a written request from the Minister to comment on his proposals (107). The 1987 brief reviewed the position of small business in the economy, emphasizing again the number of jobs created by small business. With regard to fiscal strategy, the Federation highlighted the potential for a recession, which would lead to "an international crisis of confidence". It issued a renewed call for a reduction of government spending and the

deficit, and discussed bilateral and multi-lateral trade issues and regulatory reform.

CFIB was generally supportive of the government's tax reform proposals, although the brief requested modification to the anti-avoidance, automobile expense deduction, source deduction, and penalty provisions. It pointed out that two Finance Committee recommendations were not beneficial to small business: the three percent surcharge on manufacturers' sales tax and the proposal to disallow the capital gains exemption to third party investors in small businesses. The brief went on to recommend the extension of the \$500,000 capital gains exemption to shares or units in pooled funds which invest exclusively in small businesses. On the proposed Part II sales tax decision, CFIB supported the need for full consultation before implementation of these revolutionary proposals. Finally, the brief renewed the Federation's opposition to a value added tax.

In a change from earlier submissions, CFIB discussed social reform. In its view, social reform was now "an inevitable necessity". The brief recommended the use of refundable tax credits for the delivery of social programmes.

EE. The February 18, 1987 Budget

The February 1987 federal budget was noted by CFIB as a "stand-pat" budget to set the government's house in order preparatory to the anticipated major tax reform indicated

by the Minister to be at the top of his agenda (108). As few significant tax measures were proposed, the Federation's commentary stressed the report in the budget documents of the role of small business in job creation (109). The Federation believed the business community's confidence was growing, and that interest rates would be falling. Tax reform presented a "dark cloud on the horizon".

FF. Conclusions

It is interesting to note the contrast between the tone of the budget briefs and the post-budget reaction of CFIB. Whereas the briefs are conciliatory, relatively tame and rarely argumentative, the post-budget claims are boastful, strident and phrased so as to convey the impression that CFIB was solely responsible for the tax changes. In Mandate No. 76, for example, CFIB referred to its "long years of argument with bureaucrats" to achieve the victories cited and that it "finally convinced" government to change the law. CFIB stresses the forcefulness of its presentations by informing its Mandate readers that, "We warned Lalonde ..." (110), "We told him ..." (111), "the new Minister was told in no uncertain terms" (112), and that the Federation "hammered" home its points during the meetings (113). In summarizing the briefs, Mandate headlines have stated:

"Ottawa told: shape up! (114),

"Federation lays it out for Lalonde" (115),

"It's Time To Bite The Bullet" (116),
"Federation tells Lalonde changes urgently needed" (117),
and "Ottawa told: Unleash the entrepreneurs" (118).

As indicated by John Evans' comments regarding the November 11, 1981 post-budget meetings (119), these headlines and reports may overstate CFIB's true conduct during the meetings. However, as no members attend the meetings, and the full briefs are only available upon request, assuming the members had the time and interest to read them, CFIB can issue these statements relatively freely. The association knows that it is telling the members what they want to hear. Therefore, any poetic license used in Mandate can be used to keep the members aware that CFIB is actively, and successfully, fighting on their behalf. Whether these claims can be translated into membership gains will be more fully discussed in chapter six.

PART III

SUMMARY OF THE CFIB INCOME TAX PROPOSALS

This section lists and dates the seventy-six tax proposals identified in the preceding section, categorizes them by topic, and indicates which were included in a budget and which were not.

	Brief	In Budget Yes No
A. Small Business Deduction		
1. Increase the annual business limit and the total business limit	1976 1978(1) 1980 1981	1974(1) 1974(2) 1976 1981
2. Changes to the service corporation rules		
(a) Opposition to the delegation of the definition of the terms "qualifying business" and "non-qualifying business" to the Regulations rather than inserting them in the body of the <u>Income Tax Act</u>	1979(1)	1979
(b) A proposed definition of the term "non-qualifying business", to include (i) an eighty percent revenue test rather than the proposed two-thirds test, and (ii) a recommendation that the proposed five independent employee test was unnecessary	1979(1)	X
(c) The inclusion of professionals and professional practice management firms in the definition of "non-qualifying business" is unreasonable and should be excluded	1979(1)	1984
(d) The refundable tax should apply to "non-qualified businesses"	1979(1)	X
B. Capital Gains		
1. More generous rollover provisions for capital gains		
(a) Relief from the harmful consequences of transferring a business to the owner's children	1972	1978(2)

(b)	Eliminate the tax penalty paid on the sale of assets where there is a subsequent repurchase of new assets of a similar nature	1972	1977
(c)	Eliminate the \$200,000 ceiling on the tax free rollover of a small business to the owner's children	1979(2)	X
(d)	Permit an election to rollover all or a portion of the capital gain from an investment in one active small business to another within two years of the disposal of the first business	1985(1)	X
(e)	Owners of Canadian controlled private corporations should be allowed to rollover up to \$120,000 of taxable capital gains generated between 1971 and 1983 into a registered retirement savings plan	1985(1)	X
2.	Deemed dispositions on death		
(a)	General request for improved legislation	1977(2)	X
(b)	Forgive the capital gains tax on death over ten years where the business is passed within the family	1976	X
(c)	Permit a deferral of the capital gains tax payable at death on those assets related to a business venture as long as the business is continued by the deceased's family	1978(1)	X
3.	Exempt from capital gains tax the shares of Canadian controlled private companies held for five years	1978(2) 1979(2) 1983 MRC	X
4.	Index the capital gains base	1979(2)	X
5.	Maintain the existing capital gains rules	1981	X
6.	The disposal of assets should be treated as a capital transaction if the asset is held for at least one year	1985(2)	X
C.	Proposals to enhance the ability of small businesses to attract and retain capital, increase cash flow and profitability		
1.	Increase the tax incentives for investments in small, risky firms and/or in new or expanding domestically owned companies	1977(1) 1977(2) 1978(3) 1979(2)	X
2.	Allow a deduction from other income for approved equity investments made by small business	1977(1)	X

owners

3.	Tax investments in small business corporations at capital gains rates if the shares are held for three years	1977(1)		X
4.	The creation of a special category of small business in the Act:			
(a)	Create a Risk Investment Company category	1977(1)		X
(b)	Implement the registered shareholder investment plan proposal	1983	1983	
(c)	Create a separate class of small business in the <u>Income Tax Act</u> in which shareholders could elect to be taxed as individuals, not the company	1983		X
5.	Permit up to fifty percent of the funds invested in self-administered registered retirement savings plans to be re-invested in private companies	1983 1985(1) MRC		X
6.	Permit a deduction for under writing fees for new equity issues	1983 MRC	1984	
7.	All funds invested in deferred profit sharing plans should be permitted to be re-invested in small businesses	1976 1983	1985	
D. Spousal Salary Deduction				
	Permit an unincorporated business-person to deduct a reasonable salary paid to the spouse	1977(2) 1978(1)	1979	
E. Small Business Development Bonds				
1.	Extend the programme	1980 1981 1985	1980 1981	
2.	Expand qualifying uses of the funds to include used machines and plant	1980		X
3.	Eliminate the loss of eligibility for the programme when accumulated earnings exceed \$750,000	1980	1981	
4.	Extend the period in which the bonds must be redeemed from thirty to ninety days	1980		X
5.	Include proprietors in the programme	1981	1981	

F.	Loss Carryovers		
	Increase the loss carry over period to three years back and seven years forward	1983	1983
G.	Registered Retirement Savings Plans		
1.	Increase the contribution limits	1981 1984 1985	1976
2.	Allow funds invested in the plans to be re-invested in small businesses	1976	1985
H.	Corporation Income Tax Rates		
1.	Decrease the rate in 1981 by one percent and in 1982 by a further one percent	1981	X
2.	Increase the annual retained earnings limit from \$50,000 to \$150,000 for manufacturing firms to qualify for the manufacturers' tax credit	1978(1)	1981
3.	Lower the rates	*	1986
I.	Research and Development		
1.	General support for better incentives	1978(2)	1978
2.	For non-taxable firms, permit the existing twenty-five percent tax deduction to be granted outright	1980 1981	1983
3.	Increase all research and development incentives for all Canadian owned businesses	1980	1983
4.	Enrich all research and development tax credits to twenty-five percent	1981	X
5.	Convert the incremental fifty percent tax deduction to a twenty-five percent tax credit	1983	1983
J.	Allowable Business Investment Losses		
	Increase the deduction for these losses from fifty percent to one hundred percent of the loss	1978(2) 1979(2) MRC 1985(1)	X
K.	Employment Tax Credit		
	Implement an employment tax credit programme	1977	1978
L.	Inventory Allowance		
	Increase the allowance from three percent to four percent	1979(2) 1980	X

M. Deferred Profit Sharing Plans

Re-instate the plans as long as
seventy percent of the eligible
employees are members of the
plan along with significant
shareholders 1983 MRC X

N. Personal Income Taxes

Decrease the rates by three percent 1977(2) X

O. General Averaging

Generally improve the general
averaging provisions 1972 X

P. Partnerships

Permit incorporated partnerships,
in which the profits and losses
would be taxed in the hands
of the individual partners,
not at the partnership level 1972 MRC X

Q. Part II Tax

The Part II tax should not be paid
on inter-corporate dividends 1985(2) X

R. Dividends

1. Allow tax deferred dividends
paid out of capital surplus to be
retained indefinitely by the firm 1978(1) X

2. Include dividends paid by
Canadian controlled private
corporations in the definition of
pensionable income 1985(2) X

S. Tax Shelters

Eliminate abuses in the use of tax
shelter investments 1985(1) 1985

T. Filing Deadlines

1. Extend the deadline for filing a
notice of objection from ninety
to one hundred and eighty days 1974 1984
1978(1)
1985(2)

2. Extend to 1981 the cut-off date
for paying tax-deferred dividends
out of tax paid undistributed
surplus 1978(1) X

3. Extend the deadline for
purchasing registered retirement
savings plans and income averaging
annuity contracts to April 30 from
March 1 1978(1) X

U. Capital Incentives to Large Businesses

Reduce capital incentives to large businesses	1976	1986
---	------	------

V. Administration of the Act

- | | | |
|--|-----------------|------|
| 1. Provide advance rulings for valuation day assessments | 1978(1) | X |
| 2. Except in cases of substantial misrepresentation or fraud, the collection of taxes due should be suspended while tax cases are being objected to or formally appealed | 1984 | 1985 |
| 3. The award of costs to a successful appellant should be automatic, not discretionary | 1984 | X |
| 4. The elimination of the \$1,000 ceiling on the awarding of costs, to be replaced by an awarding of full costs | 1984 | X |
| 5. Costs should be awarded for the procedural steps to the tax court in cases where Revenue Canada drops the case | 1984 | X |
| 6. In situations where Revenue Canada appeals a Tax Court decision to the Federal Court of Canada, the ceiling for the awarding of mandatory costs to successful taxpayers should be raised to \$25,000 | 1984 | |
| 7. Where an error has been made in the filing of certain roll-over elections, an amendment to the election should be automatically allowed, rather than at the discretion of Revenue Canada, and without penalty | 1984 | X |
| 8. The single sentence requirement inherent in the current drafting style of the <u>Income Tax Act</u> should be eliminated | 1984 | X |
| 9. Reduce the complexity of the <u>Income Tax Act</u> | 1972
1979(2) | 1984 |
| 10. Appoint a royal commission to study the manner in which Revenue Canada administers the assessment and collection of taxes | 1973 | 1984 |

W. Budget Process

Make the pre-budget deliberations more public	1972	**
---	------	----

I. Sundry

1.	Support for the mortgage interest and property tax deduction	1979(2)	1979	
2.	Permit an allowance for provincial tax credits received by venture capital companies in computing federal income taxes	1985(1) 1985(2)		X
3.	Ordinary tax payers should be permitted to deduct expenses associated with the cost of developing a potential new enterprise	1985(2)		X
4.	The automobile stand by charge should be based on the depreciated value of the car, not on original cost	1985(2)		X
5.	Taxpayers should be permitted to deduct the \$1,000 interest, dividend and capital gains deduction in non-arm's length situations	1985(2)		X
6.	Losses incurred in providing low cost loans, or in guaranteeing loans without consideration, should be deductible in non-arm's length situations as business investment losses	1985(2)		X
7.	The tax penalty for investing surplus funds in investments other than the company should be eliminated	1972	1973	

Notes:

* This recommendation is implied in many of the proposals.

** This recommendation does not need a change to the Income Tax Act.

MRC Macdonald Royal Commission

The single digit after the date refers to the first (1), second (2), or third (3) submission of the respective year.

ENDNOTES

1. CFIB Pre-Budget Submission, December 10, 1986, p. 1.
2. CFIB Pre-Budget Submission, December 10, 1986, p. 11.
3. CFIB Pre-Budget Submission, January 30, 1985, p. 3.
4. CFIB Pre-Budget Submission, January 30, 1985, p. 3.
5. Mandate No. 1.
6. More specifically, CFIB proposed that:
 - (a) up to ten percent of a private corporation's income should be reported as investment income, taxed at the preferential low rate, rather than the proposed forty-six percent rate which would be applicable to investment income by 1976;
 - (b) the proposed general averaging provisions applicable to small business should be made as generous as those applying to farmers and fishermen; and
 - (c) the capital gains rules should be amended to allow the same treatment of a gain followed by a loss as for a loss followed by a gain.
7. Mandate No. 2.
8. Mandate No. 4.
9. Mandate No. 1.
10. Mandate No. 6.
11. Mandate No. 6.
12. Budget Speech, May 8, 1972, p. 1.
13. The budget stated that policies were required "to promote the development in Canada of manufacturing industries that are dynamic, vigorous and resourceful, that are unceasing in their efforts to innovate, that develop new and better products and that are aggressive in their efforts to expand their markets in Canada and abroad". (Budget Speech, May 8, 1972, p.7)
14. Budget Speech, February 19, 1973, p. 2.
15. Budget Speech, May 8, 1972, p. 7.
16. Mandate No. 13.
17. Mandate No. 17.
18. Mandate No. 21.

19. Budget Speech, February 19, 1973, p. 1.
20. Commencing January 1, 1974, all personal exemptions and tax brackets were indexed to the consumer price index, thus protecting taxpayers from the erosion of purchasing power created by the effects of inflation on a progressive tax system. This provision was supported by 70.2% of the membership in a Mandate poll (Mandate No. 10).
21. Budget Speech, February 19, 1973, p. 19.
22. This provision imposed a fifty percent tax penalty on small businesses that invested retained earnings in long term investments.
23. Mandate No. 13.
24. Mandate No. 13.
25. Mandate No. 16.
26. Mandate No. 16.
27. Mandate No. 23.
28. Mandate No. 23 and 40.
29. Mandate No. 41 reported sixty-five percent of the members voted against and twenty-seven percent supported the proposal. Eight percent had no opinion.
30. Mandate No. 25.
31. Mandate No. 25.
32. Mandate No. 28.
33. Mandate No. 34.
34. A summary of the pre-budget proposals for the 1976 budget was contained in Mandate No. 37. The Federation requested:
 - (a) forgiveness of the capital gains tax on death over ten years where the business is passed within the family;
 - (b) a change to the deferred profit sharing plan and registered retirement savings plan rules to allow the funds invested in these plans to be re-invested in small businesses;
 - (c) an increase in the total business limit to \$750,000; and
 - (d) a reduction in capital incentives, especially those to large corporations.
35. In a brief entitled Improving the Flow of Risk

Capital, four specific income tax proposals were advocated:

- (a) the need for tax incentives to improve the flow of risk capital to small businesses;
- (b) the deduction of approved equity investments from other income by small business owners;
- (c) the taxation of investments in approved small businesses at capital gains rates if the shares are held for more than three years; and
- (d) the creation of a Risk Investment Company (RIC) category within the Income Tax Act. Investors in these companies would receive a tax deferral when the RIC made an investment in a Canadian controlled private corporation. The income of the RIC would not be taxable. Rather, shareholders would be taxed at capital gains rates if the RIC held the shares for more than three years. (Mandate No. 46)

36. Mandate No. 48 noted that CFIB pressed the government for:

- (a) a three percent cut in personal income tax rates;
- (b) changes to the capital gains provisions at death, presumably similar to the earlier proposals in this area; and
- (c) a proposal for a spousal salary deduction.

37. Mandate No. 72.

38. Mandate No. 49.

39. Mandate No. 49 indicated these were:

- (a) the three percent inventory allowance;
- (b) the continuance of the five percent investment tax credit for capital investments;
- (c) increased investment tax credit rates for slow growth areas;
- (d) a deferral of taxes on stock options exercised by key employees in small businesses; and
- (e) assistance for the required conversion to metrification.

40. Mandate No. 51.

41. Mandate No. 52.

42. Mandate No. 53.

43. Mandate No. 56.

44. The major income tax recommendations, as noted in Mandate No. 55, were:

- (a) raising the lifetime retained earnings limit under which independent business qualified for the reduced small business corporate rate;

- (b) an increase in the annual retained earnings limit from \$50,000 to \$150,000 for manufacturing firms which qualify for the small manufacturer's tax rate;
- (c) an extension to 1981 in the cut-off date for tax-deferred dividends to be paid out of tax-paid undistributed surplus;
- (d) a request to allow tax deferred dividends paid out of capital surplus to be retained indefinitely by the firm;
- (e) the spousal salary deduction;
- (f) an extension of the deadline from March 1 to April 30 for purchasing registered retirement savings plans and income averaging annuity contracts;
- (g) a deferral of the capital gains tax payable at death on those assets related to a business venture as long as the business is continued by the deceased's family;
- (h) an extension of the deadline for filing a notice of objection from ninety to one hundred and eighty days; and
- (i) a request that the Department of National Revenue provide advance rulings on valuation day assessments.

45. An Industrial Policy for Canada, (Mandate No. 56).

46. Mandate No. 61.

47. Mandate No. 62.

48. Mandate No. 63.

49. Mandate No. 63.

50. Mandate No. 64.

51. Mandate No. 64.

52. The main points of CFIB's proposed amendments to the small business deduction rules contained in the brief were:

- (a) opposition to the delegation of the definition of the terms "qualifying business" and "non-qualifying business" to the Regulations rather than inserting them in the body of the Income Tax Act;
- (b) a proposed definition of the term "non-qualifying business", to include:
 - (i) an eighty percent revenue test rather than the proposed two-thirds test, and
 - (ii) a recommendation that the proposed five independent employee test was unnecessary;

- (c) the inclusion of professionals and professional practice management firms in the definition of "non-qualifying business" is unreasonable and should be excluded; and
- (d) a request that the refundable tax apply to a "non-qualified business".

53. Mandate No. 66.

54. The following summary of the major recommendations of the second 1979 budget brief is taken from Mandate No. 69. The brief advocated:

- (a) policies to stimulate supply, such as tax measures to free up equity capital;
- (b) an increased inventory allowance;
- (c) the deduction against other income of one hundred percent of business investment losses incurred by incorporated small businesses;
- (d) the elimination of capital gains tax on shares held over five years;
- (e) the indexation of capital gains;
- (f) elimination of the \$200,000 ceiling on the tax free rollover of a small business to the owner's children;
- (g) simplification of the Income Tax Act; and
- (h) support in principle for a mortgage interest and property tax deduction.

55. Mandate No. 75.

56. Mandate No. 72.

57. See for example: Cohen (1980).

58. Mandate No. 72.

59. Mandate No. 72.

60. Mandate No. 76.

61. Mandate No. 72.

62. Mandate No. 76.

63. The deficit was projected to be \$15.3 billion (5.4% of gross national product), with debt service obligations up three hundred percent since 1976. (CFIB 1980 Pre-budget brief, pp. 2 and 3)

64. Tax proposals contained in the submission included:

- (a) extending the small business development bond programme at least through 1981;
- (b) expanding the qualifying uses of the funds to include used machines and plant;

- (c) eliminating the loss of eligibility for the programme when accumulated earnings exceed \$750,000;
- (d) extending the period in which the bonds must be redeemed from thirty to ninety days;
- (e) extending the annual business limit to \$200,000 and the total business limit to \$1,000,000;
- (f) increasing the inventory allowance from three to four percent;
- (g) for non-taxable firms, permitting the existing twenty-five percent research and development tax deduction to be granted outright, and
- (h) considering an across the board improvement in research and development incentives for Canadian owned businesses of all sizes.

65. Mandate No. 80.

66. The budget proposed:

- (a) an extension of the small business development bond programme to March 31, 1981, a three month extension rather than the one year extension requested by CFIB;
- (b) a fifty percent tax credit for investments in new manufacturing and processing plant and equipment in certain designated high unemployment areas; and
- (c) the re-institution of the multiple unit residential building programme for a further fourteen months.

67. Mandate No. 80.

68. Mandate No. 81.

69. Mandate No. 85.

70. The deductible amounts were then limited to \$5,500.

71. The brief requested:

- (a) investment financed by
 - (i) a three year carryback and a seven year carryforward period for operating losses,
 - (ii) conversion of the incremental twenty-five percent research and development deduction to an across the board refundable twenty-five percent tax credit, and
 - (iii) implementation of the registered stock investment plan as recommended by the Lortie royal commission
- (b) creation of a separate class of small business corporation in the Income Tax Act which would permit shareholders to elect to have all income and losses of the corporation treated as individual income/losses rather than as corporate income/losses;

- (c) an exemption from capital gains tax for investments in Canadian controlled private corporations if the shares are held for five years;
- (d) a change in the Income Tax Act to permit up to fifty percent of the funds invested in self-administered registered retirement savings plans to be invested in private companies;
- (e) the re-institution of deferred profit sharing plans provided that seventy percent of eligible employees are members of the plans along with significant shareholders;
- (f) permission to re-invest deferred profit sharing plan funds in the sponsoring firm; and
- (g) a deduction for the underwriting fees incurred on new equity issues.

72. Mandate No. 101.

73. Mandate No. 40.

74. Mandate No. 69.

75. Mandate No. 102.

76. Formally known as the Royal Commission on the Economic Union and Development Prospects for Canada, this commission was chaired by the Hon. Donald S. Macdonald.

77. A Commission on Canada's Future, p. 14.

78. 7,749 member firms participated in the survey (Mandate No. 105).

79. Mandate No. 105.

80. In summary, the major income tax recommendations to the Commission were:

- (a) a one hundred percent write off of capital losses in private companies, up from fifty percent;
- (b) a request that fifty percent of the funds in self-administered registered retirement savings plans be allowed to be invested in small private companies;
- (c) the provision of tax rules permitting an incorporated partnership election, wherein profits and losses would be taxed individually in the hands of the partners, which would facilitate the flow-through of start-up losses into shareholder hands;
- (d) relief from capital gains tax if shares are held for more than five years, so that small firms would be treated the same as public firms, which enjoy indexation of publicly traded shares via the indexed security investment plan;

- (e) an amendment to allow owners and employees to contribute up to \$3,500 in deferred profit sharing plans for employees provided that seventy percent of eligible employees are enrolled;
- (f) improved treatment of pension and life insurance company investments in venture capital intermediaries; and
- (g) a reduction of the cost of "going public" by allowing greater tax deductibility for such costs.

81. Mandate No. 107.

82. Although the Liberal government had appointed a commission chaired by William Farlinger to study the operation of Revenue Canada, the opposition Progressive Conservatives, sensing a highly inflammatory public issue, announced the formation of its own task force on February 2, 1984, chaired by Mr. Perrin Beatty. Officially, the Conservatives were concerned that the Farlinger committee report would not become public, and that the Liberals refused to submit the issue to a parliamentary committee for public hearings. The task force issued its scathing report in April of 1984, proposing seventy-six changes to the administration of the tax system. Many of these recommendations were implemented following the Conservative electoral victory in September, 1984. (Ottawa Letter, Feb. 6, 1984)

83. Mandate No. 108.

84. The major proposals outlined in the brief were:

- (a) except in cases of substantial misrepresentation or fraud, the collection of taxes due should be suspended while tax cases are being objected to or formally appealed;
- (b) the award of costs to a successful appellant should be automatic, not discretionary;
- (c) the elimination of the \$1,000 ceiling on the awarding of costs, to be replaced by an awarding of full costs
- (d) costs should be awarded for the procedural steps to the tax court in cases where Revenue Canada drops the case;
- (e) in situations where Revenue Canada appeals a Tax Court decision to the Federal Court of Canada, the ceiling for the awarding of mandatory costs to successful taxpayers should be raised to \$25,000;
- (f) where an error has been made in the filing of certain roll-over elections, an amendment to the election should be automatically allowed, rather than at the discretion of Revenue Canada, and without penalty; and

(g) the single sentence requirement inherent in the current drafting style of the Act should be eliminated.

85. Mandate No. 107. This Mandate also detailed the following proposals of interest to members:

- (a) an end to the cumulative deduction account, thus permitting small businesses unlimited access to the small business deduction, subject only to the annual limit of \$200,000;
- (b) a \$1,000 award for the costs of successful tax appeals;
- (c) an extension of the appeal period to one hundred and eighty days;
- (d) a proposal not to require installments for annual tax bills of less than \$1,000;
- (e) simplified automobile standby rules;
- (f) elimination of the distinction between active and non-qualifying income for purposes of the small business deduction, and
- (g) a ten percent tax credit for profit sharing plans.

86. Mandate No. 111.

87. Mandate No. 108.

88. Mandate No. 108.

89. Mandate No. 108.

90. Mandate No. 108.

91. Mandate No. 108.

92. Department of Finance: A New Direction for Canada. (1984)

93. Mandate No. 113.

94. More specifically, CFIB called for:

- (a) Interest rate competitiveness, especially vis-a-vis the United States. This plank required a reduction of the federal debt, competitive interest and inflation rates, and a reduction in such expenditure programmes as unemployment insurance. The brief recommended that Canada peg its national economic goals to key American economic indicators.
- (b) The federal government should concentrate its attention on enhancing entrepreneurship and the small business sector.

- (c) The accumulation of sufficient equity capital, especially via tax relief. CFIB considered equity capital to be essential to enhancing the internal cash flow of small businesses. Therefore, new tax incentives were required to encourage the flow of savings to small business.
- (d) The government must act as a catalyst and advocate of business growth and expansion, not as "big brothers taking over activities and functions" (p. 10).
- (e) The brief stressed the need to reduce government regulation and the paperburden problem facing small business.
- (f) Government must cease its development efforts in a few large national enterprises and seek economic development through "multiple informal, non-institutional, local channels" (p. 12).
- (g) Government must resist the urge to prop-up dying businesses. Rather, the causes of business failures should be studied. Failing businesses should be allowed to die. Government should concentrate on new business formations.
- (h) Government should strive to strengthen the entrepreneurial culture in Canada.

95. In more detail, CFIB recommended measures to:

- (a) permit a one hundred percent write-off of allowable business investment losses incurred on investments in Canadian controlled private companies;
- (b) permit the investment of fifty percent of the market value of self-administered registered retirement savings plans in Canadian controlled private companies;
- (c) permit an election to roll-over all or a portion of the capital gain from investments in one active small business corporation to another within a period of two years of the initial disposal;
- (d) allow owners of Canadian controlled private companies the same roll-over of their business to their children as a farmer is allowed on transfer of a family farm to the farmer's children - that is, up to \$120,000 of taxable capital gains generated between 1971 and 1983 into a registered retirement savings plan;
- (e) permit an allowance for provincial tax credits in venture capital corporations; and
- (f) eliminate abuses in the tax shelter provisions pertaining to investments in such tax shelter vehicles as movies, oil and gas developments, hotels and residential construction.

96. Mandate No. 114.

97. Mandate No. 115.

98. The most significant new initiatives introduced in the budget were:

- (a) a lifetime capital gains exemption;
- (b) repeal of the indexed security investment plan;
- (c) replacement of the existing special \$120,000 registered retirement savings plan provision for farm capital gains and replacement of the intergenerational \$200,000 deferral on gains on small business shares;
- (d) registered retirement savings plans and registered retirement investment funds can invest up to fifty percent of their assets in arm's length small businesses;
- (e) registered pension funds will be allowed to establish special tax-exempt small business investment corporations;
- (f) the ability of pension funds to invest in small business investment limited partnerships was expanded, within the fifty percent guideline;
- (g) pension funds were allowed to make a \$3 additional investment in foreign property for every \$1 invested in small business in Canada;
- (h) a tax credit for investors in labour-sponsored venture capital funds was initiated;
- (i) one hundred percent of the tax credit on the first \$2 million of qualifying current research and development expenditures was made refundable;
- (j) the scientific research tax credit was terminated;
- (k) increased contribution limits for private pension schemes were introduced;
- (l) deferred profit sharing plans were permitted increased contributions to \$7,750 by 1990, subject to the overall pension contribution limits;
- (m) changes were introduced to allow the investment of the greater of \$3,500 or one-half of the contribution to deferred profit sharing plan funds in employer shares, all benefits to be taxed as ordinary income except accumulated capital gains on employer shares transferred to the plan member;
- (n) the small business development bond programme was extended to the end of 1987; and
- (o) the special fifty percent investment tax credit was extended to December 31, 1986.

99. Mandate No. 117.

100. Mandate No. 117.

101. CFIB: A Small Business Perspective on Economic Policy.

102. CFIB: A Small Business Perspective on Economic Policy,
p. 6.

103. More specifically, the brief requested that:
- (a) Part II tax not be paid on inter-corporate dividends;
 - (b) asset dispositions should be treated as capital transactions if the asset is held for at least one year;
 - (c) the deadline for filing a notice of objection be extended from ninety to one hundred and eighty days;
 - (d) ordinary taxpayers be permitted to deduct expenses associated with the cost of developing a potential enterprise;
 - (e) the automobile standby charge be based on the depreciated value of the auto, not on original price;
 - (f) taxpayers should be entitled to the \$1,000 interest, dividend and capital gain deduction in non-arm's length situations;
 - (g) losses incurred by taxpayers from loans provided at below normal interest rates, or for guaranteeing loans without consideration, should be deductible in non-arm's length situations as a business investment loss;
 - (h) dividends paid out of Canadian controlled private corporations should be included in the definition of pensionable earnings, and
 - (i) the federal government should accommodate in its tax collection agreements with the provinces an allowance for provincial tax credits received by investors..

104. Mandate No. 123.

105. Department of Finance: A New Direction for Canada, pp. 39-40.

106. CFIB Pre-Budget Brief, December 10, 1986, p. 4.

107. CFIB Pre-Budget Brief, December 9, 1987, p. 2.

108. Mandate No. 131.

109. CFIB claimed that eighty percent of the new jobs in the prior two and one-half years were created by small business.

110. Mandate No. 96.

111. Mandate No. 99.

112. Mandate No. 96.

113. Mandate No. 87.

114. Mandate No. 87.

115. Mandate No. 99.
116. Mandate No. 69.
117. Mandate No. 96.
118. Mandate No. 99.
119. McQueen (1982), p. 44.

CHAPTER SIX
THE ANALYSIS

INTRODUCTION

This chapter constitutes the analysis of CFIB's pre-budget briefs. The success of the association can be examined on two dimensions: its membership/revenue growth, and the success with which it is able to influence the formulation of tax policy. As CFIB uses its alleged tax policy successes in its efforts to increase its membership, this dimension will be examined in the first sections of the chapter. CFIB's use of, and the rationale for, post-budget victory claims is discussed in Part I. Parts II, III and IV attempt to determine the degree of influence exerted by CFIB on the tax policy process and the characteristics of its successful and unsuccessful proposals. The latter sections of the chapter examine CFIB's success at reaching its membership goals. The inter-association battle for the allegiance of prospective members is examined in Part V. The relationship between membership growth and the need for ever-expanding financial resources is reviewed in Part VI. The chapter concludes with a summary of the major analytical findings and conclusions.

PART I

THE CFIB VICTORY CLAIMS

A. Introduction

As illustrated by Appendix 6-1, one of CFIB's more attention-grabbing tactics is to publicly claim in Mandate, the Action Report, its occasional publications and press releases, that its efforts have resulted in a victory for small business against the government. The Federation has, for example, claimed responsibility for the introduction of the small business deduction and increases in the qualifying limits enacted thereafter; improvements to the registered retirement savings plan rules; the indexation of personal income taxes; lower corporate tax rates in nine of the ten provinces; the spousal salary deduction, the elimination of the cumulative deduction account; expanded loss carryover rules; the capital gains deduction; the prevention of a value added tax; and defeat of the 1981 budget (for a more comprehensive list of CFIB victory claims, see Table 3-15). The tone of such proclamations clearly implies that Federation action was solely responsible for the change in the law.

In monetary terms, CFIB has stated that,

"In total, Federation activity at the end of the first decade had reduced the annual taxation burden on small and medium-sized businesses by more than \$1 billion" (1).

In 1980, CFIB reported that,

"More than \$300 million worth of positive tax changes were introduced as a result of the Federation's impact on public policy ... " (2).

In issuing these boasts, CFIB uses a number of advocacy tactics in an attempt to convince its readers that it is an effective and successful advocacy group. CFIB's arsenal of rhetorical tactics includes strident terminology, bold typeface and graphic lettering, unsubstantiated assertions, statements not verifiable by members, provocative statements which members are believed to accept without question, and appeals to the fears and concerns of small business. While occasionally acknowledging the assistance of other groups, CFIB propaganda has adopted a "We did it alone" theme. The claims are repeated in Mandate and the Annual Report for several years. More space in Mandate and the Action Reports is reserved for the victory claims than the reporting of non-victory budget issues. Prominence is given to the tax dollars allegedly saved. Phantom issues are created for CFIB to battle. And CFIB claims to have defeated government proposals to repeal measures beneficial to small business.

B. Two Victorious Campaigns

Two prominent tax issues (the capital gains exemption and the value added tax) will be used to illustrate CFIB's use of victory claims.

1. The Capital Gains Exemption

The taxation of capital gains has occupied much of CFIB's attention. Not taxable prior to 1972, fifty percent of capital gains were included in taxable income as of

January 1, 1972. The introduction of the tax created a number of problems for taxpayers, other than the obvious reduction in disposal proceeds. Gains became taxable when a taxpayer disposed of a capital property (a building, for example) while expanding a business. Not only were realized gains taxed, but deemed gains became taxable on death. And worse still for CFIB members, dispositions of shares of small firms were taxable, including shares transferred to the owner's children. CFIB considered these measures inequitable in that the first is one in a series of transactions, where all of the disposal proceeds are required to finance the expanded business, while the latter two frequently do not result in cash proceeds. The concerns of CFIB are not unlike those expressed by Sandford, Willis and Ironside (1975) in the United Kingdom context.

As Part III of chapter five indicates, CFIB has fought for many years for measures to remove or lessen the impact of this tax. No fewer than twelve different capital gains proposals have been submitted, and six Mandate questions have dealt with capital gains (Table 5-5).

Although a number of measures were enacted to alleviate these problems, criticism of the tax continued into the mid-1980's. In 1985, the government introduced the capital gains exemption to encourage risk-taking and investment in large and small businesses and assist smaller businesses raise capital (3). After 1984, individuals would be exempt

from tax on the first \$500,000 of capital gains over their lifetime. The exemption was to be phased-in over six years.

CFIB noted that the exemption "encompasses at least four proposals suggested by the CFIB in an effort to ease or eliminate capital gains tax in line with member's wishes" (4), Bulloch stating that "we have removed the distortions ... " (emphasis added) (5). Mandate reaction was entitled "Budget Spotlights Small Business", in which CFIB claimed that as a result of Mandate votes and other research data, "CFIB staff pushed for three separate measures, all of which are more than covered by this single budget proposal" (6). In a letter to this researcher, Jim Bennett, Vice-President, Legislative Affairs, indicated that the exemption "accomplished most of what we were trying to achieve". He noted that, "In the case of capital gains exemptions we convinced Mike Wilson of their importance when he was in opposition and have now persuaded the opposition MPs on the Finance Committee of their validity" (7). Post-implementation Action Reports have emphasized CFIB's claim of victory.

When the 1987 tax reform measures capped the general exemption at \$100,000, while retaining the full exemption for disposals of family farms and the shares of small firms, CFIB claimed another victory.

Can the exemption be considered a CFIB victory? One must conclude, with some qualification, that it was not. Although no other groups have been found which recommended such an exemption, and several CFIB proposals advocated better capital gains tax treatment, no CFIB proposal specifically asked for the exemption. Furthermore, the exemption was an extension of the existing \$200,000 rollover granted to the shares of small businesses and family farm corporations. However, as it generally reflects the thrust of Federation capital gains proposals, one must consider the exemption to conform to CFIB policy.

2. Defeat of the Value Added Tax

"VAT victory most significant ever for CFIB", read a headline in the 1986 Action Report, wherein CFIB reiterated the major points in its campaign to stop the value added tax (8). The Report went on to inform members that, "the Federation, alone among business groups in its vigorous, upfront opposition to a VAT, caught the ear of Finance Minister Michael Wilson...", thus preventing the implementation of the tax. Jim Bennett also referred to this victory in his letter to this researcher. However, a proper evaluation of these statements necessitates an examination of two related questions: (a) Was there an issue on which CFIB could emerge victorious? and (b) Did CFIB achieve a victory?

Given that the Department is simultaneously studying numerous tax measures, and that its analysis necessarily encompasses all options available to implement, postpone or repeal the measure under study, it is not unreasonable to assume, as CFIB has stated, that the government was actively examining all options for replacing the manufacturers' sales tax. In fact, the 1984 economic statement stated that such a review was underway (9). Nor is it unreasonable to assume, as CFIB has stated, that the government was considering issuing a value added tax discussion paper. Beginning with its economic statement, it has been Conservative policy to issue discussion papers on major economic issues prior to enacting legislation. Given that 1986 is after the well-documented opening-up of the consultation process (chapter four, Part II, section E4), CFIB was not privy to information regarding the government's value added tax deliberations which would not have been known to any individual or group possessing even a passing acquaintance with Department officials.

It is also reasonable to conclude that the apparent lack of response from other business interest groups, a point which cannot be verified (even by CFIB), simply reflected their desire to await the government's sales tax policy announcement, knowing they would be given ample opportunity to respond. It is hard to imagine that the national associations did not make their views known on such an important issue as sales tax reform (10). More likely, they

chose to remain behind the scenes, leaving the public posturing to CFIB, a strategy the groups appeared willing to pursue during the 1981 budget debate.

As to the merits of the victory, given that the government merely terminated discussion on one tax (the value added tax), only to immediately commence study of another alternative (the business transfer tax), one must judge it a hollow victory at best (11). One must conclude, therefore, that CFIB seized upon the issue as one which it could turn into a seemingly significant debate so as to fuel its propaganda machine.

C. Member Reaction to the Victory Claims

A review of Mandate letters indicates that the members look to CFIB to vent their frustrations, solve problems, and lobby for beneficial legislation. The members appear to feel alone and powerless, and in need of a champion. They perceive themselves engaged in a struggle against a leviathan-like government, big business and unions, all hostile to entrepreneurs. The letters pour out their disillusionment, worries and complaints. Typical of the venting of frustration and anger are letters which commence with "I am fed up with ... (12), "My major complaint ... " (13), and, "I am concerned about ... " (14). One letter writer simply stated "HELP" in his one-word letter (15).

The following are other examples of the members' sentiments:

"This is not living when you work from seven a.m. to midnight, seven days a week, to keep the little bit left by the government after taxes." (16)

"We must struggle to reduce or remove onerous government regulations and curtail the growth and excessive costs of being inefficiently and grossly overgoverned." (17)

"I am in the farm machinery business and am fighting a battle for my livelihood and have as my opposition the federal government. Hoping you can help us." (18)

The Federation must be seen to be doing something for the members. One member wrote,

"I see the Federation working with the government to sort out problem areas, and not as two enemy armed camps. I think the aims of the Federation are admirable and many positive gains have already been made". (19)

The members also want the Federation to lobby government on their behalf. Their letters are couched in terms such as: "Keep pressing on ... " (20); "Keep working on control of shopping centers." (21); "We would like to see a right to strike policy legislated ..." (22); "We urgently need a simplified tax system" (23); "There is a need for revision of the Capital Gains Tax ..." (24). One member wrote:

"Please continue to try to secure a lower corporation tax rate for smaller businesses in Nova Scotia, similar to the lower rates in other provinces" (25).

There is some evidence in the letters that members believe Federation claims. In one letter a member wrote, "Your Employment Tax Credit idea is ... an excellent one" (26).

Another wrote, "There is nothing to match the CFIB. You tackle anyone and anything with facts, figures, foresight and common sense. You are the best thing to ever happen to small business" (27). Similar letters are reproduced in Table 6-1.

D. Media Reaction to the Victory Claims

For the print and electronic media, CFIB is "good copy". Its steady stream of press releases, provocative statements and statistical data provide the media with a continuous source of material. Federation representatives are, therefore, in demand for media interviews and commentary. Such is the Federation's prominence that it is one of the first lobby groups sought for post-budget reaction. Because of the media exposure the victory claims receive, members and the public are made aware of the Federation and its activities. To the extent that the audience believes the media-related victory claims, CFIB's credibility as a responsible and effective association is enhanced, resulting in a higher public profile and potentially greater public support for the organization.

E. Reaction of Department Officials to CFIB's

Victory Boasts

As CFIB must work with Department officials, the latter's reaction to the boasts is important. If there is a story in their area of interest, officials watch what CFIB has to say. As one Department official stated, they are one of the

first quotes when such an issue becomes public (28). Future lobbying efforts may therefore be enhanced to the extent that Department officials recognize the media exposure CFIB commands.

Government officials, however, are unable to respond publicly to the criticisms or boasts of representative organizations. Thus their reaction is both personal and private, and can be negative, which may damage the rapport between themselves and the group. This was demonstrated following the 1981 budget war, when CFIB was temporarily cut off from its government contacts because its personal attack on the Minister was perceived to have exceeded the unwritten rules of lobbying.

Department officials' reaction to CFIB's boasts ranged from mild anger to amusement or a general lack of interest. Comments ranged from, "I don't think the CFIB takes any more credit for taxation policies than many other associations do", to, "They claim excess credit". One official concluded:

"I don't get upset when they take credit and I don't get upset when they declare war. They have declared war on us on numerous occasions in the past, even to the point of naming names."

Officials did conclude that CFIB is effective and has an influence on tax policy. They were also more willing to acknowledge CFIB's influence than other groups which were said to have taken credit for tax measures when no influence had been exerted. As one official stated,

"The fact that they happened to have recommended it and that they want to take credit for it, is fine with us. We don't have any difficulty with whoever wants to take credit. But credit is given to the Minister and the government of the day for implementing a policy."

Credit was given to interest groups for articulating and prioritizing problems, but not to the extent that any official was willing to credit any association with winning any tax battle. One official indicated that many of the irritants to small business were being identified by many parties, both inside and outside government. Therefore, many of the small business measures would have been legislated regardless of a proposal from any specific interest group.

While recognizing CFIB as a factor, officials noted that other interest groups frequently made the same or a similar proposal. More importantly, they indicated that the Department has its own agenda for implementing tax measures. Therefore the fact that a CFIB proposal closely approximates a budget measure merely reflects a coincidence or the fact that CFIB's proposal was made in the right place at the right time, not that it was a victory for CFIB.

The general tone of the comments can best be summed up by the following statement made by one Department official:

"From our perspective it is almost humorous when one reads either in the newspaper or wherever that a particular taxpayer or association takes credit for a tax policy that has just been announced. The fact they made that as a

recommendation coincidentally is not indicative that they were instrumental in doing it."

Another suggested that,

"While Ministers or governments may laud different associations or different people for their submission and their good recommendations and may even appear in correspondence to almost suggest how much they appreciate them bringing this to their attention, that's just a nice way of stroking people out there".

F. Other Reaction

Critics have dismissed the victory claims as blustery propaganda. Dingwall (1981) has indicated that as CFIB has taken positions on so many issues, it is bound to have some which are acted upon. McQueen (1982) notes that CFIB publicizes proposals it knows the government is going to implement. Partridge (1982) refers to government officials who have stated that, contrary to its claims, CFIB had nothing to do with the implementation of the small business development bond programme. Two comments reflect the attitude of many of the Federation's detractors:

"To listen to him, it seems the group has played a significant role in just about everything that has happened to small business - tax breaks, law reform and a shift in attitudes." (29)

"For Bulloch and the federation, past success has become a prancing circus where flash and dazzle is everything." (30)

G. Why Issue Victory Claims?

Given that Department officials do not ascribe any greater influence to CFIB than to any of the other interest groups, one can only speculate as to the reasons why CFIB issues

its victory claims. They may, of course, genuinely believe that they exert the influence they profess. Although this is possible, it is more likely that CFIB issues its victory claims for some or all of the following more strategic and pragmatic reasons:

1. to enhance the acceptance of future tax proposals and add to pressure for other non-tax proposals;
2. to obtain media exposure, which in turn, enhances its reputation with members and helps generate political and public support;
3. to reassure the members that it is fighting on their behalf, is effective and successful, will continue to lobby for changes to irritating laws, or will fight to alleviate the problems perceived by members; and
4. ultimately, to sell memberships.

While there may be some future lobbying benefits to the victory claims (indirectly the result of government officials' fear of adverse CFIB publicity), one must conclude that the victory claims are the Federation's vehicle for convincing current and prospective members that it is lobbying effectively and achieving success. Whether or not the claims are accurate is irrelevant. It is only necessary that the members believe the claims to ensure their continued monetary support for the organization.

...

The remaining sections of this chapter will analyze in greater detail the tax proposals and tactics used by CFIB which have resulted in these victory claims.

PART II

CFIB TAX PROPOSALS

A. Why Does CFIB Make Pre-Budget Submissions?

CFIB has stated that its pre-budget submissions are intended to secure favourable tax legislation and to prevent the enactment of measures detrimental to the interests of small business (31).

B. How Many CFIB Tax Proposals Originated in Mandate Questions?

CFIB states that it is organization policy to base its policy positions on the members' votes in the Mandate and occasional polls. If tax proposals come from Mandate, this would reinforce the Department officials' view, expressed later in this chapter, that CFIB represents its members. Thus one would expect, therefore, to find a correlation between the poll results and the tax proposals. Of the fifty-nine Mandate income tax questions, eighteen (all supported by the members), were included in a pre-budget brief (Table 5-6). Of these eighteen, seven appeared in a budget. Interestingly, sixteen questions which received member support were omitted from later briefs, apparently contradicting CFIB policy statements. The remaining questions not appearing in a brief were not supported by the members, received insufficient support, dealt with the negative income tax issue, or supported existing government policy (Table 5-4).

Why did CFIB not include the sixteen questions which received member support? Furthermore, why would CFIB ask the question if it was not prepared to include the issue in a later brief? Although it is conceivable that these issues were raised in private discussions or correspondence between CFIB and the Department not available to this researcher, further examination of these questions reveals interesting insights into CFIB tactics.

As one Department official stated, some issues are "starters" while others are just "non-starters". As CFIB points to its provision of viable policy as fundamental to its credibility, it would not want to include a proposal which it determined was a "non-starter", regardless of whether or not the members voted for the issue. Based on previous discussions with the Department and its own experience, CFIB may identify as non-starters issues which have not surfaced on the government's agenda; do not address government priorities; affect few taxpayers; are too controversial or contrary to accepted public policy; or present assessment problems. Alternatively, CFIB may anticipate adverse reaction from affected taxpayers. Whatever the reason, CFIB cannot increase its victory scorecard by pressing for action on policies it determines will not be favourably received by government.

In addition, CFIB surveys identify common member concerns, problems and beliefs (real or imagined) about their

companies, the business world and government. By asking questions which tap into these issues, CFIB demonstrates its concern for members, enabling members to think that CFIB is acting on issues of concern to them.

One may conclude, therefore, that CFIB does not use the concerns of the members as expressed in Mandate questions and letters to formulate its pre-budget proposals because it knows that many of them will not be accepted by the policy makers. Rather, it uses the polls and reprints the letters in an effort to build a more cohesive membership, to give the members a sense that they are contributing to organization policy formulation, and to retain their allegiance to the organization.

It is worth noting that failure to immediately include one of these issues in a brief does not preclude CFIB from including the issue in a later pre-budget brief. And as evidenced by the spousal deduction question, which was repeated three times, CFIB does not forget its unsuccessful proposals. As Bulloch has stated, "We never give up, and we never go away" (32).

**C. Do the Tax Proposals Conform to
an Underlying Rationale?**

According to one CFIB official, "Our glue, the thing that binds this organization together, is the economic and tax climate" (33). Another has stated that, "we appeal to the

rational-economic paradigm" (34). Furthering the economic interests of its members, primarily through its efforts to achieve favourable tax legislation, is thus the underlying rationale for CFIB's existence. Furthermore, although other economic issues have become more prominent in recent years, the early emphasis on tax issues has dominated the organization's agenda since its founding. According to one government official, it is taxation which gave the organization its "kick-start". CFIB has remained consistent in its tax objectives throughout the two decades of its existence.

**D. Are the Proposals Consistent With CFIB's Tax and
Other Objectives?**

All CFIB tax proposals would accomplish one or more of CFIB's tax objectives (35). All except sixteen would either decrease the tax liability of small business or increase the cash flow to and through small business. No proposal would directly increase the tax liability of small business. Of the sixteen that have no small business tax liability or cash flow impact, two (proposals "S" and "U") would increase the tax liability of large businesses or wealthy individuals. The other fourteen (proposals "T", "V" and "W") are administrative matters which would simplify or clarify the Act. Presumably, all proposals would result in a more equitable taxation of small business, at least in the opinion of CFIB and its members.

**E. Is There Any Evidence That The Proposals Are
Influenced By Political Considerations?**

There is no evidence that CFIB tailors its tax proposals to the philosophy or ideology of the three major federal political parties. As CFIB has declared, it is a non-political issue-driven lobby group, "completely non-partisan, taking absolutely no position when it comes to party politics" (36). This assertion is, however, difficult to reconcile with the numbers CFIB purports to represent and its frequent references to the voting potential of its members.

From Table 6-2, one can see that a number of unresolved issues have been proposed virtually unchanged to both Liberal and Conservative Finance Ministers following a change in government. Furthermore, although much of its lobbying efforts are directed to the governing party, CFIB actively lobbies all parties in seeking support for its proposals (copies of the Mandate results are sent to all federal Members of Parliament). A review of Appendix 5-2 reveals numerous meetings with opposition politicians. Attaining opposition support enables the opposition to more effectively criticize government policies, thus perhaps achieving minor beneficial changes, and may mean that the issue will be resolved in CFIB's favour should the opposition emerge victorious in the next election. CFIB has stated, for example, that its victory on the capital gains exemption was achieved, in part, because it was able to

convince the Minister who enacted the measure of its viability while he was opposition Finance critic (37).

Other than the personal attack on Mr. MacEachern following the 1981 budget, CFIB has not openly exhibited a preference for or animosity towards any individual Minister of Finance. Perhaps perceiving that he shares more of CFIB's philosophy than earlier Liberal Ministers, there is some evidence of a more solicitous attitude towards the Conservative Minister, Mr. Wilson, in recent submissions. For example, the November 1985 brief contained praise for two May 1985 budget initiatives. And the 1987 brief referred to CFIB's general support for Mr. Wilson's tax reforms. Mr. Wilson appears to have reciprocated by singling out CFIB for praise in the technical notes accompanying the 1988 budget speech (38), praise which is rarely stated publicly. When asked why this unusual honour was bestowed on CFIB, one official stated, "They worked very hard. When a group works for us very hard, you give them some recognition" (emphasis added).

Nor is there obvious evidence that CFIB looks to the electoral timetable in submitting its briefs. Rather the briefs are prepared (a) in response to direct requests from the Minister, a parliamentary committee or royal commission for input from interested parties, or (b) in anticipation of, or immediately following the announcement of, a budget.

Although there are references to CFIB concern for unemployment and inflation in its briefs, there is little evidence that CFIB is particularly concerned with riding the political-business cycle (39). Only one or two proposals could be considered employment or inflation related, except indirectly. While it could be argued that reducing small business taxes and operating expenses may stimulate employment and/or reduce inflation, it is quite obvious that it is the economic welfare of the owner-operator that is CFIB's primary concern, not the societal unemployment or inflation rate. This point was emphasized in a letter to this researcher from a CFIB official (40). When CFIB proclaims the record of small business in job-creation as a major reason for government advocating its proposals, one must interpret this more as a propaganda tactic than as a Federation goal.

**F. Do the Proposals Conform to the Government's
Goals and Objectives?**

Doern and Phidd (1983) have stated that public policy is an amalgam of ideas, structures and processes (41). The normative content of public policy can be studied by identifying and differentiating the ideologies, dominant themes, ideas and policy objectives of policy makers. Ideology relates to the "isms" of political life as reflected in the fundamental beliefs of the three political parties: liberalism, conservatism and socialism. Dominant ideas transcend political parties and time periods. Policy

objectives refer to the economic or social problems which government seeks to address with specific policy measures.

According to these authors, Canadian public policy is dominated by a concern for efficiency, individual liberty, stability (of income and of other desired conditions), redistribution and equality, equity, national identity, unity and integretion, and regional diversity and sensitivity. These ideas are said to have:

"a separate normative force of their own in that, rather than being always grouped or combined into a larger ideological view, the ideas may be combined or used to embody a particular normative preference in a particular policy field ... Their importance arises out of the fact that any one or all of them can be part of the normative agenda of a particular policy field regardless of how they are defined by governments or even in the statutes that create them." (42)

Analysis of the budget speeches indicates that they reflect these ideas. Tables 6-3 and 6-4, which list the principal government priorities and key words of the speeches, indicate that similar ideas, issues and topics recur throughout the budgets. Regardless of the party or Minister in power, each budget reflects in varying degrees, although expressed somewhat differently, a concern, for example, for inflation, unemployment, economic growth, regional disparity, investment, energy, and international competitiveness. In addition, individual budgets address emerging problems and concerns. One would expect, therefore, that interest groups would not only be aware of these dominant ideas, but would address their proposals to

the concerns expressed so as to enhance the likelihood that government will accept their proposals.

Small business has gradually emerged as a dominant issue in Canadian fiscal policy. Referred to in 1978 as "the unwanted step-child of Canadian politics" (43), the concerns of small business have progressively received more attention by policy makers over the years, primarily because of CFIB lobbying. Each Department official interviewed recognized the significance of small business to the economy. Successive Ministers have referred to the importance of small business in budget speeches. Yet small business is but one of many sectors of the economy of concern to government, which must strive to balance the often conflicting interests of small business with those of, for example, large business, consumers, labour, environmentalists and social activists. Government is also expected to adopt a broader public interest, opting for the common good where it conflicts with special interests.

In preparing its pre-budget briefs, CFIB could adopt one of three general strategies. It could assess the political, economic and social environment, especially emerging social and economic issues, and base its proposals on its reading of that environment, taking into account both the dominant ideas and such key economic indicators as the inflation or unemployment rate (referred to in chapter four as situational variables). Alternatively, it could base its

proposals on its perception of the government's reading of social and economic conditions. Finally, it could proceed without an environmental analysis, basing its proposals solely on its limited set of issues and concerns designed to further the members' self-interest.

As noted earlier in this chapter, there is little evidence that CFIB is concerned with the political timetable. There is also no evidence that CFIB attempts to predict the government's environmental analysis and base its proposals accordingly. (This is one point which could have been clarified had CFIB officials consented to interviews.) And although the briefs present a survey of economic conditions and problems, there is little evidence that CFIB takes a macroeconomic perspective in preparing its submissions. Their references to general economic problems are highly selective and are used primarily as an advocacy tactic (to show government they are concerned about the economy) or as statistical support for their proposals. The empirical evidence indicates that CFIB pursues only those issues in the self-interest of its members, without regard to either its own or the government's analysis of the social and economic environment.

Given that small business has emerged as a dominant issue, proposals from CFIB would be expected to be favourably received by decision makers. Analysis of Table 6-5, which differentiates between the successful and unsuccessful

proposals by issue, indicates a correlation between the successful issues and government concerns. Successes on the small business deduction, research and development incentives and the small business development bond, for example, conform to government priorities at the time of enactment, whereas the relative lack of success on capital gains (at least until the enactment of the capital gains exemption) and the allowable business investment loss can be attributed to the fact that government has never indicated that these issues were priorities.

One must ask, therefore, whether CFIB could improve its scorecard if it adhered more to the dominant themes and ideas of Canadian public policy? Arguably, tailoring its proposals to dominant ideas would enhance their reception by bureaucrats and politicians. However, CFIB strives to be a "potent political force" (44) and "resolutely aloof from any taint of partisanship" (45), with a "commitment to a coherent philosophical platform" (46). If it appeared to be too similar to other associations and to the ideas of government, it may be perceived to be less of a "fighter" and more of a "conciliator", or even a "collaborator". Furthermore, the single-mindedness and bite of its advocacy tactics would be blunted if it did not appear to be solely advocating its members' concerns. Finally, it would have difficulty proclaiming victories if it was perceived to be more closely tied to government policy makers.

G. Are the Proposals Original to the CFIB?

There is little evidence that the tax proposals are ideas which originated with CFIB. As Partridge (1982) has noted, "Entrepreneurs, after all, are more noted for picking up ideas from wherever they can than they are for sharing credit" (47). Many proposals appeared previously in government documents, other studies or publications, or in the briefs of other interest groups. Although not significant in assessing the degree of influence exerted by CFIB, this finding is contrary to a number of CFIB claims of originality. These claims can be assumed to impress the members, especially if they have not read the reports and briefs of other interest groups or the government, a not unlikely assumption. Table 6-6 indicates documented reference to the same or similar proposals made prior to CFIB's proposal by other groups.

PART III

THE RECEPTION ACCORDED CFIB SUBMISSIONS

A. How Many Pre-Budget Submissions are Received by the Department?

Department officials estimate that between forty and fifty formal submissions and several hundred letters are received during any given pre-budget consultation period. The 1984 budget documents referred to submissions from "some 50 organizations" (48). Because there are so few formal submissions, all are considered important, although all may not be accorded equal consideration.

B. How Do Department Officials View the Consultation Process?

From my interviews with Department officials, it is quite clear that, in their view, government controls the budget making agenda. All acknowledged the greater openness of the process following the 1981 budget, but essentially viewed interest group representatives as bringing demands and information to government. There was little acceptance of the notion of a two-way exchange of information and ideas, at least in so far as budget proposals are concerned. In their view, the supplicants bring ideas and proposals to the government; the government listens; the government decides what will be included in the budget. This view is not unlike Good's portrait of the process (49). It is also a perspective subscribed to by CFIB officials (50).

As to specific issues, officials indicated they try to analyze the broad implications of issues rather than the narrow concerns of special interests. They tended to confirm the widespread notion that there is a limit (generally defined by the fiscal balance) to the number of new proposals contemplated in any one budget.

With respect to individual submissions, officials indicated that most are similar in that the petitioners want something specific for their constituency, and that the groups exhibit little interest in matters external to that constituency. Rarely are there conflicting proposals from a defined segment of the community - that is, business groups rarely ask for measures contradictory to other business interests. However, it is not unusual to have contradictory proposals from a business group and a social action or labour group.

Key organizations - that is, those which represent an industry or policy issue the Department is currently reviewing, groups the Department has heard of, and those with a proven track record, tend to receive a more positive response from government as compared to less well known groups, groups which have alienated officials in the past, or organizations whose concerns are not currently under study. The submissions of those organizations granted an audience with the Minister automatically become important. A critical factor is whether the association maintains on-

going contact with Department officials between budgets. Whereas most of the major associations do so, certain groups submit briefs irregularly, generally on an issue by issue basis. These groups are not as well received as groups maintaining contact with the Department. Other factors considered important were the provision of useful information, especially technical data, and the perception of some organizations as being politically important.

Interestingly, the size of an organization was not considered important by Department officials in evaluating the merits of the association's proposals. They did acknowledge, however, that size may be important to the Minister and his political advisors. In the officials' view, if the issue is important to the economy as a whole, the matter is important, not the size of the sponsoring association.

C. Why Do Department Officials Listen to CFIB?

In general, officials indicated they paid attention to CFIB when they were considering measures related to small business, just as they would pay attention to the Tourism Association of Canada if they were considering measures affecting tourism. In varying degrees, officials acknowledged that they listen to CFIB because of its constituency, the technical data it possesses, its perceived political importance, and the prominence of Bulloch. Although officials unanimously agreed that a

critical factor in reviewing CFIB's proposals is "who they represent", especially if a measure which impacts on CFIB's membership is being studied, when asked to indicate the single most important factor in establishing the credibility of the Federation, only one indicated "who it represents". One indicated its reputation and the credibility of Bulloch, another its highly political nature, and the fourth its past record. Only one indicated that Mandate polls were of interest (this the official who had used the polls to gather information).

The reception given Federation briefs appears to be at variance with CFIB's public statements. Whereas CFIB refers to its representations as being "on behalf of our members" (51), when asked whether they perceived CFIB to speak for only its members, all small businessmen, all businessmen and informed individuals, or all taxpayers, each official viewed the Federation as representing the entire small business sector, not just the Federation's members. While acknowledging the importance of small business as a priority of each government ("small business is next to saintliness", in the words of one official), two officials alluded to the political implications of the small business constituency. As one official stated, "the impact on small business is something we consider on nearly everything we do ... not just because of the CFIB, but because it is a genuinely important item".

Because Department officials consider technical data superior to general statements of problems or demands, CFIB is useful to them in that it is able to supply the results of its surveys, research studies and grassroots feedback. There is evidence that the Department and CFIB engage in mutual exchanges of information, with all of the attendant reciprocity implications. One official indicated that he had worked with Bulloch quite closely on the development of small business tax measures over the years. The Department has used Mandate polls on two occasions to gather the views of the membership, Department officials and Bulloch working together to draft the questions (52). CFIB also makes the written comments supplied by members on Mandate polls available to the Department. One official considered these comments to be "quite helpful" in gauging public reaction to economic problems, concerns and complaints. This official stated, "I tend to use John as a sounding board." In exchange for this valued information, another official indicated that, short of compromising budget secrecy, it would not be unusual for his office to forewarn Bulloch of imminent policy announcements so that CFIB could prepare a media response.

While professing not to be swayed by the political impact of interest groups, officials noted that some groups are considered more politically sensitive than others. Farm groups and small business advocates were placed in this category. CFIB, considered "a highly political

organization" by one official, was considered important to the officials because their political masters are "wary of annoying the CFIB because of the votes it may command". One official seemed to be particularly concerned with the political nature of the Federation. In his view, the Federation represents a large and politically sensitive constituency, is very aggressive in its lobbying, and is not as politically sensitive in its proposals as other associations. One official added that, "the amount of credence Ministers and members of caucus give the CFIB is extraordinary".

An important reason for the reception given CFIB is that Bulloch has become so prominent a public figure that he no longer meets with Department officials, but directly with the Minister. Other reasons for favourably receiving CFIB submissions were cited as its history of effective advocacy, its past record of achievement, the fact that the Federation is perceived to be quite close to its members, and its usefulness in explaining government policy to its members.

In conclusion, the general sentiment was that small business is important, therefore CFIB, as the recognized small business lobby group, is important.

D. How Do Department Officials Rate CFIB Submissions?

The Federation's submissions appear to be well received by Department officials, who rated them as "average" or "better than average". However, as one official indicated, "most submissions are average". The officials generally agreed that the Federation does a good job of representing the member's views in their submissions. CFIB was lauded for stating its arguments well, for presenting viable alternatives, for culling out ideas that are "just non-starters", and for not advocating "far-out proposals that tend to cost billions". As one official stated,

"If policies are really dumb, they're generally not going to be well received regardless of whose application they are."

Apparently, this could not be said for all submissions received by the Department. On the negative side, CFIB was criticized as not being as sensitive to overall policy considerations as other groups.

E. How Frequently is CFIB Consulted by the Department?

While it is impossible to categorically determine the number of meetings between CFIB and the Department, or the reception accorded CFIB officials, there is considerable evidence that CFIB officials have direct access to the Minister and the Department. Seventeen issues of Mandate contain pictures of CFIB officials with the Minister, one with Department officials, spanning the study's entire time frame (Appendix 5-2). Mention has been made of the Department's use of Mandate for polls it wished CFIB to

conduct and to the Department's use of Federation-supplied data. Although only one Department official has had extensive personal contact with Bulloch ("I've got a very good personal relationship with John."), two others have dealt with other CFIB officials. The remaining two are in positions which would not normally bring them into direct contact with lobbyists. In addition, the documentary evidence obtained makes reference to private meetings and correspondence between the Minister and CFIB.

PART IV

THE SUCCESSFUL PRE-BUDGET PROPOSALS

A. How Many CFIB Proposals Have Been Included, in Whole or in Part, in Federal Budgets?

Interest groups may successfully influence tax policy by lobbying for tax measures beneficial to their members. A successful pre-budget proposal is defined in this dissertation as one which is included, in whole or in part, in a future budget or is enacted directly without going through the budget process. A cursory review of Part III of chapter five and Table 6-7 indicates that of the seventy-six pre-budget proposals, thirty-one were successful: thirty were included in a future budget or non-budget tax change, and one, the request for a more open consultation process, did not require legislation.

At first glance it would appear that CFIB is not very successful, in that only about forty percent of its proposals were included in later budgets. This crude measurement is not meaningful, however, as there is no readily available yardstick against which to evaluate the success rate of these proposals. One would need to ask whether other interest groups were more or less successful? Of more importance, one must evaluate the impact of each proposal in monetary or symbolic terms to the small business community, as not all successes can be ranked equally. Furthermore, as indicated in chapter five, some of the proposals are versions of previous proposals. Thus a

straightforward counting analysis could lead to an improper assessment of Federation success. One must more closely examine the characteristics of the successful and unsuccessful proposals to properly evaluate the degree of influence exerted by CFIB and the significance of its victories.

B. Is There Any Difference in the Nature of the Successful and Unsuccessful Proposals?

1. The Issues

If one examines the success rate of the proposals by issue type (Table 6-5), the Federation has been relatively successful in certain areas (the small business deduction, employment tax credit, spousal deduction, loss carryovers, the abuse of tax shelters, reducing capital incentives to larger companies, and opening the budget process), although a number of these proposals were only made once. On other issues (capital gains, cash flow and equity base enhancement) CFIB has been less successful. A number of the unsuccessful proposals are versions of earlier unsuccessful proposals.

2. Taxpayer Type

Table 6-7 categorizes all proposals by the taxpayer group directly benefiting from the proposal. It must be noted that CFIB members are included in all categories except "Large Corporations", as the membership is comprised of individuals, partnerships and limited companies [Table

3-4(E)]. On this dimension, twenty-eight of the thirty-one successful proposals would benefit Federation members. The remaining three proposals would benefit large corporations only. All forty-five unsuccessful proposals would have benefited CFIB members.

Examined differently, Table 6-7 can be divided into those proposals which benefit only the members, and those which affect the members as part of a larger group of taxpayers. Thus twelve successful proposals (thirty-five percent of thirty-four submitted), affect exclusively Federation members. The remaining sixteen (forty-one percent of thirty-nine submitted), affect members and other taxpayers.

3. Direction of Tax Effect/Cash Flow

All successful proposals except five would either decrease the tax liability of small business or increase the cash flow and availability of equity capital to and through small businesses. None would directly increase the tax liability or decrease the cash flow of small business. Two (proposals "S" and "U") would increase the tax liability of large corporations or wealthy individual taxpayers. The other three are administrative matters. (See Table 6-8 for either the Department's or CFIB's estimate of the tax cost/benefit of many of CFIB's proposals.)

**C. Is There Any Evidence That CFIB Has Prevented the
Implementation of Potentially Harmful Tax Measures?**

Arguably, of equal importance to its defined success rate is CFIB's ability to prevent the implementation of potentially harmful tax measures. CFIB has claimed credit for preventing the implementation of government proposals for a negative income tax and value added tax, and for the preservation of a number of income tax measures beneficial to small business. The analysis problems in this regard center on the government's use of "trial balloons" - that is, policy announcements designed to test the reaction of interested segments of the electorate, and an inability to verify that the government's failure to act was the result of effective lobbying or simply the government's determination that the measure did not need adjustment. Was the government's failure to implement its negative income tax proposal a success for the Federation, or simply the government's sense that the idea was too unpopular or unworkable to be implemented? Can CFIB be credited with saving the full capital gains exemption on the disposal of shares in small businesses, or did the government even consider removing the exemption?

Is there any evidence that the Department has failed to include a tax measure because it feared adverse CFIB reaction? Although documented proof of such an ability is impossible to obtain, one official indicated that CFIB has

been "fairly successful in preventing the Department from doing things they would otherwise have wanted to do".

D. What Has Been the Effect of CFIB Victories?

1. Overview

CFIB successes at influencing tax policy can be assessed on at least two dimensions: the tax savings to small business, and the much harder to measure symbolic nature of the proposal. An accurate computation of the benefit or cost of a tax measure is difficult to calculate because of the complex inter-relationships involved in the determination of taxes payable. Unlike a direct subsidy or expenditure programme (for which the cost can be estimated with reasonable certainty), each individual tax measure is only one small part of an intricate, inter-related calculation. In addition, not all measures benefit/cost all taxpayers equally. For example, a tax rate reduction will only benefit companies which are taxable. Some potentially taxable companies may also be able to offset current taxable income with losses of other years. Other measures are inherently discriminatory, applying to specific transactions, taxpayers or types of income. Finally, many measures were, until recently, presented without an estimate of the tax impact (53). Thus one is left with the claims of the proposing group (which may be somewhat exaggerated), or published government figures which may have been hurriedly prepared or based on macroeconomic models of taxpayer behaviour heavily

dependent upon assumptions and estimates. Table 6-8 itemizes the government's or CFIB's projection of the tax effect of many of the proposals contained in this analysis.

2. The Successful Proposals Classified

The thirty-one successful CFIB proposals can be classified as significant, moderately significant, insignificant or costly to small business.

(a) Significant Successes

Eighteen of the successful proposals led to budget measures which can be considered significant benefits to small business in that they potentially could result in large tax savings or cash flow enhancement to qualifying small businesses (Table 6-9).

(b) Moderately Significant Successes

Four of the successes can be considered moderately significant in that they apply to or were used by a limited number of small businesses, or would result in only a modest tax saving to affected businesses. These are the proposals to:

- (i) eliminate the tax penalty for investing surplus funds in investments other than the company,
- (ii) implement the employment tax credit,
- (iii) eliminate tax shelter investment abuses, and
- (iv) suspend the collection of taxes payable while tax cases are being objected to or formally appealed.

(c) Insignificant Successes

Eight of the successes can be considered insignificant in that they were (a) never enacted (extension of the deadline for filing a notice of objection; the mortgage interest and property tax deduction), (b) apply to large, publicly-traded companies only (the registered shareholder investment plan, re-introduced in 1983 as the indexed security investment plan; the deduction for underwriting fees for new equity issues), (c) were recommended by so many organizations, or were proposed so long before implementation that CFIB's influence would have been negligible (simplification, more public pre-budget deliberations, a royal commission to study Revenue Canada), or (d) were of no appreciable economic consequence (opposition to the delegation of the definition of the terms "qualifying business" and "non-qualifying business" to the Regulations rather than inserting them in the body of the Income Tax Act).

(d) A Success Which May Have Cost Small Business

Arguably, CFIB's proposal to reduce capital incentives to large businesses could have added to the tax liability of numerous members. When the government adopted policies adhering to this proposal in 1986, it balanced the reduction in incentives to larger businesses by extending the application of the repealed rules to small businesses as well. Both the inventory allowance and the general investment tax credit were eliminated, two measures

beneficial to small business. Compensating for these lost incentives, however, was a general reduction in the basic corporation tax rate and repeal of the Part II tax which applied to small businesses.

3. Symbolic Victories

Although no such victories are publicly recognized in the tax field, the creation of the federal Ministry of State for Small Business and the Small Business Secretariat in 1976, according to Partridge (1982), "the most important symbols of small business's arrival on the political stage" (54), is generally recognized as the Federation's major symbolic victory. Critics, however, have suggested that the Ministry has produced little in the way of significant legislation and has been headed by a series of low profile Ministers (55).

E. What Accounts for the Time Lag Between Proposals and Their Inclusion in a Budget? Is the Time Lag Dependent Upon the Nature of the Proposal? What Accounts for the Different Time Lags of the Successful Proposals?

1. Overview

The elapsed time from proposal to inclusion in a budget may be due to a number of factors. Political sensitivity, the amount of public controversy surrounding the proposal, the number of taxpayers affected, whether the proposal is a tax expenditure, necessitates new legislation or an amendment to an existing law, and the industry affected are among the considerations which must be taken into account. In addition, government is concerned with administrative

problems, the potential revenue loss, conflicting priorities, and what the 1976 budget referred to as "the wider public interest" (56)..

An examination of Table 6-10, which categorizes successful proposals by the length of time each took to appear in a budget, reveals that fourteen proposals took several years to appear in a budget, while sixteen were included within a year or two of CFIB's proposal. The remaining successful proposal (opening the pre-budget process to more consultation) would not appear in a budget. Certain issues exhibit a time pattern. Whereas the capital gains proposals appear on the "slow" list, the small business development bond proposals all appear on the "fast" list. However, proposals pertaining to the small business deduction and research and development appear on both lists. Single proposals obviously appear on only one list.

2. The Fast List

A distinction can be made on the basis of the on-going nature or the currency of the issue. Issues such as the small business deduction and corporate tax rates are constantly reviewed and amended by the Department. Therefore CFIB proposals in these areas, if they adhere to current government policy concerns, are likely to appear relatively quickly in a budget. The placing of the definition of qualifying and non-qualifying businesses in the Income Tax Act rather than the Regulations, recommended

by CFIB in 1979, was contained in the 1979 budget; a deduction for underwriting fees was included in the 1983 brief and the 1984 budget; and extensions of the small business development bond programme appeared in budgets following CFIB briefs. Other proposals pertain to legislation the government recently enacted (the small business development bond proposals and the tax penalty for investing surplus funds), or to programmes the government studied or announced were under review (research and development policy, tax shelters, the employment tax credit).

Critics indicate that these apparent quick successes result from CFIB knowledge of the issues the Department is examining, rather than being the result of specific CFIB initiatives, or that CFIB includes proposals in its briefs that it is reasonably certain the Department is including in a forthcoming budget so that it may increase its post-budget victory scorecard (57).

3. The Slow List

On the other hand, the proposals on the slow list tend not to be of a similar nature. On some issues, the Department had difficulty working out the details of the legislation, encountered assessment concerns, or tried an alternative solution. On others the government presumably determined that the time was not right for the proposal, either because there was no demonstrated need, the proposal did

not conform to the government's agenda, or the government was faced with more pressing problems.

For example, after wrestling with the problem of professional income for many years, attempts to prevent abuses of the law led to a number of amendments designed to deny professionals the small business deduction. When finally included in 1984, the government was able to curtail most of the abuses. The issue of re-investing deferred profit sharing plan and registered retirement savings plan funds in small businesses required the cooperation of the financial community to be equitably enacted. In addition, the Department was concerned about potential legal complications arising from these proposals. The expansion of the research and development incentives resulted from a long series of studies into the issue, none of the problems encountered as seemingly easy to resolve as CFIB suggested.

In commenting on these issues, CFIB has noted that, "It often takes us two to five years to gain a victory on behalf of our 64,000 members ... At any one time we're dealing with at least 50 small business issues at the federal and provincial levels" (58), and that "patience and persistence (are) required to achieve substantial changes in public policy" (59).

4. The Spousal Salary Deduction

An example of a relatively long budget gestation period was the campaign to extend the spousal deduction to

unincorporated businesses, an irritant to small business for many years. Prior to 1979, a salary paid to a spouse of an incorporated individual was deductible against taxable income, but could not be deducted if the business was unincorporated. This inequity was recognized by the Department and most businesspersons as unjust and in need of rectification. CFIB included a proposal for such a deduction in at least three briefs. Finally, the Conservative government included the deduction in its 1979 budget. Although this government was defeated before its budget was enacted, the new Liberal government felt obligated to include the measure in its forthcoming budget because of the widespread expectation that the measure would be implemented.

Department officials cited potential income splitting abuses, administrative difficulties in adequately policing the deduction, and the revenue loss as reasons for not enacting the measure earlier. But, as one official indicated, "It became difficult to justify not allowing it just in pure tax policy terms ... So the time became appropriate where ... the politics of defending what was widely perceived as an unfair provision just didn't allow it to continue ... You can't deny it in legitimate cases simply because there will be some abuse."

Interestingly, CFIB was not considered the prime motivator of the measure, contrary to its claims. As one official

pointed out, "Affirmative action had something to do with it, women were a stronger force in the workplace, sometimes working hand in hand with their husbands." Another indicated the farm community and the professions were more important than small business on this issue, especially as many small businesses were perceived (incorrectly) by the officials to be incorporated. Finally, another official indicated that changes in government, the individual Ministers, or the way in which problems and issues are perceived may prompt the adoption of policies that have long simmered.

5. The Successful Proposals By Year

Examining the proposals by year of origin (Table 6-11), it would appear that CFIB has increased its winning percentage from approximately 31.5% during the 1970's to 42.5% during the 1980's. Possible reasons for this improvement could be:

- the greater viability of its proposals,
- the higher public profile of Bulloch,
- greater resources expended on research,
- more and better research data,
- more credibility given to CFIB and its proposals by the Department,
- more effective and sophisticated lobbying tactics,
- more familiarity with Department needs, priorities and concerns, and
- improved presentation of the proposals.

PART V

COMPETITION AND THE SCRAMBLE FOR MEMBERS

A. Rival Representative Associations

Although the largest small business organization in Canada, CFIB nevertheless directly competes with other groups for the allegiance of prospective members. CFIB realizes that whereas it is not uncommon for individuals and firms to belong to more than one association, they would not normally join more than one small business group. Small business owner-managers may join relatively small groups such as the Independent Businessmen's Association in British Columbia or the United Small Business of Nova Scotia, the Canadian Organization of Small Business (COSB), the local affiliate of an umbrella business organization such as the Canadian Chamber of Commerce, their local Board of Trade, or any number of industry trade associations. (For a listing of major Canadian interest groups, see Appendix 6-2.)

The activities of each group vary. Whereas CFIB actively lobbies government, and is not directly concerned with its members' specific problems, the smaller groups are regionally located, are concerned with the business problems of their members, often act as self-help groups, and rarely, if ever, lobby government. COSB is both a problem-oriented association and an active lobbyist. The umbrella organizations and trade associations lobby government and offer their members a range of services.

B. CFIB's Attitude Towards Other Associations

Doern and Phidd (1983) have labelled CFIB "openly suspicious and often critical of the other business associations" (60). CFIB's normal public posture is to convey the impression that it is the solitary voice of small business, rarely acknowledging the existence or lobbying efforts of other associations, large or small. No reference to other small business associations has been found in any CFIB publication, possibly because CFIB believes its members are unaware of the existence of potential competitors, a not unlikely assumption. A rhetorical tactic is to loudly proclaim that big business is running rampant over entrepreneurs. As noted later in this chapter, CFIB has publicly challenged the Business Council on National Issues (BCNI), a prominent association comprised of the chief executive officers of approximately one hundred and fifty of Canada's largest companies, on tax reform.

CFIB officials tend to publicly dismiss the other business groups. One stated, "No, I don't believe the Federation has any competitors" (61). Another noted, "We are not in competition. We do very different things" (62). Bulloch even stated that he "welcomed" the birth of COSB (63), a comment which cannot have reflected his true thoughts. He has also been quoted as not considering umbrella groups such as the Canadian Manufacturers' Association to be competitors, using as his rationale the fact that CFIB then

had approximately eleven thousand members from the manufacturing sector, more than the Manufacturers' Association (64). This argument conveniently ignores the fact that the potential member base of CFIB is much larger as it includes all small businesses directly or indirectly related to manufacturing, whereas the Manufacturers' Association is comprised primarily of large manufacturing concerns. Bulloch has also stated that CFIB encourages members to join specific trade groups as well as belonging to CFIB (65).

C. A Concern For Confidentiality

CFIB has exhibited hostility and suspiciousness towards both insiders and outsiders. Departing staff members have been threatened with court action to prevent them from removing confidential information from the Home Office (66). Home Office and most regional officials refused this researcher's request for interviews, in part because of their fear that confidential information could fall into the hands of competitors (67). Another researcher was refused permission to reprint a CFIB advocacy ad (68).

D. COSB - The Major Small Business Competitor

The Canadian Organization of Small Business (COSB) is CFIB's major competitor for the allegiance of small business owner-managers. In fact, it has provocatively entitled its newsletter "The Voice of Business" as a direct challenge to CFIB's pre-eminence. This six thousand member

national organization, formed as a result of CFIB's 1979 internal crisis (69), acknowledged its debt to CFIB by stating that a number of its early briefs were continuations of briefs submitted by CFIB (70). COSB's stated objective is similar to CFIB - that is, "to promote a philosophy of socially responsible, independent, competitive enterprise in Canada, and the (intellectual and political) climate in which it thrives" (71). This somewhat lofty statement reflects the personality of Dan Horigan, the President, who bills himself as an "economic philosopher" and a "consultant for socially responsible individual enterprise" (72).

COSB prepares briefs to government but, unlike CFIB, attempts to provide direct assistance to members in dealing with government or individual problems. It holds periodic business development seminars, offers discount group travel and insurance programmes, and a unique networking system which allows members to barter with one another. Similar to CFIB, its newsletter contains victory claims, although not as numerous, strident or boastful as CFIB (73). A number of COSB members and officials have been appointed to tax-related government commissions (74).

In addition to the direct provision of services and the size differential, there are two major differences between the organizations. Whereas CFIB relies on its surveys to statistically support its briefs, COSB has no active

polling mechanism to gather the views of its members (although the 1989 goods and service tax debate did produce a COSB member survey). And whereas COSB deals with issues specific to individual businesses, CFIB deals with general issues affecting most small businesses. COSB did force CFIB to become more concerned with its members' day-to-day problems, evidenced by the formation of CFIB's Member Services Information Division.

E. Collaboration With Other Interest Groups

CFIB has joined other groups in coalitions when concerted action was deemed necessary to lobby government (75), although with the notable exception of the war on the 1981 budget (76), CFIB rarely engages in coalition lobbying on tax issues.

F. Public Debate With BCNI

When the BCNI advocated the elimination of the small business deduction and the capital gains exemption during the 1987 tax reform debate, CFIB engaged in a public squabble with the Council in the press and Mandate. While recognizing the special problems small business encounters raising equity financing, the Council proposed a single corporate tax rate, which would effectively increase the small business rate. In a balancing set of proposals, BCNI proposed a reduction in the existing rate to thirty-five percent, a provision to allow small corporations to be taxed as partnerships, transitional relief for locked-in

retained earnings, and a full dividend tax credit for small business. The effect of these proposals would have been an eleven percent drop in the rate applying to large corporations. The so-called compensating proposals would have done little to help small business.

Mandate informed members that the Council's proposals were "a slickly disguised effort to protect big business benefits and shift the load onto small business and consumers" (77). Members were told that, "As for the BCNI, they know they've got a fight on their hands" (78). The eventual tax reform legislation did reduce the general corporate rate to thirty-eight percent. However, both the small business deduction and capital gains exemption for small businesses were retained.

G. The Tax Proposals of Rival Associations

As indicated earlier in this chapter, fewer than fifty interest groups annually submit pre-budget briefs. Although formal submissions of other representative organizations were not available to this researcher, over two hundred and fifty organizations participated in the 1987 tax reform debate, presenting submissions to either the Minister or one of the parliamentary committees which studied the tax reform proposals (79). These briefs will be used to compare the lobbying tactics of CFIB and rival interest groups.

The other groups utilize many lobbying tactics similar to CFIB. Most maintain a tax advisory committee which studies emerging tax issues and publishes policy papers for distribution to members and the public. Each corresponded, both verbally and in writing, with the Minister and his officials. Most referred to meetings held with the Minister (a number referred to the on-going nature of these meetings). Their members were kept abreast of organization lobbying activities and the progress of the debate through newsletters, tax articles in publications for members and the public, and annual conferences. Press releases were used by a number of associations. One group (the Life Underwriters Association of Canada) urged its members to personally contact Members of Parliament.

Similar to CFIB, the briefs of the other groups advocated proposals for new legislation beneficial to the group's members or the protection of existing legislation of concern to its members, industry or constituency. There was little evidence of a concern for small business, per se. Common themes were expressed in the briefs. Although phrased differently, each group advocated government strategy to, for example, encourage investment and job creation. The need to curtail government spending and reduce the deficit was expressed by the business groups, although not by non-business groups. Most groups expressed a willingness to work with government to solve economic and social problems, especially if government enacted their

policies. Few submissions were openly antagonistic and critical of government.

The major differences between CFIB and the other groups relate to post-submission tactics. There is little evidence of victory claims from the other groups. And whereas CFIB's post-submission press releases and newsletters tend to be rather strident in nature, those of the other groups are more conciliatory in tone, summarizing the points made in the brief.

Other than BCNI's proposals, only a few proposals from non-business groups fell within CFIB's policy area, generally opposing CFIB policy. The National Anti-Poverty Organization was critical of the \$100,000 capital gains exemption, urging its repeal. The Canadian Labour Congress advocated measures to reduce the use of registered retirement savings plans and to eliminate corporate loopholes. One business group, the Canadian Construction Association, proposed extending the small business deduction to all corporations. None of these measures, with the exception of amendments to curtail corporate loopholes, were included in the eventual tax reform legislation.

CFIB's tax reform brief generally supported the thrust of the Minister's programme. CFIB requested modification to a number of provisions, in particular the anti-avoidance, automobile expense, source deduction, and penalty

proposals, amendments advocated by many groups. Changes were requested to extend the capital gains exemption to third party investors in small businesses and to shares or units in pooled funds invested exclusively in small businesses. These measures were not implemented by the Department. CFIB reiterated its opposition to a value added tax.

In summary, tax reform extended the preferences enjoyed by small business, although a number of compensating measures were enacted to maintain an overall balance. As the C.D. Howe Institute has stated, "no government will want to tackle the current system of special treatment for Canadian small business" (80). Arguably, this conclusion can be attributed, in large measure, to the past lobbying efforts of CFIB.

PART VI

MEMBERSHIP GROWTH AND THE NEED FOR FINANCIAL RESOURCES

A. Expenditure and Revenue Growth

(1) On an Actual Dollar Basis

As can be seen by Table 6-12(A), except for 1983, CFIB expenditures have increased annually, reaching almost \$10 million in 1987. In three of those years, annual expenditures increased by over \$1 million: 1981, due to field organization expansion; 1982, as a result of the 1981 budget war; and 1986, reflecting the cost of computerizing CFIB's administration and research facilities. Expansion of the membership base has also contributed to expenditure growth. Consequently, CFIB has been faced with an annual need to expand its financial resources.

As CFIB is totally dependent upon its members for operating funds, if it is to survive as a viable organization, increased memberships, and the fees they pay, are critical. As Table 6-13 (which summarizes annual incremental revenues and expenses) indicates, whereas annual revenues grew more than expenditures throughout the 1970's, from 1980 to 1987, revenue growth exceeded expenditure growth in only three of the eight years. As a result, CFIB's cash flow position has become a critical concern. The Federation has experienced a steadily deteriorating cash position for a number of years (Table 6-14). Although the 1987 balance sheet reveals a cash balance in excess of \$166,000,

accounts payable are approximately \$90,000 in excess of that amount (Table 6-15).

(2) On a Constant Dollar Basis

Table 6-12(B), which plots CFIB's annual expenditures in constant dollars, reveals that while annual expenditures grew annually (except for 1983), there is an inconsistent pattern in the amount spent per year expressed on a per member basis and on an incremental member basis. Although the general trend in per member spending has risen over the years, for a number of years in the 1970s, and for 1983 and 1984, the annual amount spent per member declined. The Table indicates a totally inconsistent pattern when annual expenditures are computed on an incremental member basis, unlike the relatively consistent increase in annual revenues indicated on Table 3-5. Not only do the annual increments fluctuate from twenty-two dollars to over two hundred and sixty dollars, but the annual trend is inconsistent. For example, large annual increases were noted in 1984 and 1986, followed by much lower increments in 1985 and 1987. Furthermore, although annual per member expenditures are relatively comparable to the annual revenue increases (Table 3-5), expenditures expressed on an incremental member basis are significantly higher than annual incremental member revenues, indicating a major reason for the deteriorating financial position of CFIB. One must conclude, therefore, that CFIB either has no policy for planning expenditures in relation to annual

membership increments or has been unable to follow such a policy. It would appear, therefore, that CFIB's expenditure patterns are determined to a large extent by the costs of involving itself in lobbying campaigns and other administrative concerns rather than reflecting an incremental member expenditure policy.

Figure 6-1 plots CFIB's annual revenue growth in constant dollars from 1971 to 1987, and Figure 6-2 notes the size of CFIB's annual revenue growth rate. As indicated by the slope of the graph (Figure 6-1), overall revenues have grown annually, except for 1980 which experienced a modest increase of \$2,628 (Table 3-5). The slope of the graph closely parallels the nature of CFIB's advocacy tactics. Although the annual growth rate was declining from 66% in 1975 to 15% in 1979 (Figure 6-2), total revenues increased during the 1970s, the period of CFIB's more outrageous publicity campaigns (Table 3-3 and Appendix 3-1). Total revenues, and the annual growth rate, climbed perceptibly following the much publicized 1981 budget war, and in 1984 following the attacks on Revenue Canada. With no significant issues to attract publicity, and a transition to a more conciliatory lobbying strategy, the remaining years of the 1980's experienced more modest revenue growth rates. There is no apparent publicity related reason for the growth rate increase of 16% in 1986. Two possible reasons are the members' concerns about the upcoming tax

reform and the increased per capita member contributions noted in 1986.

FIGURE 6-1
Annual Revenue Growth in Constant Dollars

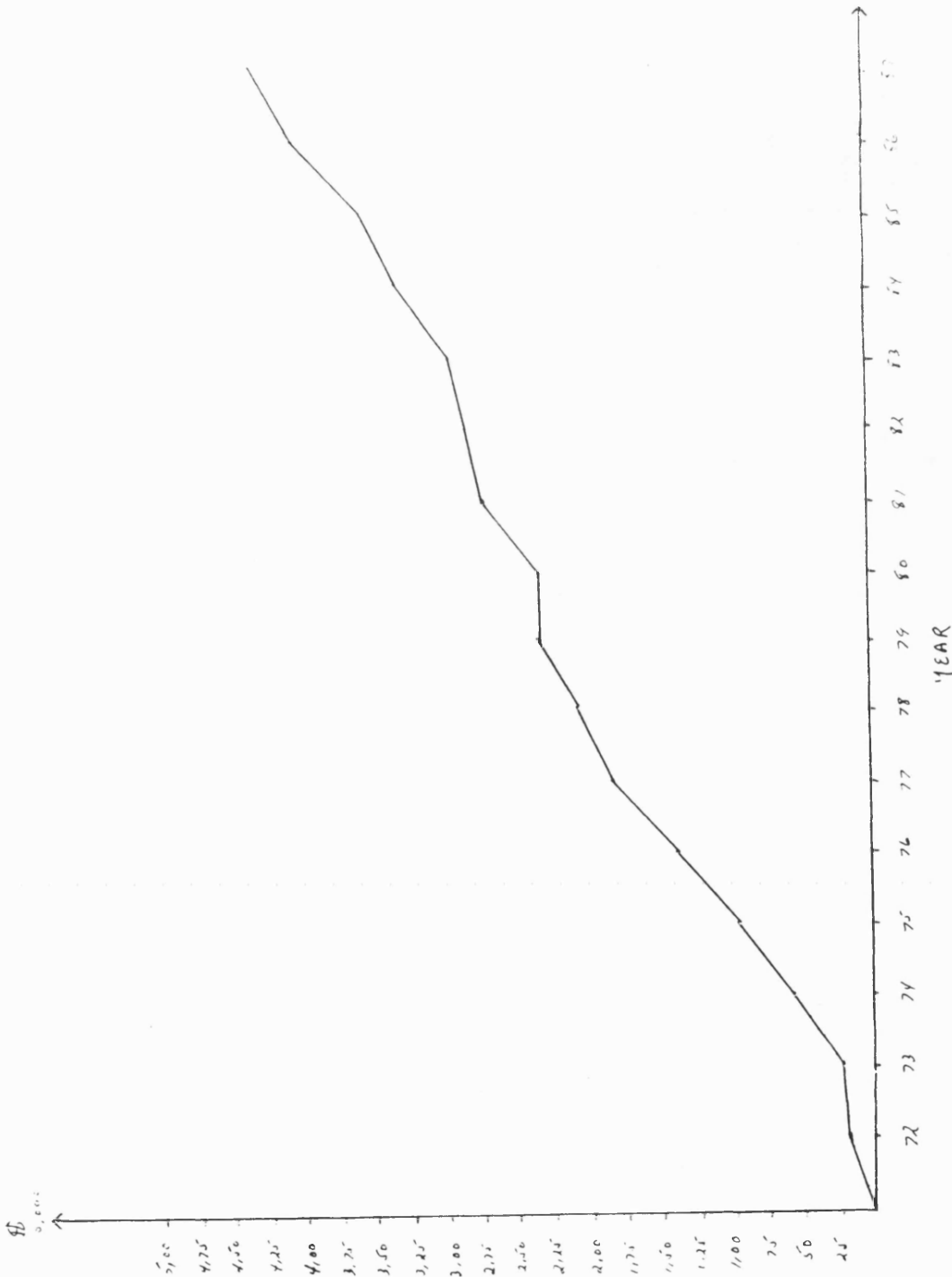
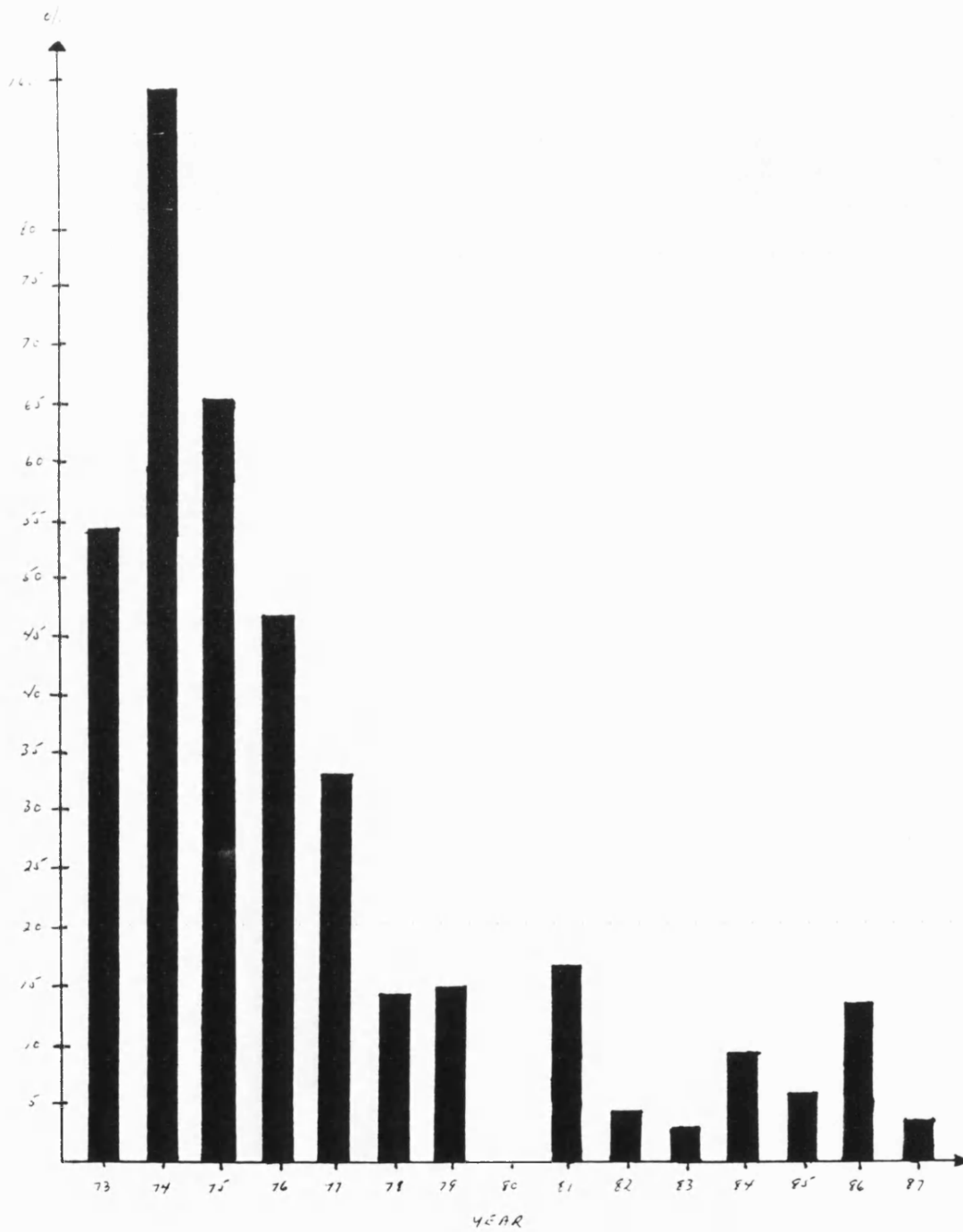


FIGURE 6-2
Annual Growth Rate



An examination of per capita annual contributions (Table 3-5) reveals another possible reason for the fluctuations in annual revenue. Obviously, total revenue is a multiple of the membership and the annual fee. Thus an increase or decrease in the annual contribution will affect the pattern of revenue growth. In constant dollars, the annual contribution climbed from thirty-five dollars in 1974 to forty-four dollars in 1979. The zero growth rate in 1980 was accompanied by a two dollar per member drop in the voluntary membership fee. Each of the annual growth rate increases thereafter was accompanied by a significant increase in the annual per capita contribution (four dollars in 1981, three dollars in 1984, and five dollars in 1986). This factor alone accounts for \$380,000 of the \$553,606 revenue increase in 1986.

In the absence of a survey of the members, one can only speculate on the reasons for the increased annual contributions. The members may have felt more attached to the association because of its perceived successes on their behalf. Greater member prosperity may have made it possible to contribute more. Or the salespersons may have been more aggressive in suggesting a contribution level more in line with CFIB's revenue needs. From this researcher's personal experience, CFIB's conversion from a totally voluntary annual contribution to an invoice format on which the salesperson has indicated a "suggested" annual

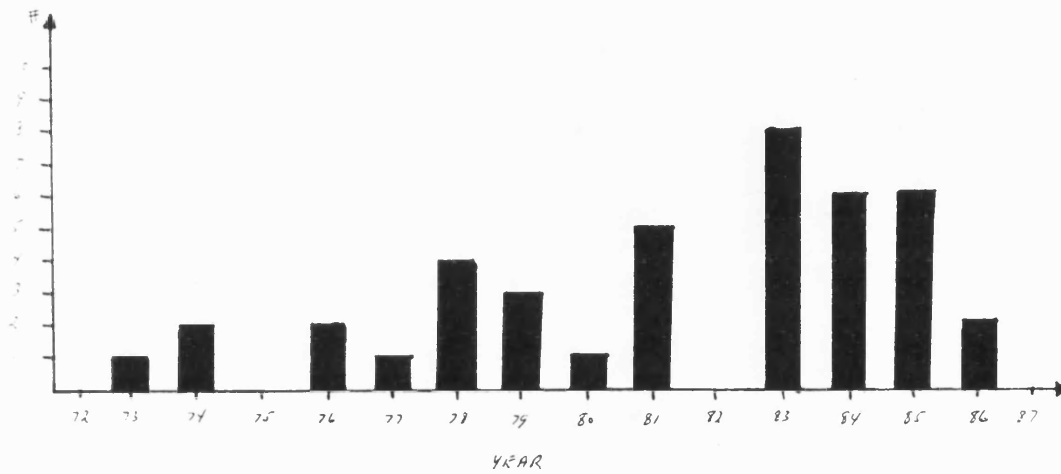
contribution, has resulted in an annual contribution in 1991 of almost double that made in 1980.

One can conclude, therefore, that a combination of significant issues of concern to the members, CFIB's publicizing of its effort to seek redress for those issues, and increases in the annual member contributions account for the revenue increases, and the rate of growth of the revenue increases.

There is no apparent correlation between the tax proposal successes of CFIB, and their publicizing of those successes, and their annual revenue increases. Figure 6-3, which depicts the number of tax proposals which were included in annual budgets, indicates a pattern of successes generally opposite to the revenue growth rates depicted in Figure 6-2. Only three tax successes were noted in 1973 and 1974, a period of rapid revenue growth. During 1978 and 1979, seven successes were recorded, yet revenue growth levelled off at a much lower rate than the earlier years. The 1983 revenue growth rate was the lowest annual growth rate recorded by CFIB, yet the 1983 budget recorded the largest number of CFIB tax successes (eight). Only in 1981 and 1986 did the budget successes exhibit a correlation with the tax successes. While not dismissing the value of publicizing these tax successes in terms of attracting members and their dollars, one could argue that the revenue growth during these years had more to do with

the publicity attaching to the 1981 war and the later attack on Revenue Canada than to the recorded budget successes, especially as many of these successes are relatively insignificant in nature (chapter six, Part IV, Section D2).

FIGURE 6-3
Annual Number of Tax Proposals Included in a Budget



B. Penetration of the Member Market

As noted in chapter three, CFIB membership increased annually, reaching seventy-seven thousand in 1987 (Table 3-5). Except for 1981 and 1985, the annual growth rate declined following the rapid growth during CFIB's first three years of operation, falling to one per cent in 1987.

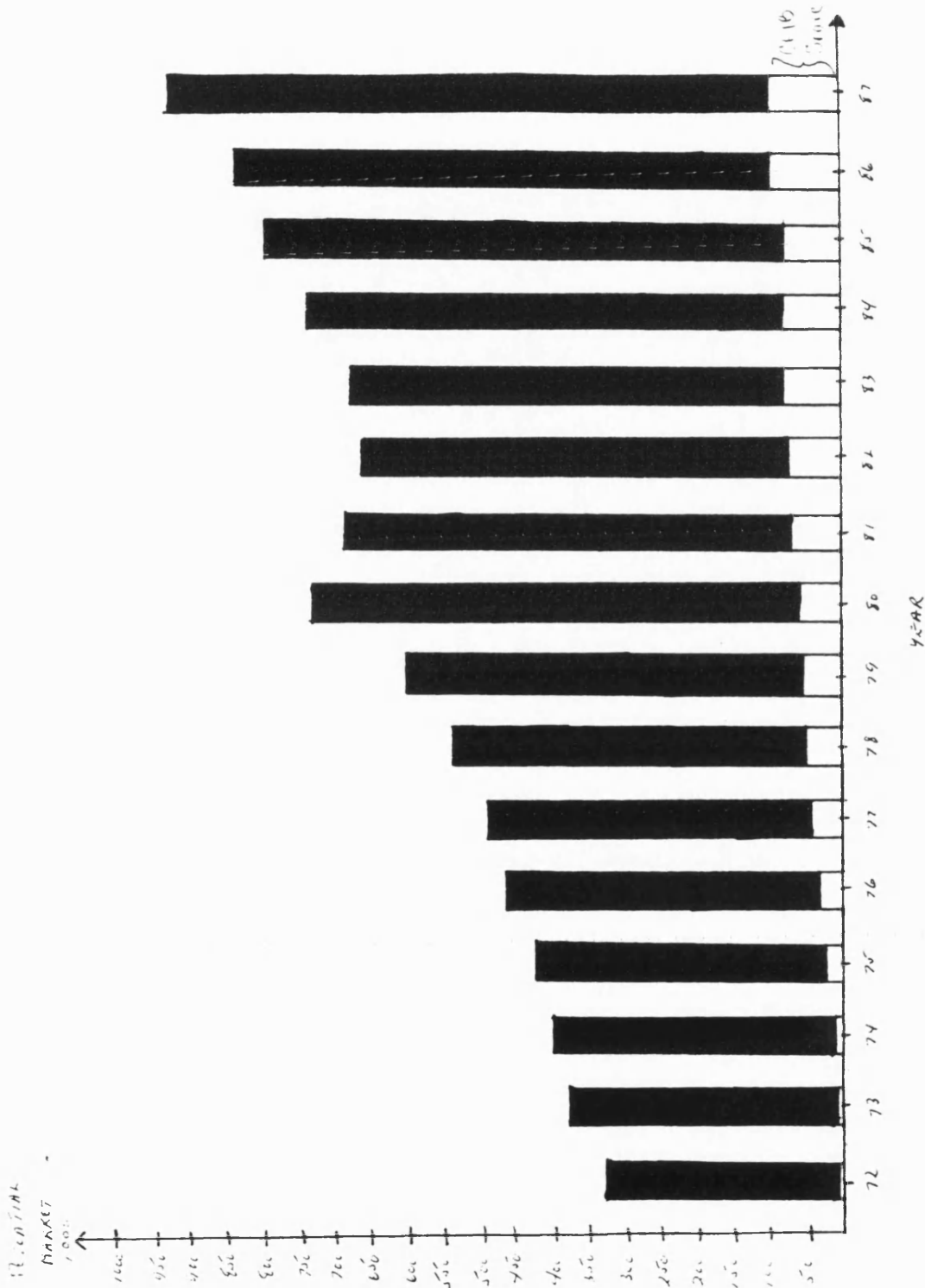
Estimating CFIB's potential member market has presented certain difficulties. Whereas its membership is comprised of sole proprietors, partnerships and limited companies, published government statistics use the generic term "businesses" to define the small business sector, hence omitting potential members (commission salespersons, for example). Personal taxation statistics published by Revenue Canada summarize annual taxation data by line on the tax return, thus obscuring the distinction between potential and non-potential members. For example, self-employed individuals operating a business (and who would be potential members) are grouped with all other individuals reporting a relatively small amount of business income, but who would not be expected to be potential CFIB members (a weekend wedding photographer, for example). Finally, separate statistics were not compiled on small businesses until the late 1970's, following the formation of the federal Small Business Secretariat.

I have, therefore, had to use three data sources to estimate CFIB's potential market (Table 6-16). The

1972-1980 estimates are based on the number of corporations which filed tax returns. Table 3-4(E) noted that on average, seventy percent of CFIB's members during that period were corporations. This rough approximation has been used to estimate the potential member market for the period. For 1981-1986, I was able to use data published by Statistics Canada. For 1987, based on a telephone interview with a Statistics Canada official, I based the estimate at ninety-seven percent of the total number of businesses which operated in Canada in the year, as I was informed by the official that, on average, they estimate that only three percent of Canadian businesses are considered large businesses.

Given the potential limitations in the data resulting from these calculation problems, Table 6-16 presents a summary of the annual potential market, CFIB's membership, and the approximate market share captured by CFIB salespersons. Figure 6-4 shows CFIB's annual membership in relation to the estimated member market. One should note that CFIB's share of the potential market has levelled off at approximately nine percent subsequent to the increases experienced in the early years. It is also worth noting that CFIB's market share declined somewhat in 1980, which may account for the intensity with which it pursued its war on the 1981 budget.

FIGURE 6-4
CFIB's Share of the Potential Member Market



Another problem facing CFIB is the tendency of small businesses to fail. For example, whereas there was a forty-five percent increase in the number of businesses in Nova Scotia between 1978 and 1987, there were 20,118 newly established businesses in that period and 10,836 businesses which closed their doors. Furthermore, these statistics do not include many businesses which opened and closed within the time period (81). Consequently, in order to maintain its existing membership level, CFIB must constantly be recruiting new members to replace those which have ceased operating.

PART VII

SUMMARY, FINDINGS AND CONCLUSION

A. Summary

This chapter has analyzed CFIB's pre-budget tax proposals and post-budget victory claims. In addition, it has reviewed CFIB's competition for members and discussed the critical need for CFIB to maintain its membership and the annual fees they contribute.

B. Findings

A number of significant conclusions can be drawn from this analysis.

1. Early in its history, CFIB officials realized the critical need to maintain the flow of cash into the organization. Furthermore, they quickly realized that maintaining a significant cash flow depended upon building a large membership base, attracted by significant issues of concern to the members. Taxation, the issue which spawned the association, is one such issue.
2. In addition to significant issues, CFIB realized that publicizing its activities was essential to maintaining the allegiance of its members and attracting new members. Therefore, strategies were designed to ensure maximum publicity for all of its lobbying efforts. Two such strategies were publicizing

their pre-budget tax proposals and claiming post-budget victories.

3. As is evident from the frequency of its consultations with Ministers and government officials and the fact that Bulloch has direct access to the Minister, CFIB is a recognized participant in the tax policy process. However, it is no more or less successful than other recognized interest groups at influencing the Department.
4. Access to policy makers is enhanced when special interest groups maintain constant contact with officials and engage in mutual exchanges of information and resources. Interest groups diminish their access to government officials by utilizing lobbying tactics which contravene the implicit rules of the games.
5. The victory claims tend to be extravagant boasts greatly in excess of CFIB's true influence on the tax policy process. Some claims are incorrect: the spousal salary deduction and small business development bond victories, for example. Others are unsubstantiated or were proposed by many other groups (for example, the victory on the capital gains exemption). Others were issues created by CFIB (defeat of the value added tax).

The claims are reported by Mandate and the media, are apparently believed by the members, and may be taken into account by government officials when formulating future policy. The objectives of the claims are to attract media attention, maintain the association's high public profile, and allow CFIB to posture as a fighter, effectively and successfully working on behalf of the members.

6. CFIB has developed a number of strategies to improve its success rate. There is evidence that CFIB self-selects its proposals, preferring to weed out ideas from its members it believes will not be successful. The successful proposals also tend to conform to government's goals and objectives, issues government is currently reviewing, or current policy concerns of government.

7. CFIB's policy statements often distort its actual lobbying actions or exhibit an inconsistency in its approach to certain organizations. For example, its statements following the 1981 post-budget meeting with the Minister were contradicted by an individual present at the meeting. And, contrary to its statements, CFIB rarely "demands" action in its briefs. CFIB is also publicly hostile to other groups, yet works with many of them in coalitions of mutual interest. These contradictions are examples of CFIB's

strategy to generate the maximum publicity possible from its lobbying efforts.

8. Within the specified definition of success, there is evidence that CFIB has been more successful with certain issues than others, and that it has been more successful with proposals that affect taxpayers other than the small business sector. There is some evidence that CFIB's success rate has improved as it has departed from its more extravagant lobbying tactics and has adopted a more consultative stance, combined with a willingness to engage in exchange transactions with government officials. Although no details were presented, there is evidence that CFIB has been able to prevent the Department from implementing tax measures policy makers wanted to enact. Proposals which present implementation problems tend not to be acted upon quickly by government.
9. Most of the tax proposals are not original, contrary to claims to that effect. Many were repeated, which conveys the impression that CFIB is constantly hounding government for the issues of concern to its members. There is little evidence of CFIB concern for the political timetable.
10. Critics dismiss CFIB's claims of influence, noting that CFIB has taken so many positions that it is bound

to be successful on some, and that it proposes issues it knows government is actively considering. The Mandate polls have also been criticized by commentators for setting the agenda for the association and for lacking depth.

11. There is contradictory evidence as to the need to publicly emphasize the size of the organization. Whereas government officials state that the organization's size is of no importance, it appears that political officials within the Department are keenly aware of the potential impact of CFIB on voters, especially those from the small business sector.

However, contrary to the inference drawn from its statements (which is intended to inform members that CFIB is working for them), CFIB is perceived by Department officials as representing the entire small business community, not just its members. Furthermore, it is "who the organization represents" - that is, the entire small business sector, that makes it important, not the fact that it purports to speak for its members.

12. Mandate questions are asked, not to determine the content of the tax submissions, but to be able to show members that their views are considered in formulating

the organization's policy positions and to form the membership into a more cohesive unit. Similarly, the publication of the members' letters is intended to convey the impression that the association is listening to the members, not because the association intends to include the issues raised by the members in their tax briefs.

C. Conclusion

Transformation of CFIB From an Issue Group to an Institutional Group

CFIB was originally founded as an issue group to protest the Benson tax reform measures. As such, its cash needs were relatively modest as much of the lobbying was unsophisticated and was done by a small group of individuals, many of whom were volunteers. As the organization matured it began to take on the trappings of an institutional group. Administration and research expenditures increased, the added sophistication of the lobbying tactics required increased expenditures. One can conclude, therefore, that as this transformation evolved, CFIB has been faced with the need to maintain member growth so as to generate the flow of membership fees necessary to keep up with its continuous need for cash flow. Thus it is the need for cash flow which accounts for the nature and timing of the lobbying strategies and tactics of CFIB.

ENDNOTES

1. CFIB: A Decade of Action for Independent Business, p. 10.
2. CFIB: Annual Report, Summer 1980.
3. Department of Finance: The Budget Speech, May 23, 1985, p. 6.
4. CFIB: Action Report, 1985.
5. CFIB: Action Report, 1985.
6. Mandate No. 117.
7. These comments were related to this researcher in a letter dated May 25, 1988.
8. See Chapter 3, Part II B, for a discussion of CFIB's campaign to stop the implementation of the VAT.
9. Department of Finance: A New Direction for Canada, p. 67.
10. Although I was not able to obtain any VAT briefs or comments from the interest groups which responded to my request for tax-related documents, most indicated in their tax reform briefs that they were awaiting the government's final sales tax proposals before commenting directly.
11. Whereas the VAT would have taxed manufactured goods as they progressed through the manufacturing cycle, the Business Transfer Tax (BTT) was designed as a tax on the difference between the manufacturers' revenues and costs. The BTT was also intended to be levied on the supply of services by all businesses. However, plans to implement the BTT were scrapped when the government devised the Goods and Service Tax. This 7% tax, which was implemented on January 1, 1991, will be levied on the consumption of virtually all goods and services acquired by Canadians.
12. Mandate No. 107.
13. Mandate No. 107.
14. Mandate No. 110.
15. Mandate No. 51.
16. Mandate No. 67.
17. Mandate No. 82.

18. Mandate No. 91.
19. Mandate No. 72.
20. Mandate No. 113.
21. Mandate No. 97.
22. Mandate No. 99.
23. Mandate No. 100.
24. Mandate No. 102.
25. Mandate No. 75.
26. Mandate No. 53.
27. Mandate No. 123.
28. All comments in this chapter referred to as being from "Department officials" were obtained during in-depth interviews with senior officials of the Department of Finance. To protect the confidentiality of the individuals, none of the comments are directly attributed to any official.
29. Dingwall (1981).
30. McQueen (1982).
31. CFIB: A Decade of Action for Independent Business, pp. 8-9.
32. Source Unknown
33. Silversides (1982).
34. Letter from Jim Bennett, May 25, 1988.
35. CFIB's tax objectives are discussed in Chapter 3, Part I, section 2.
36. CFIB: Action Report, 1983.
37. Letter from Jim Bennett, May 25, 1988.
38. Department of Finance: Sales Tax: Measure Relating to the Treatment of Marketing and Distribution Costs, p. 1.
39. For a discussion of this concept, see: Nordhaus (1975); MacRae (1977); and Frey (1978 and 1984).
40. Letter from Jim Bennett, May 25, 1988.

41. Doern and Phidd (1983), p. 34.
 42. Doern and Phidd (1983), p. 54.
 43. CFIB: Summer Report, 1978.
 44. CFIB: A Decade of Action for Independent Business, President's letter to members.
 45. CFIB: A Decade of Action for Independent Business, p. 5.
 46. CFIB: Summer Report, 1977.
 47. Partridge (1982), p. 33.
 48. Department of Finance: Budget Papers (1984), p. 33.
 49. Refer to Chapter 4 for a discussion of Good's version of the tax policy process.
 50. Letter from Jim Bennett, May 25, 1988.
 51. For example, the Dec. 10, 1986 brief stated that CFIB presented its brief "on behalf of its 76,000 members" (p. 1).
 52. This information was related to this researcher during my interviews with Department officials. CFIB's 1986 brief also noted that Department officials screened the BTT question used in Mandate No. 128.
- After members rejected the Employment Tax Credit programme in a Mandate vote, the Minister of Employment and Immigration asked CFIB to conduct a more in-depth survey. Of two thousand members surveyed, nine hundred responded to the poll (Stanbury, 1986).
53. The 1981 Budget Papers contained the first detailed tables of the projected revenues and costs of budget measures. The first Fiscal Plan, which, in addition to detailing the revenues and costs of the budget measures, also outlined the government's spending estimates for several future years, was introduced with the 1983 budget, following the recommendations of the Lambert Royal Commission.
 54. Partridge (1982), p. 32.
 55. McQueen (1982).
 56. Department of Finance: The Budget Speech, May 25, 1976, p. 1.

57. For example, McQueen (1982) notes that Bulloch has sometimes "demanded some policy he had heard the government was already planning to implement in the next budget". And the 1976 budget speech noted that the government was studying various incentives to attract venture capital and would be calling for submissions from interest groups on the issue (p. 18).
58. Mandate No. 106.
59. Mandate No. 73.
60. Doern and Phidd (1983), p. 85.
61. This comment was recorded during an interview with a provincial CFIB official from Nova Scotia.
62. This comment was recorded during an interview with a provincial CFIB official from Nova Scotia.
63. Baetz (1985), p. 340.
64. Source Unknown
65. Source Unknown
66. Baetz (1985), p. 340.
67. This comment was related to this researcher during a telephone conversation subsequent to the postponed meeting with Home Office CFIB officials.
68. I am indebted to Professor Hari Das for relating this antidote.
69. See Chapter 3, Part I, Section 4 for a discussion of this issue.
70. COSB: Non-Linear Labour Relations Are The Key To Labour Peace And Harmony, (1986), p. 1.
71. COSB: A Comprehensive Analysis of Canada's Economic Dilemma, (1985), p. 1.
72. COSB: Pro-Enterprise Advocacy Council, (1987).
73. In an article in the 1989 Special Edition of the Voice of Business, COSB noted that, with respect to the GST debate, "we went to the MPs and the bureaucrats, and we are getting results".
74. COSB: The Voice of Business, Special Issue, (1989).
75. CFIB has participated with other interest groups in a number of non-tax coalitions. In 1982, for example, it was one of sixteen coalition members (including the

Consumers' Association of Canada, the Toronto Stock Exchange, and the Canadian Manufacturers' Association), which lobbied the federal government protesting Canada Post's monopoly on postal delivery. In 1983, CFIB joined with the Business Council on National Issues, the Canadian Chamber of Commerce, the Canadian Manufacturers' Association, the Canadian Bankers' Association, and the Canadian Life and Health Insurance Association (referred to as the Business Committee on Pension Policy), to lobby the federal government on proposed pension legislation. Also in 1983, CFIB joined seventeen other groups (including the Ontario Truckers' Association and the Canadian Manufacturers' Association) to form the Employers Council on Worker's Compensation in Ontario. (Stanbury, 1986)

76. Refer to Chapter 3, Part IIA for discussion of the 1981 budget.
77. Mandate No. 129.
78. Mandate No. 129.
79. Report of the Standing Committee on Finance and Economic Affairs (1987); Report of the Standing Senate Committee on Banking, Trade and Commerce (1987).
80. C. D. Howe Institute (1987), p. 8.
81. This information was received from the Nova Scotia Department of Industry, Trade and Technology, in a letter dated July 11, 1989.

CHAPTER SEVEN
SUMMARY AND CONCLUSIONS

A. RESTATEMENT OF OBJECTIVES, RESEARCH QUESTIONS AND HYPOTHESES

The objective of this dissertation has been to achieve a greater understanding of the role and degree of influence exerted by special interest groups on the formulation of federal income tax policy. More specifically, by analyzing the pre-budget submissions and other advocacy tactics of the Canadian Federation of Independent Business, this dissertation has sought to determine how special interest groups seek to exert influence on the formulation of income tax policy, whether they are successful in their attempts, and how they exploit any such influence.

The basic hypothesis was stated as follows:

The primary objective of CFIB when making pre-budget submissions and when issuing post-budget victory claims is to enhance its appeal to the small business community so as to increase the membership of the Federation.

This hypothesis was compared to the stated tax-related objective of CFIB, which is to achieve tax measures beneficial to the membership, and was supported by the following subordinate hypotheses:

- #1. Breton's coercion theory accounts for the formation and growth of economically-oriented business pressure groups.
- #2. Pressure groups will be more successful at increasing membership if they are able to increase prospective members' awareness of the benefits accruing to members from belonging to the group.
- #3. Policy advocacy is enhanced if an association possesses internal cohesion, can maximize identification between itself and its members,

mobilizes its political support, and identifies its political weight with the members' political strength.

- #4. Interest groups engage in exchange transactions with government officials to ensure future favourable reception of their policy submissions and to reduce the policy makers' dependence on competing groups.
- #5. Representative associations will expend their limited resources until the marginal benefits from an additional resource unit equal the marginal cost of the incremental unit.
- #6. Whereas the objective of advocacy tactics is ostensibly to further the organization's policy objectives, the primary objective of pressure groups when engaging in advocacy actions is to increase the public profile of the group, which in turn will enable the group to increase its membership.
- #7. Interest groups publicize their achievements, in part, to discourage potential members joining rival organizations.
- #8. Interest groups will choose advocacy tactics which will achieve maximum publicity for the group, and institutional groups will normally use tactics which are acceptable to government officials. Only where an institutional organization reverts to an issue-oriented organization will it use advocacy tactics not acceptable to government officials.

The analysis consisted of a content analysis of Mandate, the CFIB's newsletter, other publications of the association, the pre-budget briefs submitted by CFIB to the Department of Finance, and the budget speeches delivered in Parliament by the Minister of Finance. The content analysis was supported by in-depth interviews with Department officials and officials of CFIB based in Nova Scotia. CFIB Home Office officials refused my requests for interviews.

B. ACCEPTANCE OR REJECTION OF THE SUPPORTING HYPOTHESES

Hypothesis # 1 - The first hypothesis can be accepted, at least in so far as CFIB is concerned. The organization was formed subsequent to the publication of proposed income tax measures deemed by the organizers to be detrimental to the economic interests of small business. The basic objective of the association has been to further the economic interests of its members. And the content analysis of members' letters has shown that members perceive CFIB to be a protector of their economic interests and an organization which will fight perceived threats to their sector of the economy.

In accepting Breton's "coercion" theory, this dissertation rejects Olson's "by-product" theory. The analysis has indicated that the members join the association because they support the causes espoused by CFIB and because they appear to believe that their added political support is important to the attainment of CFIB's objectives. Furthermore, there is little evidence that members join CFIB to secure direct services or benefits. In fact, CFIB does not provide the range of services offered by rival trade or representative organizations. It is worth noting, however, that a survey of members asking why they joined the organization was not conducted.

Hypothesis # 2 - CFIB has experienced a steady increase in its membership, exceeding seventy-seven thousand members in

1987. It is the largest small business organization in Canada (its closest direct rival has a membership of approximately six thousand). While again noting that a member survey was not conducted, it is reasonable to conclude that the continuous stream of material informing members of the achievements of CFIB must account, in part, for the renewal rate of approximately eighty percent, and the media attention attracted by CFIB victory claims has an impact on member recruitment. Thus one can, if only intuitively, and partially, accept the second hypothesis.

Hypothesis # 3 - As dramatically evidenced by the war on the 1981 budget, CFIB has been able to rally not only its membership but other organizations into a cohesive lobbying force and has effectively demonstrated the potential political threat its members and external supporters present to politicians. CFIB's use of internally generated polls and surveys, in addition to the self-congratulatory or provocative nature of its published material has furthered member cohesion and serves as a basis for rallying the support of the members. As the interviews with Department officials indicated, politicians and bureaucrats pay attention to what CFIB has to say, and in certain instances were not pleased with CFIB's reaction to their policies. Thus one can accept the third hypothesis.

Hypothesis # 4 - There is evidence that CFIB adopts lobbying and publicity-seeking strategies to suit its

immediate circumstances or needs. For example, when funds were in short supply, or CFIB deemed publicity to be the over-riding objective, strident rhetoric, inexpensive lobbying campaigns, or provocative public statements were used. Except for the war on the 1981 budget, these tactics appear to have little effect on policy makers, who tend to dismiss them as little more than CFIB's attempt to attract media coverage.

CFIB has long realized, however, that truly effective lobbying takes place in behind-the-scenes private discussions with policy makers. The analysis has indicated a number of instances where CFIB has engaged in exchange transactions with policy makers. For example, CFIB has used questions supplied by the Department in its Mandate polls. However, whether these exchanges ensure a more favourable reception of CFIB's pre-budget submissions is debatable. While it is intuitively logical that these transactions will enhance CFIB's access to bureaucrats, Department officials were more inclined to attribute whatever influence CFIB possesses to its constituency - that is, their perception that CFIB represents the politically significant small business community.

However, there is no evidence that these transactions lessen the Department's reliance on rival associations, primarily because as the number of such associations is relatively small, the Department listens to all of the

major groups. In addition, the other associations also engage in exchange transactions with Department officials, offering information to the Department which is different from, but potentially just as valuable as, the information supplied by CFIB.

Thus while the analysis leads one to accept hypothesis #4 as stated, the evidence does not suggest that the objectives of the groups, as expressed in hypothesis # 4, will necessarily be achieved.

Hypothesis # 5 - Whereas the benefit of an additional member is commensurate with the membership fee received and the added political impact of the member, the marginal monetary costs of each additional member are somewhat less discernable. The only direct incremental costs of a new member are the commission paid to the sales representative and the additional printing and mailing expenditures incurred. One would expect these marginal costs to be less than the fee generated. The excess would therefore be used to defray the research, administrative and other expenses incurred by CFIB. Thus it is reasonable to conclude that each new member will add to the net financial resources of CFIB.

However, evidence of a specific financial strategy employed by CFIB is inconclusive. While it is clear that CFIB strives to increase its membership, Table 6-12(B) indicates

an inconsistent pattern of annual incremental revenues and expenditures. This means either that CFIB has no financial strategy in this respect, or has been unable to adhere to such a strategy.

As to the lobbying significance of an additional member, the interviews with Department officials indicated that CFIB is perceived as a representative of the entire Canadian small business community, not just its members. Thus it has already attained its maximum lobbying influence. Therefore additional expenditures deployed to recruit new members would not add to the political clout of the organization.

On balance, hypothesis # 5 can be rejected.

Hypothesis # 6 - CFIB has publicly stated that its objective in submitting pre-budget briefs is to obtain tax measures beneficial to its members. However, as indicated in chapter six, CFIB has not been particularly successful in achieving such legislation. Furthermore, its achievements are somewhat less than its published victory claims. There is also some doubt as to whether CFIB actually believes its claims. While its demonstrated success may be in doubt, there is no question that member awareness of and the media attention attracted by the victory claims has raised the public profile of CFIB. It is therefore reasonable to conclude that the advocacy tactics

employed by CFIB assist its recruitment effort, thus supporting hypothesis # 5.

Hypothesis # 7 - Hypothesis # 7 can be accepted. While there is no evidence of direct comparisons between CFIB and rival organizations in any CFIB publication reviewed, the frequent references to, and the reiteration of, CFIB victories must be construed as an effort to maintain the allegiance of existing members and as a marketing tool for recruiting new members. Thus CFIB indirectly attempts to discourage members from joining rival groups by publicizing its achievements.

Hypothesis # 8 - The analysis has indicated that CFIB, perceiving that it must be seen as a "fighter", publicly distorts the nature, significance, and degree of influence of its lobbying efforts. A major finding of this research is that the tactics used by CFIB in private discussions with federal officials differ from the version of those tactics presented to the media, the members and the public by CFIB. For instance, it states that it has "demanded" tax measures when its briefs "recommend" tax amendments. And its claims of victory exceed its true degree of influence. As long as policy makers find these statements "amusing", or are able to dismiss them as blatant publicity seeking statements, CFIB's access to government has not been diminished. In fact, as CFIB has developed into an institutional group and the prominence of the group has

grown, in part due to these statements, government has accorded CFIB greater access. However, as evidenced by the temporary cut off of access to the Department following the 1981 budget war, when CFIB once again became an issue-oriented group, interest groups which use advocacy tactics perceived by Department officials to exceed the implicit rules of lobbying will suffer a decline in their lobbying effectiveness. One can, therefore, accept hypothesis # 8.

C. THE CENTRAL RESEARCH QUESTIONS

1. How Does CFIB Attempt to Influence the Tax Policy Process?

The principal vehicle for influencing the policy process is the presentation of pre-budget briefs to the Department, supported by an on-going dialogue with policy makers. These briefs summarize the tax proposals advocated by CFIB and present CFIB's rationale for the proposals, and are supplemented by correspondence with the Department and meetings with bureaucrats and the Minister. CFIB also attempts to influence the policy process by rallying support for its proposals from its members and the public. Media attention attracted by the pre-budget briefs and other propaganda tactics are important in mobilizing members and the electorate. CFIB attempts to impress upon politicians the fact that it represents a significant block

of potential voters. In addition, CFIB engages in exchange transactions with federal officials.

2. Has CFIB Been Able to Influence the Formulation of Federal Income Tax Policy?

Though it has not been possible to quantitatively measure the degree of influence exerted by CFIB on the formulation of tax policy, the analysis has determined that CFIB is a recognized participant in the tax policy process, has an impact on the process, is an important factor considered by policy makers when tax policy is being formulated, and a number of issues addressed by CFIB have been expressed in the themes and specifics of budget speeches. On balance, however, CFIB is no more or less influential than other prominent interest groups.

Another major finding of the study is that CFIB is perceived by the Department as a "voice of small business". Furthermore, CFIB is perceived by federal officials as representing all small businesspeople, not just the interests of its members. Therefore, the association can be considered to have attained its maximum lobbying impact. However, while the Department recognizes CFIB as representing the views of small business, COSB, its smaller competitor, enjoys much the same reception with Department officials.

Although a recognized participant, the research has shown that CFIB's claims of influence far exceed its true degree of influence. CFIB cannot claim credit for any tax changes. Contrary to its claims, none of CFIB's alleged victories were originally CFIB ideas. Many were advocated by other groups earlier or at the same time as CFIB's proposal, or were ideas the Department had been developing for some time. Therefore, CFIB's victories would presumably have been implemented with or without CFIB's proposal.

While there is evidence that CFIB may be able to prevent the inclusion of budget measures harmful to its members, with respect to specific proposals, the study has noted that CFIB is not particularly successful at achieving victories for its constituency. Rather, it is more successful in having its tax proposals included in a federal budget when the scope of the proposal extends beyond the immediate constituency of the CFIB. For example, proposals affecting businesses of all sizes, or affecting all taxpayers, tend to be included in the budgets more than those restricted to small business.

The major achievement of CFIB is not the legislation it attains. Rather, it is the fact that the views of small business are now taken into account by federal policy makers to a greater extent than was the case prior to and immediately following the formation of the Federation. For example, the 1972 and 1973 budgets dealt extensively with

the manufacturing sector, including a number of important incentives for that sector of the economy. None of these incentives were of appreciable importance to small business. Although small business appears among the issues dealt with in budgets during the mid-1970s (Table 6-4), the bulk of these speeches addressed issues of concern to large businesses and the macroeconomy in general. Small business then become a political issue to be considered when tax policy is formulated, due in part to the efforts of CFIB. Many budgets from the late 1970s and throughout the 1980s discussed the importance of small business to the economy and contained many tax measures specifically addressed to small business.

Through the efforts of CFIB, other political and non-political advances have been made. Both the federal government and a number of provincial governments have created ministries for small business. Universities have developed programmes for the study of entrepreneurship. The public perception of the small business community has been enhanced. Small business could even be said to have developed a "persona" of its own.

One should note, however, the clear distinction between CFIB's actual degree of influence - that is, the fact that it has access to policy makers and input into the policy making process, and its self-professed claims of influence on the decision making process

3. How Does CFIB Exploit Its Influence?

As CFIB has transformed itself from an issue-oriented group to an institutional group, concern for its long-term survival has assumed critical importance. CFIB officials realized early on that cash flow was critical to its survival and that building a large membership would be vital to ensuring the needed cash flow. Therefore, strategies were devised which would enable the association to maximize publicity from its lobbying activities. CFIB exploits its influence by attempting to demonstrate to its members and the public not only that it is a factor in the process but that it is able to achieve tax legislation beneficial to its members. Hence the victory claims. Furthermore, CFIB publications clearly imply that CFIB was solely responsible for the beneficial tax measures. One must conclude, therefore, that the victory claims are issued primarily to support membership growth and ultimately to maintain the continued existence of the organization. Critical to the success of this strategy is the perception that the members believe the claims. It is not relevant whether the claims are accurate, it is only that the members believe them.

Access to the decision making process also allows the CFIB to arrange for photo sessions with policy makers which, when printed in its publications, reinforces the impression that CFIB is a recognized participant in the policy making process.

D. SUGGESTIONS FOR FURTHER RESEARCH

This dissertation has exposed a number of issues which require further research and analysis. These issues are either beyond the scope of the stated objectives of the dissertation, but were briefly touched upon in earlier chapters, or emerged during the theoretical or empirical research.

One critical unresolved issue relates to the reason(s) why individuals join CFIB. Further research into this question would add to our understanding of the member / special interest group game and would allow us to better understand the rationale for CFIB's publicizing of its lobbying activities.

As the analysis related to one interest group only, the conclusions reached cannot be assumed to be necessarily applicable to other interest groups. Therefore, extending the analysis to other interest groups would enable one to determine whether other interest groups lobby in a manner similar to CFIB and whether their successes, as defined in this dissertation, follow a pattern similar to CFIB's. The analysis could also be extended to the international arena, comparing CFIB to, for example, the National Federation of Independent Business in the United States and/or to the Confederation of British Industries.

Although the analysis dealt in part with the period following the publication of the analyses of the tax policy decision making process by Good (1980) and Hartle (1982), as the analysis was restricted to CFIB's attempts to exert influence on tax policy, the study cannot be assumed to be a comprehensive study of tax policy making during the 1980's. This significant, but little researched, aspect of public policy warrants further study.

Two related political questions have emerged as a result of the research. Further study is required to determine whether small business votes as a block, and whether interest groups can deliver the votes they profess. Resolution of these issues would add to our understanding of the interest group / politician game, especially the ability of interest groups to come to the negotiating table with viable resources to offer political decision makers.

Finally, although much prescriptive advice has been offered, and the analysis has indicated the issues on which CFIB has enjoyed some degree of success, it is beyond the scope of this dissertation to formulate a testable model of the tax policy process or to determine whether CFIB could have improved its scorecard.

E. SIGNIFICANCE OF THE RESEARCH

From a theoretical perspective, this dissertation did not have as its primary objective the examination or

furtherance of any specific model or theory of interest group/policy maker behaviour. Although a number of such models were referred to in the conceptual analysis, except for hypothesis # 1, these references were intended to provide the conceptual background for the empirical analysis. The principal academic value of this research is the presentation of two important, but rarely discussed, aspects of Canadian public policy making - that is, a relatively comprehensive portrait of an important player (the CFIB) and a significant policy issue (tax policy).

From a practical perspective, not only should this research be positively beneficial to CFIB members and officials, it should be of interest to all participants in the tax policy making process. Current and potential members should attain a greater understanding of the objectives and tactics of the organization. Consideration of the analysis of the successful and unsuccessful tax proposals, for example, should indicate to CFIB that it may be able to improve its success rate by adopting proposals which affect a broader constituency than its direct membership. A review of the same issues might suggest that more prominence should be given to certain issues than to others, or that some of their tax proposals should be shelved. Another significant finding for CFIB is the conclusion that it has already reached its maximum lobbying impact, given that it is considered by Department officials to speak for the entire small business sector. Therefore it would not seem

worthwhile to spend their limited resources on the recruitment of members for additional lobbying leverage. If CFIB subscribed to this conclusion, it might for example, consider redirecting more of its resources to its research function and less to member recruitment.

Negatively, CFIB may not want the results of this research made public. Given that a major conclusion is that there is a discrepancy between CFIB's public statements and the underlying reality of its lobbying efforts, CFIB probably would not want its members to be aware of the discrepancy. One wonders whether this was the reason this researcher was refused interviews with CFIB officials.

Given that there does not appear to be a similar study in the Canadian literature, other interest groups might attain a greater understanding of the policy process and the relationship between interest groups and bureaucrats by reviewing this research. Although no confidential CFIB information has been revealed, other groups may find it useful to compare their lobbying tactics with CFIB's.

The dissertation would also provide tax policy officials with a greater understanding of the motives, objectives and tactics of the special interest groups which approach them for policy concessions.

F. CONCLUSION

By examining the relationships between the members of the CFIB and the association, and the CFIB and the Department of Finance, this dissertation has offered useful insights into the more complex rationale for the inter-relationships between special interest groups and their members and between interest groups and government policy makers. The underlying rationale for these inter-relationships can best be summarized by concluding with the words of one CFIB district manager. When asked his thoughts on the future of CFIB, he stated:

"I think the future is fantastic. When a lot of us are long gone, I think the Federation will still be there because, in the world as we know it today, lobbying is a way of life. The political system created this. Lobbying is here to stay. As long as there are politicians, there will be lobbies."

And in response to a question as to what the Federation meant to him, the district manager responded:

"Livelihood! I think it has been an honourable job."

TABLES

TABLE 1-1
SMALL BUSINESS IN CANADA - 1981 TO 1986
\$'000

A. BY INDUSTRY SECTOR	1986	1985	1984
Forestry	15,772	13,184	12,380
Mining	6,056	6,648	6,033
Manufacturing	52,889	51,136	51,184
Construction	157,067	147,226	139,285
Transportation, Communications			
Utilities	83,984	81,249	77,223
Wholesale	59,023	56,315	55,766
Retail	195,720	191,851	183,371
Real Estate, Insurance	61,242	56,960	50,551
Business and Professional Services	215,075	196,652	186,077
TOTAL	846,828	801,221	761,870

	1983	1982	1981
Forestry	12,643	9,072	10,830
Mining	4,396	4,518	5,021
Manufacturing	38,632	39,249	40,830
Construction	136,846	133,933	142,777
Transportation, Communications			
Utilities	73,596	70,624	73,318
Wholesale	46,465	47,234	49,011
Retail	172,641	171,526	176,884
Real Estate, Insurance	40,279	40,300	43,726
Business and Professional Services	160,336	156,119	153,387
TOTAL	685,834	672,575	695,784

B. BY SALES REVENUE	1986	1985	1984
10 - 99	467,936	444,973	432,988
100 - 499	260,069	245,608	228,122
500 - 1,999	95,828	89,016	80,835
2000 - 4,999	22,995	21,624	19,925
TOTAL	846,828	801,221	761,870
	1983	1982	1981
10 - 49	273,338	263,408	291,001
50 - 99	129,402	123,894	125,226
100 - 249	137,008	137,722	135,739
250 - 499	72,730	73,783	71,956
500 - 999	46,781	47,072	45,841
1,000 - 1,999	26,575	26,696	26,021
TOTAL	685,834	672,575	695,784

SOURCE: Small Business in Canada: A Statistical Profile, 1981-1986. Statistics Canada, Cat. No. FG CS 61-231 and 61-521. (Ottawa: Minister of Supply and Services)

**TABLE 1-2
GEOGRAPHICAL DISPERSION OF CANADIAN BUSINESSES - SELECTED YEARS**

Province	1981	1982	1983	1984	1987
	(1)	(1)	(1)	(1)	(2)
Newfoundland	10,025	9,758	9,810	10,563	18,637
Prince Edward Island	2,980	2,942	3,127	3,051	6,757
Nova Scotia	18,522	18,501	18,858	20,106	29,950
New Brunswick	16,414	15,588	16,244	17,525	25,330
Quebec	165,979	161,347	166,243	182,927	224,447
Ontario	235,063	229,257	235,755	257,616	304,418
Manitoba	27,159	25,326	27,187	29,874	36,079
Saskatchewan	27,188	26,655	27,848	28,755	45,837
Alberta	86,461	83,514	81,360	87,659	100,330
British Columbia	105,167	99,002	98,757	104,597	123,150
Other	826	685	645	683	-
TOTAL	695,784	672,575	685,834	743,356	914,935

SOURCE: (1) Small Business in Canada; 1981-1983, 1982-1984. Statistics Canada, Cat. No. FG CS 61-231 and 61-521. (Ottawa: Minister of Supply and Services)
 (2) Statistics Canada (telephone interview). These figures relate to the total number of businesses in Canada in 1987. Statistics Canada estimates that approximately 97% of these businesses are small businesses.

**TABLE 1-3
SMALL BUSINESS IN THE PROVINCE OF NOVA SCOTIA**

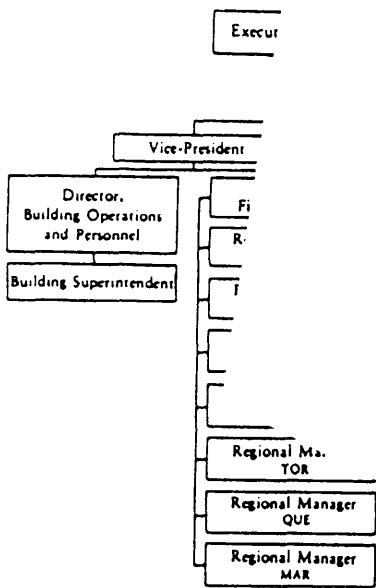
	ALL FIRMS	UNDER 500 EMPLOYEES	UNDER 50 EMPLOYEES
1978	20,664	20,003	18,674
1979	21,431	20,778	19,438
1980	21,636	20,928	19,573
1981	22,484	21,840	20,568
1982	22,757	22,107	20,812
1983	24,251	23,616	22,335
1984	25,532	24,899	23,573
1985	26,999	26,350	24,973
1986	28,645	27,995	26,454
1987	29,950	29,280	27,707

SOURCE: Business Microdata and Analysis, Statistics Canada, July 3, 1987.

TABLE 3-1
SUMMARY OF THE MAJOR STEPS IN THE
ORGANIZATIONAL DEVELOPMENT OF CFIB

- 1972 - District chairman appointed in British Columbia, Alberta, Manitoba, and seven areas in Ontario
District manager in British Columbia appointed
Offices opened in Vancouver and Ottawa
- 1973 - Appointment of a National Field Director - Membership
Creation of the Western Canada division of the CFIB
- 1974 - Opening of a Montreal office
- 1975 - Appointment of a Policy and Research Director
- 1976 - Appointment of a Director - Legislative Affairs
- 1977 - Appointment of a Director of Education and Public Affairs
Appointment of a Director of Research
Appointment of an Atlantic Canadian representative
- 1978 - Creation of the position of Director - Education and Public Affairs
Appointment of a Legislative Officer - Provincial Affairs
Appointment of a Director - Provincial Affairs
- 1979 - Appointment of the first official responsible for all materials in French and for press relations with French Canada
- 1980 - Opening of an Edmonton office
- 1981 - Appointment of a Quebec Legislative officer
Opening of the Victoria office to replace the Vancouver office
Opening of the Quebec office to replace the Montreal office
Closure of the Ottawa office
Opening of an Atlantic Canadian office
- 1984 - Vancouver office opened to replace the Victoria office
- 1985 - Offices opened in Regina and Winnipeg
- 1986 - Opening of a new office in Montreal

TABLE 3-2
CFIB ORGANIZATION CHART
1981



SOURCE: Baetz (1985). p. 339.

TABLE 3-3
SELECTED APPOINTMENTS TO ADVISORY BOARDS, TASK FORCES
AND OTHER GOVERNMENT COMMISSIONS

1. John Bulloch was appointed to a special committee of business and labour leaders responsible for recommending the composition of a multi-partite body to administer the post-wage and price controls era (Mandate No. 49).
2. Patricia Johnston was named to a federal advisory council studying the federal sales tax (Mandate No. 100).
3. The Federation was represented on the:
 - (a) Advisory committee of the ministerial task force which studied government spending (Mandate No. 113)
 - (b) Quebec Task Force on Deregulation (Mandate No. 126)
 - (c) Saskatchewan Business Regulatory Reform Council (Mandate No. 127)
 - (d) British Columbia Worker's Compensation Board Advisory Committee (Mandate No. 142)
 - (e) Federal Paperburden Reduction Advisory Committee (Mandate No. 142)
4. John Bulloch was an invited witness to the United States House of Representatives' Banking Committee (Mandate No. 127)

TABLE 3-4
MEMBERSHIP ANALYSIS FOR SELECTED YEARS

A. TYPE OF BUSINESS

	1973(1)	1976(2)	1978(3)	1980(4)	1981(5)
Construction	5.5%	6%	7%		7.8%
Manufacturing	16.3	13	14	14%	13.9
Transportation and Communication	0.9	3	3		2.2
Wholesale	4.2	6	9		7.0
Retail	22.6	40	32	33	34.9
Agriculture, Forestry, Fisheries		4	2		1.9
Financial, Insurance, Real Estate	2.2	5	5		3.3
Services	34.0	19	27	27	27.0
Mining			1		0.9
Other	14.3	4		26	1.1
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

B. NUMBER OF EMPLOYEES

1973(1)		1976(2)		1979-1980(4)		1981(5)	
1	7.1%	1-4	43%	Under 4	40%	1-4	36.6%
2-3	15.1	5-9	25	Under 10	27	5-9	28.4
4-7	24.1	10-14	10	Over 100	2	10-14	12.4
8-19	20.7	15-49	16			15-49	17.1
20-49	16.8	50-99	3			50-99	3.3
50-99	6.9	Over 100	3			Over 100	2.2
Over 100	7.2						
Unexplained	2.1						
	<u>100%</u>		<u>100%</u>				<u>100%</u>

C. GROSS SALES (\$000)

1973(1)		1976(2)	
Under 10	0.4%	Under 20	4%
10-25	3.2	20-49	10
26-50	6.5	50-99	17
51-200	15.5	100-199	23
201-500	19.4	200-499	18
501-1000	13.7	500-999	11
Over 1000	23.4	Over 1000	17
Unexplained	17.9		
	<u>100%</u>		<u>100%</u>

D. YEARS IN BUSINESS

1976(2)		1979-1980(4)	
Under 3	18%	Over 3	87%
3-5	19	6-10	22
6-10	19	Over 11	45
Over 10	44		
	<u>100%</u>		

E. TYPE OF OWNERSHIP

	1973(1)	1976(2)	1981(5)
Sole Proprietorship	22.6%	29%	20.4%
Partnership	4.2	6	4.8
Corporation	71.2	65	74.6
Other	2.0		0.2
	<u>100%</u>	<u>100%</u>	<u>100%</u>

F. GEOGRAPHICAL DISPERSION 1981 (5)

Northwest Territories	0.3%
Yukon	0.4
British Columbia	9.3
Alberta	10.0
Saskatchewan	6.7
Manitoba	3.9
Ontario	43.0
Quebec	17.1
New Brunswick	2.3
Nova Scotia	3.4
Prince Edward Island	0.5
Newfoundland	2.9
Other	0.2
	<u>100%</u>

SOURCE:

- (1) Mandate #15
- (2) Mandate #40
- (3) Mandate #60
- (4) CFIB: A Decade of Action For Independent Business
- (5) Baetz (1985)

**TABLE 3-6
SELECTED ADVOCACY CAMPAIGNS**

(a) "Don't Skin the Beavers" Campaign

This campaign was launched in 1974 to protest a forty percent increase in employer contributions to the unemployment insurance programme. Members were requested to send the increased payments to Ottawa on cheques fifteen inches wide and three feet long supplied by the Federation. The beaver was chosen as the symbol of hard working Canadian entrepreneurs. The objective was not only to demonstrate the alleged frustrations of the members over the unemployment insurance increases but more generally to protest government social programmes which were perceived to destroy the incentive to work, tax Canadians unfairly, and increase the cost of the bureaucracy. Eleven thousand certified cheques were estimated to have been mailed to Ottawa by the February 15th deadline.

(b) \$100 Million Legal Action Against Her Majesty the Queen

As a result of an illegal postal strike in 1974, the Federation launched a lawsuit against the federal government for \$100 million. The Federation charged that the federal government had acted illegally in negotiating with the postal workers. The \$100 million amount represented the total allegedly lost by members due to the strike. The suit was dismissed by the courts. Later John Bulloch acknowledged that the figures used to publicize the charges were "pulled from the air".

(c) Wake Up Canada Campaign

In 1976, the Federation launched its Wake Up Canada campaign to fight the "something for nothing" philosophy it perceived to be rampant in Canada. Canadians were asked to wake up to the economic dangers facing the nation, especially the rate at which government was transferring resources from the productive to the non-productive sector. The advertising campaign was estimated to have cost \$85,000. Buttons, bumper stickers and full page newspaper advertisements featured the campaign's symbol, the hard working "Little Red Rooster". The adaptation of the nursery rhyme accompanying the ad was read in the House of Commons during the budget debate.

(d) CFIB's Response to Labour's "Day of Protest"

When the Canadian labour movement declared October 14, 1976 to be a "day of protest", on which workers were requested to stay away from work, the Federation placed advertisements in twenty-two newspapers calling on Canadians to ignore the protest and report for work. Labour's attempt at political strike action was unsuccessful.

(e) Civil Service Work Stoppage Protest

With a headline entitled "Last Rites For Canada?", the Federation urged members to protest the rising number of civil service work stoppages. The ad featured a post box, crowned with an "RIP" inscription. A wreath was symbolically placed at the foot of the box. In addition to the illegal strikes, the Federation was campaigning for a general reduction in the level of government spending. In 1981, seventy-two thousand copies of the ad were printed for circulation to members. The purpose was to remind the public of the chaos created by public service strikes, in particular the continuous series of postal interruptions.

(f) Postal Revolt Caravan

Continuing the campaign against wasteful government departments, especially the Post Office, the CFIB joined a 1981 protest march on Ottawa. Over fifty thousand letters protesting yet another postal strike were collected from across Canada for delivery to the Minister of State for Small Business.

See Appendix 3-3 for a reproduction of CFIB's literature related to these campaigns.

**TABLE 3-7
RECURRING CFIB THEMES**

The following briefly summarizes the issues and themes which recur in many of CFIB's publications.

1. The need to develop and enhance an entrepreneurial culture in Canada, considered by CFIB to be the country's best economic resource.
2. The job creation record and potential of small business.
3. The need for government to create an economic climate in which small business is encouraged and will develop.
4. A reduction in the size of the civil service.
5. Controls on government spending and a reduction in the national deficit. CFIB, along with most Canadian business and professional organizations, considers the national deficit to be one of the nation's most pressing economic problems, contrary to the view expressed in Sandford (1984) that the national debt is not as serious a problem as is generally considered to be the case.
6. Easing the transition of small businesses to succeeding generations.
7. The need for a Canadian ownership policy, policies encouraging new venture formation, and a national industrial policy.
8. Unfair competition brought about by the concentration of power in big business and organized labour.
9. The need for a tax system favourable to small business.
10. A range of specific issues such as the paperburden imposed on small business by government; the banking industry; employee benefit programmes, especially the unemployment insurance programme; the shortage of skilled labour; unions, collective bargaining, and public sector strikes; and the Post Office.

**TABLE 3-8
NATIONAL SURVEY OF MEMBER CONCERNS**

Quarterly, CFIB conducts personal interviews with a sample of its members to determine the major concerns, problems or issues most troubling them. Members are asked to indicate the two most important problems from a list prepared by CFIB. Generally the question is phrased as follows:

"What is the single most important problem facing your business today?"

See Appendix 3-4 for a sample National Survey.

A. LIST OF ISSUES MENTIONED BY THE MEMBERS

- (a) Government spending
- (b) Inflation
- (c) Manpower problems
- (d) Provincial tax legislation
- (e) Sources of financing
- (f) Provincial labour standards
- (g) Foreign ownership legislation
- (h) Federal and provincial assistance programmes
- (i) Provincial fair trade practices
- (j) Provincial union-management relations
- (k) Provincial uniform store hours
- (l) International trade/Canada-U.S. trade relations
- (m) Government regulation and paperburden
- (n) Cost of labour
- (o) Tax burden
- (p) Unfair competition from large business/government
- (q) Lack of business
- (r) Strikes in the private/public sector
- (s) Interest rates
- (t) No answer/Other

B. NUMBER OF RESPONDENTS TO SELECTED SURVEYS

1973 - 1,172	1981 - 15,065
1976 - 3,264	1983 - 9,500
1977 - 5,479	1985 - 11,546
1979 - 11,000	1986 - 32,417
1979 - 5,208	1987 - 21,489
1981 - 21,355	

C. SUMMARY OF THE RANKING OF MEMBERS' CONCERNS

Issue	Year											
	73	76	76	77	77	78	79	79	81	83	84	85
(a)	1											
(b)	3	3	3	1		1	2	3	3	4	5	8
(c)	4	2	2	2	3	2	4	2	4		7	4
(d)	6											
(e)	7	4	1	3	7	5	1	1	10		9	10
(f)	8											
(g)	9											
(h)	11											
(i)	12											
(j)	13											
(k)	14											
(l)	15											
(m)	5	1	4	4	2	3	3		6		2	2
(n)		5	7		5				9		8	7
(o)	2	6	5	5	1	4			8	1	1	1
(p)	10	7	6		6				7		6	5
(q)					4				5	2	4	6
(r)					8							
(s)									1	3	3	3
(t)		8	8			6	5	4	2		10	9

SOURCE: Selected Surveys Reported in Mandate

D. SUMMARY OF PERCENT OF MEMBERS INDICATING THE ISSUE WAS IMPORTANT

Issue	Year									
	76	76	77	78	79	79	81	83	84	85
(b)	20	18		24	15.6	15	10.1	30	24.5	19.3
(c)	22	19.1	14	20	15	17	9.3		19.9	30
(e)	8	20	9	11	18.5	23	2.5		16.3	16.8
(m)	24	13.4	19	13			7		46.7	50.6
(n)	8	6.2	9.5				2.8		16.8	19.4
(o)	8	9.3	21	12			4.2	48	54.9	57
(P)	6	7.8	11.5		15		4.5		22.4	26.4
(q)			11				8.1	45	28.4	24.8
(r)			5							
(s)							39.7	37	40.8	31.4
(t)	4	6.2		20	35.9	45	11.8		16.3	18.3

Note: The last three survey results report the number of members who placed the issue either first or second.

SOURCE: Results of Various Surveys Reported in Mandate

TABLE 3-9
SELECTED CFIB RESEARCH STUDIES AND SURVEYS

Year	Topic	Response	Mandate
1974	Banking (1)	2,600 (a)	26
1978	Members' business categories (2)	*	60
1979	Job creation (3)	7,700	65
	Banking (4)	16,202	69
1980	Civil servant's right to strike (5)	*	80
1981	Energy (6)	15,000	83
	Post office (7)	1,240	88
	Interest rates (8)	21,355	88
1982	Pensions (9)	1,000 (b)	92
	Education (10)	*	95
1983	Banking (11)	10,000	98
1984	Birth and death of small firms (12)	*	111
1986	Free trade (13)	22,528	127
	Liability insurance (14)	10,390	128

* The number of respondents to these surveys was not available.

- (a) 20% of 5,000 members surveyed
 (b) a 16.5% response rate

- (1) New and growing businesses were not happy with their banking services. They had experienced more difficulties than older firms with bankers. The study indicated a need for new venture capital.
- (2) This survey categorized members according to the federal government's Standard Industry Classification code.
- (3) This study, which surveyed private sector job creation in Canada, concluded that small firms provided 59% of net private sector employment growth from 1971 to 1977, and that small business created the majority of manufacturing jobs.
- (4) This survey asked members whether their bank manager understood the nature of their business, visited their place of business, and provided sufficient funds to finance accounts receivable, inventory and fixed asset expansion.
- (5) Details as to the results of this survey were not available to this researcher.
- (6) A provincial survey which showed support for a move to a world energy price, the sharing of revenues from energy taxes, and a degree of Canadian ownership of energy resources.
- (7) The recent postal strike was estimated to have cost small business \$3 million. Members were in favour of eliminating the right of postal workers to strike.
- (8) The interest rate survey revealed that 7% of the members had curtailed their borrowing and 16.6% their expansion plans as a result of high interest rates. In addition, 55.2% had experienced a fall in profits. 19.2% reported interest rates had no effect on their operation. 1.7% had no opinion.
- (9) Small business would be hard hit by a proposed universal pension scheme.
- (10) Members felt that new programmes were needed to develop workplace discipline and the work ethic among youth, to improve

the quality of general education and skills training, and to improve students' understanding of business and the economy.

- (11) The survey produced a ranking of the national banks. Members concluded that the banks do not provide sufficient support to small business.
- (12) This study documented the number of bankruptcies, start-ups and closures of small businesses. It was proclaimed the first Canadian study of its kind.
- (13) In a survey to determine how members felt the proposed free trade agreement with the United States would affect their business, 35.4% of members responded positively, 32.5% reported no effect, 13.9% replied negatively, and 18.2% had no opinion.
- (14) Nearly three-quarters of the respondents faced premium increases over the past year. Almost 70% experienced increases in excess of 10%. Some had had their premiums increased over 1,000%.

TABLE 3-10
THE HARD FACTS

Several times a year CFIB surveys its members to determine their employment and investment plans. Referred to as the "Hard Facts", this statistical data is compiled in report form and is made available to policy makers as support for CFIB policy positions, especially the job creation potential of small business and the need for policies designed to expand small business. Although only two formal reports (October, 1983 and May, 1984) have been obtained by this researcher, Mandate has reported the contents of other surveys. The following briefly summarizes the results of selected surveys.

1. The April 1983 survey was responded to by 14,171 members. Topics surveyed included major layoffs in the small business sector, salary levels and cutbacks, the conditions necessary to rehire workers, and current investment plans. Members reported between seven and eight hundred thousand employees laid off by smaller firms.
2. The October 1983 survey was responded to by 10,001 members. Topics surveyed included planned employment growth and capital investment. Members noted that the economic recovery had eluded small business. However, members had halted the rapid decrease in employment, and forecast improved employment and capital and inventory investment. One-third forecast increased employment, one-fourth cutbacks. In total, eighty to ninety thousand new jobs were planned for the next six months. CFIB included tables summarizing the data by region, major industrial group, size and age of firm. An employment profile for youth workers, full/part-time employment, and sex was included, as well as a statement of the conditions necessary to hire workers.
3. The May 1984 survey was responded to by 10,799 members. The survey noted improved business conditions and the members' employment and investment outlook, and included tables of employment plans and results, and a distribution of jobs by occupational category using the same breakdowns as the October 1983 survey. CFIB discussed the availability of suitable workers and recruitment and training problems.
4. Mandate No. 113 noted government response to the 1985 survey which had indicated members' difficulties in attracting suitable employees.
5. The spring 1985 survey reported on members' planned employment growth and capital investment plans (Mandate # 116).
6. The July 1985 survey, responded to by 10,108 members, was intended to determine the effects of capital gains tax on members' investment plans. Over 55% indicated they intended to expand, 20% would start new businesses, 16% would buy another business, and 24% would invest in another small business. These results indicated to CFIB the need for relief from the capital gains tax. (CFIB November, 1985 Pre-Budget Brief)

Note: See Appendix 3-5 for a copy of the May, 1984 survey.

TABLE 3-11
THE NATIONAL ACTION ALERT

Responding to "situations of maximum urgency", CFIB occasionally issues special Action Alert surveys requesting the direct input of members. In addition to compiling the vote results, CFIB urges members to write or call their Member of Parliament and/or send their problems related to the issue to CFIB for summarization prior to the presentation of a CFIB brief on the issue. The following list indicates the Action Alerts which have been obtained by this researcher.

1977 - Strikes in the civil service
 1984 - Revenue Canada
 1985 - Postal Rate Survey
 Undated - Demand for a federal budget

TABLE 3-12
SELECTED TAX-RELATED OCCASIONAL SURVEYS

Total Taxes Paid By Small Business	Undated
Survey on Possible Tax Revisions	July 1986
Tax Alert	May 1987
Sales Tax Survey	July 1989

TABLE 3-13
SELECTED INSERTS INCLUDED IN MANDATE

For Your Information	January 1983
For Your Information	May 1983
For Your Information	January 1984
For Your Information	February 1984
What to do When the Tax Auditor Arrives	April 1984
Banking Tips	June 1984
For Your Information	April 1985
Tax Planning	February 1986
Choosing a Lawyer	September 1986
For Your Information	November 1986
Pay Equity Alert	January 1987
For Your Information	April 1987
ABCs for WCB	January 1988
Turning the Tax Tables on the Politicians	June 1989
How to Get a Better Deal at the Bank	December 1989
Where Your MP Stands on the GST	April 1990

TABLE 3-14

YEAR	#	MONTH	MANDATE PUBLICATION DATES						
			YEAR	#	MONTH	YEAR	#	MONTH	
1971	1	*							
1972	2	Jan.	1977	45	Jan.	1982	90	*	
	3	Feb.		46	Feb.		91	*	
	4	Mar.		47	Mar.		92	*	
	5	Apr.		48	Apr.		93	*	
	6	May		49	May		94	*	
	7	Sept.		50	Sept.		95	*	
	8	Oct.		51	Oct.		96	*	
	9	Nov.		52	Nov.		97	*	
	10	Dec.		53	Dec.	1973			
	11	Jan.	1978	54	Jan.	1983	98	*	
	12	Feb.		55	Feb.		99	*	
	13	Mar.		56	Mar.		100	*	
	14	Apr.		57	Apr.		101	*	
	15	May		58	May		102	*	
	16	Sept.		59	Sept.		103	*	
	17	Oct.		60	Oct.		104	*	
	18	Nov.		61	Nov.				
	19	Dec.		62	Dec.	1984	105	*	
							106	*	
1974	20	Jan.	1979	63	Jan.		107	*	
	21	Feb.		64	Feb.		108	*	
	22	Mar.		65	Mar.		109	*	
	23	Apr.		66	Apr.		110	*	
	24	May		67	May		111	*	
	25	Sept.		68	Sept.		112	*	
	26	Oct.		69	Oct.				
	27	Nov.		70	Nov.	1985	113	*	
	28	Dec.		71	Dec.		114	*	
							115	Apr.	
1975	29	Jan.	1980	72	Jan.		116	May	
	30	Feb.		73	Feb.		117	July	
	31	Mar.		74	Mar.		118	Aug.	
	32	Apr.		75	Apr.		119	Oct.	
	33	May		76	May		120	Nov.	
	34	Sept.		77	Sept.				
	35	Oct.		78	Oct.	1986	121	Jan.	
				79	Nov.		122	Feb.	
1976	36	Jan.		80	Dec.		123	Apr.	
	37	Feb.					124	May	
	38	Mar.	1981	81	Jan.		125	June	
	39	Apr.		82	Feb.		126	Aug.	
	40	May/June		83	Mar.		127	Oct.	
	41	Sept.		84	Apr.		128	Nov.	
	42	Oct.		85	May/June				
	43	Nov.		86	*				
	44	Dec.		87	*				
				88	*				
				89	*				

* These issues were undated.

**TABLE 3-15
FEDERATION VICTORY CLAIMS**

A. A Decade of Action for Independent Business

Published in 1980, this summary of the first ten years of Federation activities listed the following victories during the 1970's:

1. The spousal deduction ("the most significant victory in the tax field in recent years", p. 8.),
2. Increased small business deduction limits,
3. Deferral of the capital gains tax on the first \$200,000 realized from the sale of a small business,
4. The inventory allowance, and
5. The small business development bond programme.

B. Mandate

As the victories occur, CFIB reports them to the members in the Mandate. Prior to the publication of the Action Report, the following victories were reported to members.

In Mandate No. 13, members were informed that CFIB had achieved an expanded list of qualified investments eligible for investment by registered retirement savings plans, repeal of the ineligible investment clause, rollover of capital gains on death in the case of family farms, and indexation of the personal income tax to inflation. A later Mandate reported metrification assistance.

Mandates 76 and 84 displayed a version of the following chart indicating that CFIB was responsible for lower corporation income tax rates for small business in nine of the ten provinces.

Prov.	Gen'l. Rate	Small Bus. Rate		
		1976	1980	1981
Nfld.	14%	14%	12%	12%
N.S.	13	12	10	10
N.B.	12	10	9	9
P.E.I.	10	10	10	10
Que.	13	12	12	3
Ont.	14	9	10	10
Man.	15	13	11	11
Sask.	14	12	11	10
Alta.	11	11	5	5
B.C.	15	12	10	8

C. The Action Report

Another source of victory claims is the annual Action Report, in which CFIB reviews its activities for the past year and reports current and past victories to the members. The following lists victory claims published in selected issues of the Action Report and the year(s) in which the claim was repeated.

Increased small business deduction limits	1977 - 1987
The employment tax credit programme	1977
Tax deferral on stock options	1977
Extension of the investment tax credit	1977
Small business development bond programme	1979 - 1981 - 1985
Spousal deduction	1979 - 1981 - 1985 - 1986 - 1987
Extension of the loss carry-over rules	1983 - 1985 - 1986 - 1987
Refundable investment tax credits	1983
Defeat of the 1981 budget	1983 - 1986 - 1987
Elimination of the cumulative deduction account	1984 - 1985 - 1986 - 1987
Termination of installments for firms with less than \$1,000 in annual taxes	1984
Compensation of up to \$1,000 for successful tax appeals	1984 - 1985
Elimination of the distinction between "active" and "non-qualifying" income	1984 - 1985
Extension of the appeal period to 180 days	1984
Simplified reporting for personal use of company cars	1984
The ability of farmers to invest up to \$120,000 of the gain from the sale of a farm in a registered retirement savings plan	1984
Increased registered retirement savings plan contribution limits	1984 - 1985 - 1986 - 1987
The presumption of innocence in tax cases	1985
The postponement of taxes while a case is appealed	1985
Capital gains exemption	1985 - 1986 - 1987
50% of funds in self-directed registered retirement savings plans to be eligible for investment in small firms	1985
Carry-forward of unused registered retirement savings plan contributions	1985
Funds in registered pension plans to be invested in small firms	1985
Creation of small business investment limited partnerships	1985
Exemption of small business from the 5% surtax	1985
Maintenance of the inventory allowance	1985
Increased refundable investment tax credits	1985
Investment of deferred profit sharing plan funds in small businesses	1985
Increased contribution limits for deferred profit sharing plans	1985
Lower corporate tax rates	1985 - 1986 - 1987
Research and development tax credit	1985 - 1986 - 1987
Allowable business investment loss deduction	1985 - 1986 - 1987
Defeat of the value added tax	1986
Preservation of the capital gains deduction	1986
Termination of the Part II tax	1986
Lower small business tax rate	1986 - 1987
Immediate \$500,000 capital gains deduction for farmers	1986

Investment of registered retirement savings plan and pension funds in small firms	1986
Preservation of the full capital gains deduction on shares of small businesses and farms	1987
Preservation of higher registered retirement savings plan contribution limits	1987
Preservation of the deduction for interest incurred in the purchase of a small business	1987
Preservation of the research and development tax credit	1987
Reinvestment of registered retirement savings plan funds in small businesses	1987

**TABLE 3-16
CFIB REPORT CARD**

Issue	November 12, 1981	November 12, 1982	
1. Interest deductibility	Restricted	Restrictions lifted	A+
2. Installment sales received	Taxed before cash relieved	Substantially	A
3. Cash flow restrictions	1/2 CCA in year of acquisition	100% class reversed	C+
4. Restrictions on sale of business	Reserves and income averaging	Reserves improved	B-
5. Equity investments in small businesses	12 1/2% tax on dividends	Substantially relieved	B
6. Discrimination against professionals	Tax work in progress	Eliminated	A+
7. Retirement provisions	DPSPs eliminated and other changes	No change	F
8. Increased professional fees	Tax complexity	Partly relieved	B-
9. Estate planning	Restrictions on corporate reorganizations	Sent to White Paper	A+
10. Employee loans	Multiple restrictions	Some relief	C

SOURCE: Mandate No. 97

TABLE 3-17
SUMMARY OF FEDERAL SALES TAX QUESTIONS INCLUDED IN MANDATE

Mandate

- 10-2 Are you for or against removal of the Federal Sales Tax on building materials?
- 34-1 Are you for or against transferring the federal sales tax (FST) from the manufacturing level to the wholesale level?
 - 2 Are you for or against replacing the FST at the manufacturing level with a combined provincial federal retail sales tax?
- 55-4 Are you for or against two levels of government collecting sales taxes?
- 90-2 Are you for or against moving the federal sales tax to the wholesale level?
- 115-2 Are you for or against establishing a federal value-added tax (VAT)?
- 128-1 Are you for or against a new Business Transfer Tax (BTT) to replace the Manufacturers' Sales Tax (MST) and to lower personal tax rates?

TABLE 3-18
ACTION ALERT VALUE ADDED TAX VOTE

The members voted as follows:

1. Federal Value Added Tax and Retail Sales Tax	1%
2. Federal Business Transfer Tax with Retail Sales Tax	22%
3. Federal/Provincial Retail Sales Tax	33%
4. Federal/Provincial Value Added Tax	32%
5. None of the above	12%

**TABLE 4-1
CANADIAN FEDERAL BUDGETS**

Date	Minister of Finance	Government Party
Tax Reform		
June 18, 1971	Edgar Benson	Liberal
1. May 8, 1972	John Turner	Liberal
2. February 19, 1973	John Turner	Liberal
3. May 6, 1974*	John Turner	Liberal
4. Nov. 18, 1974	John Turner	Liberal
5. June 23, 1975	John Turner	Liberal
6. May 25, 1976	Donald Macdonald	Liberal
7. March 31, 1977	Donald Macdonald	Liberal
8. April 10, 1978	Jean Crétien	Liberal
9. November 16, 1978	Jean Crétien	Liberal
10. Dec. 11, 1979*	John Crosbie	Conservative
11. Oct. 28, 1980	Allan MacEachen	Liberal
12. Nov. 12, 1981	Allan MacEachen	Liberal
13. June 28, 1982	Allan MacEachen	Liberal
14. April 19, 1983	Marc Lalonde	Liberal
15. Feb. 15, 1984	Marc Lalonde	Liberal
16. May 23, 1985	Michael Wilson	Conservative
17. Feb. 26, 1986	Michael Wilson	Conservative
18. Feb. 17, 1987	Michael Wilson	Conservative
Tax Reform		
June 17, 1987	Michael Wilson	Conservative

* These budgets were defeated in the House of Commons

BUDGET THEMES

May 1972	Reduced unemployment through economic expansion
Feb. 1973	Reducing unemployment
May 1974	Inflation and breaking the inflationary spiral
Nov. 1974	Reintroduction of May budget measures; resource taxation; residential housing; capital investment
June 1975	Decline in the world economy; expenditure control; sustaining business investment and job creation
May 1976	Attack on inflation
March 1977	Post-wage and price controls policies
April 1978	Research and development; transportation; and energy policy
Nov. 1978	Future economic growth
Dec. 1979	Control of government expenditures; energy policy
Oct. 1980	The National Energy Program
Nov. 1981	Restraint, equity and economic renewal
June 1982	Economic growth
April 1983	Post-recession recovery
Feb. 1984	Securing economic growth through the partnership of business and government
May 1985	Reorganizing government priorities; encouraging private initiative; controlling the debt
Feb. 1986	Expenditure restraint; fiscal responsibility; new government priorities
Feb. 1987	Assessing the progress of the government's agenda

TABLE 5-1 (A)
SUMMARY OF THE MAJOR TOPIC OF THE MANDATE ARTICLES

A. Economic Issues			
1. Tax-related			
Federal Income Tax	85.75		
Other - Provincial, Payroll or Commodity Taxes	<u>54.25</u>	140	
2. Non-tax Related			
Provincial Actions	54		
The Economy, Economic Problems and Strategy	45		
CFIB Lobbying Activities	32.5		
Other Legislation	31.5		
Post Office	22		
Banking	20.5		
Employee Benefit Programmes	20		
Government	17.5		
Paperburden	15.5		
Unions, Labour and Collective Bargaining	15.5		
Financing of and Capital Creation in Small Businesses	13.5		
Other	10.5		
Unfair Competition	<u>4.5</u>	<u>302.5</u>	442.5
B. Non-economic Issues			
CFIB Political Action and Issues	58.5		
CFIB Organization	36.5		
Other	40		
The Political Process	9.5		
Conferences	9.5		
Tax	<u>4.5</u>	<u>158.5</u>	
Total			<u>601</u>

TABLE 5-1 (B)
FEDERAL INCOME TAX ARTICLES BY YEAR

1972	7	1980	7.5
1973	3.5	1981	12
1974	3	1982	12
1975	1	1983	3
1976	2.25	1984	9.5
1977	7	1985	3.5
1978	6	1986	3
1979	5.5		

TABLE 5-2 (A)
SUMMARY OF PICTURES PUBLISHED IN MANDATE
Subject Matter Category

Subject Matter Category	No.	%
A. CFIB officials meeting with government or industry officials	147	56.1
B. In-house CFIB photos	32	12.2
C. Other	27	10.3
D. CFIB appearances before government or regulatory agencies, task forces or commissions	10	7.3
E. CFIB news conferences and media events	18	6.8
F. CFIB officials at conferences	8	3.1
G. CFIB members or officials visiting members	7	2.7
H. Speeches given by CFIB officials	4	1.5
Total	262	100

Summary	No.	%
Economic	204	77.9
Non-economic	<u>58</u>	<u>22.1</u>
	262	100
Tax related	70.5	34.6
Non-tax related	<u>133.5</u>	<u>65.4</u>
	204	100
Federal income tax	53.5	75.9
Non federal income tax	<u>17</u>	<u>24.1</u>
	70.5	100
Political	3	5.2
Non-political	<u>55</u>	<u>94.8</u>
	58	100

TABLE 5-2 (B)
INCOME TAX PICTURES BY YEAR BY SUBJECT MATTER CATEGORY

Year	Subject Matter Category					Total
	A	C	E	G	H	
1972	1					1
1974	1					1
1976				1		1
1977	.5					.5
1978	2					2
1979	3					3
1980	1					1
1981	2	3		1		6
1982	10	1	1	1	7	20
1983	4					4
1984	2		3	1	1	7
1985	3					3
1986	4					4
Total	33.5	4	4	4	8	53.5
%	62.5	7.5	7.5	7.5	15	100

TABLE 5-3 (A)
SUBJECT MATTER OF MEMBER'S LETTERS

	No.	%
Government - waste, size, regulation, spending, inefficiency	150.5	14.7
Federal income taxes	123	12
Employee benefit plans - unemployment insurance, workers' compensation, Canada pension plan	89	8.7
Other taxes and customs duties - payroll, provincial, sales, commodity, municipal	86.5	8.4
General economic problems and concerns	79.5	7.9
Banks / Financing of small businesses	77.5	7.6
Post Office - postal service, rates	73	7.1
Labour - unsuitable, poorly trained or motivated, shortage of, minimum wages, high cost, welfare mentality, training programmes	64	6.2
Unions and the civil service - strikes, wages, negotiations	64	6.2
Unfair competition from large businesses, government, foreign businesses	45.5	4.4
Other	32	3.1
Congratulations to the CFIB	28.5	2.8
Energy policy	24.5	2.4
Paperburden	24	2.3
Interest rates	23	2.2
High costs / Inflation	20.5	2
Other sundry legislation	20	2
Total	<u>1025</u>	<u>100%</u>

TABLE 5-3 (B)
FEDERAL INCOME TAXATION LETTERS BY YEAR

1975	4	1978	11.5	1981	21	1984	15
1976	5	1979	3	1982	22	1985	9
1977	6	1980	11.5	1983	12	1986	3

TABLE 5-3 (C)
SUMMARY OF FEDERAL INCOME TAX LETTERS

Criticisms, complaints, congratulations	56
Tax proposals	34
1981 budget	33
Total	<u>123</u>

Many of the criticism letters refer to "taxes", therefore the assumption is that the writers are referring to federal income taxes, although it is likely that they may also be referring to other taxes.

TABLE 5-3 (D)
TAX PROPOSALS ADVOCATED BY MEMBERS IN THEIR LETTERS

**Mandate
#**

- 29 Lower tax rates
- 33 Compensation for collecting income taxes
- 38 Standby charge changes
- 39 Jury trials for tax cases
- 44 Allow employees to claim the cost of tools
- 49 Extend registered retirement savings plan deadline to April 30
- 55 Registered retirement savings plan contributions only on monthly installments
- Progressive corporation tax rates
- 57 Change installment schedule for seasonal businesses
- 58 Allow a tax credit for the purchase of a wood-burning stove
- 59 Extend the registered retirement savings plan deadline to April 1
- 60 Simplify the tax forms
- 66 Allow a tax deduction for blood donations
- 73 Progressive corporation tax rates
- 76 Re-define a small business as one with less than twenty-five employees and less than \$250,000 gross sales
- 77 Allow a longer installment period
- 78 Allow a deduction for income protection insurance fees
- Earlier mailing of information slips
- 79 No tax on profits re-invested in inventory
- Abolish the capital gains tax
- 84 Abolish the capital gains tax
- 85 Increase small business limit to \$1,500,000
- 87 Guidelines for depletion tax incentives
- 94 Research and development tax incentives
- 100 Simplified tax system
- 103 Tax credit for used farm machinery
- 111 Classify doctors as small businesspersons
- 113 Capital gains system for small businesses similar to that for farmers
- 114 Abolish capital gains/Flat rate personal taxes
- 115 Index the proposed minimum tax
- 116 Allow doctors to incorporate
- 119 Shorter capital cost allowance periods
- 126 Simplification of the tax system
- 128 Invest registered retirement savings plan funds in the sponsoring company

n = 34

TABLE 5-4
SUMMARY OF MANDATE INCOME TAX QUESTIONS

Included in a tax brief			
Successful		7	
Unsuccessful		<u>9</u>	16
Successful question repeated three times (1)			2
Not included in a tax brief			
Supported by the members		16	
Not supported by the members		10	
Received insufficient support		10	
Supported existing government policy		3	
Negative income tax questions		<u>2</u>	<u>41</u>
Total			59
			—

- (1) The spousal salary question was repeated three times. It is listed only once as a successful question.

TABLE 5-5
SUBJECT MATTER OF TAX QUESTIONS

Capital gains	6
Small business financing incentives	3
Spousal deduction	3
Indexation of personal income tax	3
Registered retirement savings plans	3
Small business deduction	2
Negative income tax	2
Resource taxation	2
Employment tax credit	2
Insurance policies	2
Use of tax data	1
Constant dollar taxation	1
Filing deadline	1
Corporation tax amendments	1
Net worth assessments	1
Interest deduction	1
Metric tools	1
Workers' compensation	1
Collection of taxes	1
Contributions to non-producer regulatory groups	1
Incorporating professionals	1
Energy conservation	1
Mortgage interest and property taxes	1
Child exemption	1
Standard deduction	1
Tax-based incomes policy	1
Strike pay	1
Employee benefits	1
Excess profits tax	1
Flat rate personal tax	1
Tax appeal costs	1
Tips	1
Deferred profit sharing plans	1
Minimum tax	1
Family allowance and child tax credit	1
Taxing profits as distributed	1
Education savings plans	1
Exporting firms	1
Corporation tax incentives	1
Local income taxes	1
Preparation of tax returns	1
Total	59

TABLE 5-6
SUMMARY OF INCOME TAX QUESTIONS INCLUDED IN MANDATE

Question	Included In A Brief	Successful		Not Included In A Brief	Reason for Non-Inclusion
		Yes	No		
1-1	X	X			
7-5				X	E
8-3				X	C
9-1				X	D
10-3	X		X		
10-4				X	B
11-4	X		X		
14-1	X	X			
14-4				X	C
15-4	X	X			
18-2				X	B
23-1	X	X			
24-1				X	B
24-4				X	C
26-1				X	D
28-1	X	X			
29-2				X	C
35-4				X	C
40-1				X	E
40-3				X	B
45-4				X	C
50-3				X	D
50-4				X	C
55-2	X		X		
55-3				X	C
56-3				X	A
57-4				X	A
58-4	X		X		
60-1				X	B
61-1	X	X			
68-1	X		X		
70-3	X	X			
75-4				X	B
77-1				X	A
80-1	X	X			
84-1				X	A
85-1				X	A
86-3				X	C
86-4				X	A
87-2				X	C
90-1				X	A
92-1				X	B
100-1				X	C
106-3	X		X		
107-4				X	C
109-2	X		X		
111-1	X		X		
111-4	X		X		
112-1				X	C
113-2				X	C
115-1				X	C
116-3				X	B
116-4				X	B
117-2				X	A
118-1	X	X			
119-2				X	A

120-4				X		A
121-4				X		C
128-4				X		B
TOTAL	18	9	9	41		A - 10 B - 10 C - 16 D - 3 E - 2

- A. Questions not supported by the members, therefore dropped.
- B. Questions receiving breakeven support
- C. Questions supported by the members but not in pre-budget briefs.
- D. Questions supporting existing government policy
- E. Negative income tax questions

TABLE 5-7
MANDATE 1985 VICTORY CLAIMS

What we wanted

What we got

More generous investment loss provisions

Personal, lifetime exemption for capital gains of \$500,000, phased in over five years beginning with \$20,000 exemption this year

Rollover of capital gains on sale of a business if funds reinvested

Rollover of capital gains on death

Exemption from capital gains if held over 5 years

Free up RRSP savings, allowing self-directed RRSPs to be invested in Section 125 companies

As requested as long as 50% of firms are arm's length

Allow pension funds to establish partnerships with venture capital firms

Pension funds may set up income-tax exempt Small Business Investment Corporations (SBICs) to provide capital for small and medium-sized corporations and form SBILPs (Small Business Investment Limited Partnerships) with other sources of equity capital

Raise RRSP contribution limits

A phased-in increase from \$5,500 to \$15,000 by 1990 with seven-year carry forward of unused contribution room

Allow Deferred Profit Sharing Plans to be reinvested in firm

DPSP scope expanded by an increase in the limit on deductible contributions from \$3,500 to \$7,750 which can be invested in company's own shares

Ease overall tax burden, especially profit-intensive payroll taxes
complete review of system by private sector committee

Unemployment insurance premiums frozen through 1986;

Small firms exempt from temporary 5% corporate surtax

Action to reduce deficit through spending cuts, rest through increased revenues

\$12-billion sliced from deficit in two years; 80%

Recognition that the economy cannot be centrally planned; that economic renewal depends on health of small and medium-sized firms.

Wilson said in his speech: "We need to recognize that small and medium-sized businesses across the country are the most dynamic forces for growth and employment".

SOURCE: Mandate No. 117

TABLE 6-1
MEMBERS' REACTION TO CFIB VICTORY CLAIMS

"Work to correct the situation whereby senior officials of the government can make mistakes, but always at the expense of the individual or the corporation. There should be a law that obliges them to correct their errors at their own expense." (Mandate No. 68)

"Our most important reason for supporting CFIB is to bring about a major reduction in the government's intrusion into corporate affairs. Clearly, the biggest impact results from tax policies." (Mandate No. 80)

"I want to commend you and your staff for the effort you all put into making the existence of small business possible." (Mandate No. 94)

"We appreciate the efforts of the CFIB and feel your message is being listened to in Ottawa." (Mandate No. 95)

"We are pleased to see that government is consulting with the CFIB regarding budget proposals and other policies." (Mandate No. 103)

"I was very impressed with the proposal the CFIB made to the Tory Task Force on Revenue Canada and also to Marc Lalonde. The report was concise, easy to read and the recommendations were excellent. I appreciate the work that you and your associates are doing for the small business owner." (Mandate No. 109)

"After reading the Consultation Paper on Small Business put out by the federal government, I would like to commend CFIB on its response. There is very little I would add to or delete from your submission. I would also like to commend CFIB on its continued support of and efforts for the business community, helping us make it through some pretty tough times." (Mandate No. 117)

TABLE 6-2 (A)
CANADIAN GENERAL ELECTIONS
PARTY STANDING IN HOUSE OF COMMONS

Date of Election	Party Standings				Total
	Con.	Lib.	N.D.P.	Other	
June 25, 1968	72	155	22	15	264
October 30, 1972	107	109 *	31	17	264
July 8, 1974	95	141	16	12	264
May 22, 1979	136	114	26	6	282
February 18, 1980	103	147	32	-	282
September 4, 1984	211	40	30	1	282

Note: The governing party is shown in bold type.

* a minority government

TABLE 6-2 (B)
CFIB PROPOSALS WHICH HAVE BEEN MADE TO BOTH LIBERAL AND
CONSERVATIVE FINANCE MINISTERS

	Liberal	Conservative
1. Exempting the shares of small corporations from capital gains tax if held for at least five years	1978(2) 1983	1979(2)
2. Permission to re-invest up to fifty percent of the funds invested in self-administered registered retirement savings plans in the sponsoring company	1983	1985(1)
3. Increasing the allowable business investment loss deduction to one hundred percent	1978(2)	1979(2) 1985(1)
4. Increasing the inventory allowance	1980	1979(2)
5. Extending the deadline for filing a notice of objection	1978(1)	1985(2)
6. Increase tax incentives for investments in small, risky firms	1977(1) 1977(2) 1978(3)	1979(2)
7. <u>Reduce the complexity of the Income Tax Act</u>	1972	1979(2)

TABLE 6-3

SUMMARY OF GOVERNMENT PRIORITIES AS EXPRESSED IN BUDGET SPEECHES

Budget	Major Government Priorities
May 8, 1972	<ul style="list-style-type: none"> - competitiveness and productivity - to reduce unemployment - to promote greater social justice by relieving the financial burden borne by particular groups or individuals
Feb. 19, 1973	<ul style="list-style-type: none"> - unemployment - economic growth - strengthening the basic structure of the economy - reduce inflationary pressures - offset the effects of past inflation - to increase the real income and improve the standard of living of Canadians, especially older Canadians - balanced economic expansion
May 6, 1974	<ul style="list-style-type: none"> - inflation and the inflationary spiral - to alleviate the adverse impact of rising prices - to enhance equality of opportunity across the country
Nov. 18, 1974	<ul style="list-style-type: none"> - adverse developments abroad - domestic inflation - maintain production and employment - avoid inflation and recession - protect those less able to protect themselves
June 23, 1975	<ul style="list-style-type: none"> - inflation - unemployment - energy - specific sectors - automobile industry and residential construction - rising wages and salaries - production of satisfying jobs - sustain business investment - control of government expenditures
May 25, 1976	<ul style="list-style-type: none"> - inflation - high interest rates - structural problems in the labour force - federal/provincial fiscal relations - control of government expenditures - energy conservation
March 31, 1977	<ul style="list-style-type: none"> - to guide the economy through the hazards imposed by the recent inflationary spiral - create employment - encourage investment - faster regional growth - improve equity markets - improve cash flow to business - sustain consumer spending - provide tax relief to taxpayers of modest income - maintain trend to lower inflation - encourage steady and non-inflationary growth - encourage small business and venture entrepreneurs - simplify the tax system
April 10, 1978	<ul style="list-style-type: none"> - create the proper conditions for a strong and prosperous economy

- Nov. 16, 1978
 - to hold on to the gains achieved on our competitiveness position
 - contain domestic costs
- Dec. 11, 1979
 - to create incentives to work, save, invest and take risks
 - steady deficit reduction
 - self-sufficiency in oil
- Oct. 28, 1980
 - maintain government expenditures within the rate of growth
 - a steady reduction in the government deficit and financial requirements
 - the avoidance of tax increases
 - to provide new expenditures in energy, economic development, industrial adjustment and manpower training
 - to sustain social and economic assistance to those communities and those people most in need
 - to ensure a steady reduction in the rate of inflation
 - the resumption of strong investment and productivity growth
 - the restoration of a fully-employed, strongly-growing, non-inflationary society
- Nov. 12, 1981
 - improved fairness and equity
 - to enhance general incentives for individuals to work, save and invest
 - to reduce economic distortions caused by tax preferences
 - to rationalize incentives and assistance delivered through the tax system to ensure that they are achieving their goals in an effective manner and that the cost is justified
 - deficit reduction, while reducing taxes or leaving them unchanged for most Canadians and in particular, lower income Canadians
- June 28, 1982
 - to break inflation, boost confidence, create jobs, and hold the line on the deficit
 - increase productivity
 - lower interest for homebuyers and small business
 - create incentives for investment in Canadian corporations
 - resolve the outstanding Nov. 1981 tax measures
- April 19, 1983
 - spread the recovery quickly
 - make the recovery durable
 - establish the conditions required for sustained economic growth and development
- Feb. 15, 1984
 - build a strong and growing economy
 - provide economic opportunity and security
 - provide meaningful jobs
 - create jobs through the partnership of private sector and government
 - simplify the application of tax incentives
 - fairer and more effective tax assistance
- May 23, 1985
 - increased economic opportunity
 - encourage private initiative
 - build growth
 - build lasting jobs
 - produce more efficient and effective government
 - deficit reduction

- Feb. 26, 1986
- spread the tax burden more equitably
 - ensure that incentives are effective
 - protect government revenues
- Feb. 18, 1987
- make government more efficient
 - restore prudent financial management
 - provide an economic environment that encourages private risk-taking and initiative and that rewards success
 - a fairer, less complex tax system, that encourages productive economic activity

SOURCE: Budget Speeches, 1972-1987.

**TABLE 6-4
SCHEDULE OF TERMS REFERRED TO IN THE BUDGET SPEECHES**

	72	73	74a	74b	75	76	77	78a	78b
Jobs	X	X	X	X	X	X	X	X	X
Regional Development/Disparity	X	X	X			X	X	X	
Housing Measures/Starts	X	X	X	X	X		X		X
Research and Development							X	X	X
Small Business		X	X	X		X	X		
Farmers/Fishermen	X	X	X				X	X	
Manufacturing and Processing	X	X	X	X	X				
Simplification						X	X		
Tax Reform	X	X	X		X				
Energy/Resource Industry	X		X	X	X	X	X	X	X
Retirement Planning/RRSPs	X	X	X	X		X	X	X	X
Small Business as Job Creator									
Consultation Process	X	X		X	X	X	X	X	
Inflation	X	X	X	X	X	X	X	X	
Deficit/Government Expenditures					X	X	X	X	X
Cash Flow to Small Business							X		
Need for Equity Capital in Small Business				X					
Maintaining Productivity	X	X	X	X	X	X		X	X
International Competitiveness	X	X	X	X	X	X	X	X	X

	79	80	82	83	84	85	86	87
Jobs	X		X	X	X	X	X	X
Regional Development/Disparity	X	X				X	X	
Housing Measures/Starts	X	X	X	X	X	X	X	X
Research and Development				X		X	X	
Small Business		X	X	X	X	X	X	
Farmers/Fishermen	X			X	X			
Manufacturing and Processing		X					X	
Simplification					X		X	
Tax Reform								X
Energy/Resource Industry	X	X		X			X	
Retirement Planning/RRSPs					X	X	X	
Small Business as Job Creator		X			X	X	X	
Consultation Process	X	X		X	X	X	X	
Inflation	X	X	X	X	X	X	X	
Deficit/Government Expenditures	X	X		X	X	X	X	X
Cash Flow to Small Business				X			X	
Need for Equity Capital				X		X		
Maintaining Productivity	X	X						
International Competitiveness	X	X						

**TABLE 6-5
SUCCESSFUL PROPOSALS BY ISSUE**

Issue	Successful	Unsuccessful	Total
Small Business Deduction	3	2	5
Capital Gains	2	10	12
Cash Flow	3	6	9
Spousal Deduction	1	0	1
Small Business Development Bonds	3	2	5
Loss Carrybacks	1	0	1
Registered Retirement Savings Plans	2	0	2
Corporation Income Tax Rates	2	1	3
Research and Development Allowable Business Investment Loss	4	1	5
	0	1	1
Employment Tax Credit	1	0	1
Inventory Allowance	0	1	1
Deferred Profit Sharing Plans	0	1	1
Personal Income Tax Rates	0	1	1
General Averaging	0	1	1
Partnerships	0	1	1
Part II Tax	0	1	1
Dividends	0	2	2
Tax Shelters	1	0	1
Tax Deadlines	1	2	3
Capital Incentives	1	0	1
Administrative Matters	3	7	10
Budget Process	1	0	1
Sundry	2	5	7
Total	31	45	76

TABLE 6-6

SUMMARY OF CFIB PROPOSALS WHICH APPEARED EARLIER IN ANOTHER SOURCE

Proposal	First Proposed By CFIB	Earlier Source or Evidence of Similar Proposal From Another Interest Group
B. 6.	1985	This proposal is similar to the U.S. six month rule for capital assets
C. 2.	1977	Similar to a proposal described in Bossons (1971)
4. (b)	1983	Proposed in the 1982 budget, this idea was studied by the Lortie Commission and implemented as the indexed security investment plan
6.	1983	1977 Joint CICA/CBA Brief
E. 1.	1980	CFIB one of many groups to make this proposal (Kerr, 1980)
F.	1983	Proposed by the Joint CICA/CBA Committee in 1977 and 1980-1981
G. 1.	1981	1984 budget papers referred to numerous federal and provincial inquiries into retirement planning. Also proposed in the 1977 and 1980-1981 Joint CICA/CBA briefs
H. 3.	1986	Idea in 1980 and 1985 budgets, combined with more selective tax incentives
I. 1.	1978	The Nov. 1978 budget referred to twenty-three sectoral task forces which had examined policy needs, including research and development
3.	1980	1983 budget paper referred to discussions with arrange of companies and interested parties related to this issue
K.	1977	Similar to earlier U.S. legislation
T. 1.	1978	1977 Joint CICA/CBA brief
3.	1978	1977 Joint CICA/CBA brief
U.	1976	1980 budget discussed lower rates combined with more selective incentives
V. 4.	1984	COSB made this proposal in a meeting with the Minister (<u>Halifax Chronicle-Herald</u> , April 27, 1984)
9.	1972	1971 - Canadian Labour Congress
X. 1.	1979	1971, 1973, 1977 Canadian Labour Congress
		1980-1981 Joint CICA/CBA Brief
4.	1985	1983 Joint CICA/CBA brief

TABLE 6-7
TAXPAYER GROUP BENEFITING FROM THE CFIB PROPOSALS

Proposal #		In Budget	
		Yes	No
A.1	Small Business Corporations	X	
2(a)	Small Business Corporations	X	
(b)	Small Business Corporations		X
(c)	Small Business Corporations	X	
(d)	Small Business Corporations		X
B.1(a)	Small Business Corporations	X	
(b)	All Corporations	X	
(c)	Small Business Corporations		X
(d)	Small Business Corporations		X
(e)	Small Business Corporations		X
2(a)	Small Business Corporations		X
(b)	Small Business Corporations		X
(c)	Small Business Corporations		X
3	Small Business Corporations		X
4	All Taxpayers		X
5	All Taxpayers		X
6	All Taxpayers		X
C.1	Small Business Corporations		X
2	Small Business Corporations		X
3	Small Business Corporations		X
4(a)	Small Business Corporations		X
(b)	Large Corporations	X	
(c)	Small Business Corporations		X
5	Small Business Corporations		X
6	Large Corporations	X	
7	Small Business Corporations	X	
D.	Unincorporated Small Businesses	X	
E.1	Small Business Corporations	X	
2	Small Business Corporations		X
3	Small Business Corporations	X	
4	Small Business Corporations		X
5	Unincorporated Small Businesses	X	
F.	All Businesses - Incorporated and Unincorporated	X	
G.1	Individuals	X	
2	Small Business Corporations	X	
H.1	All Corporations		X
2	Small Business Corporations	X	
3	All Corporations	X	
I.1	All Corporations	X	
2	All Corporations	X	
3	All Corporations	X	
4	All Corporations		X
5	All Corporations	X	
J.	Individuals		X
K.	All Corporations	X	
L.	All Corporations		X
M.	Small Business Corporations		X
N.	Individuals		X
O.	Individuals		X
P.	Individuals		X
Q.	Small Business Corporations		X
R.1	Small Business Corporations		X
2	Small Business Corporations		X
S.	Individuals	X	
T.1	All Taxpayers	X	
2	All Corporations		X
3	Individuals		X
U.	Large Corporations	X	
V.1	All Taxpayers		X

2	All Taxpayers	X	
3	All Taxpayers		X
4	All Taxpayers		X
5	All Taxpayers		X
6	All Taxpayers		X
7	All Taxpayers		X
8	All Taxpayers		X
9	All Taxpayers	X	
10	All Taxpayers	X	
W.	All Taxpayers	X	
X.1	Individuals	X	
2	Small Business Corporations		X
3	Individuals		X
4	Individuals		X
5	Individuals		X
6	Individuals		X
7	Small Business Corporations	X	

Summary

Type of Taxpayer	Successful	%	Unsuccessful	%
Small Business Corp.	10	31	22	69
Large Corporations	3	100	0	0
All Corporations	7	64	4	36
All Businesses	1	100	0	0
Unincorporated Businesses	2	100	0	0
Individuals	3	25	9	75
All Taxpayers	5	33	10	67
Total	31	41	45	59

TABLE 6-8
TAX COST/BENEFIT OF SELECTED CFIB PROPOSALS
\$

PROPOSAL #	CFIB	DEPARTMENT
A.2 (c)		150 m.
B.3	100 m.	
C.5	450 m.	
6	200 m.	
7	300 m.	
D.	75 m.	150 m.
E.1		50 m. (1980 Budget) 7 m. (1985 Budget)
F.	305 m.	
H.3		255 m.
I.2,4,5		150 m.
P.	500 m.	
U.		ITC 240m. total; 35 m. for small business Inventory Credit - 375 m. total 25 m. for small business
X.1		1.2 b.

TABLE 6-9
SUMMARY OF THE SIGNIFICANT SUCCESSES

1. Increased annual and total business limits
2. The exclusion of professionals and professional practice management firms from the definition of "non-qualifying business"
3. Relief from the harmful consequences of transferring a business to the owner's children
4. Elimination of the tax penalty paid on the sale of assets where there is a subsequent re-purchase of new assets of a similar nature
5. The investment of deferred profit sharing plan funds in small businesses
6. The spousal salary deduction
7. Extension of the small business development bond programme
8. Elimination of the loss of eligibility for the small business development bond programme when accumulated earnings exceed \$750,000
9. The inclusion of proprietors in the small business development bond programme
10. The increased loss carryover period
11. Increased registered retirement savings plan contribution limits
12. The re-investment of certain registered retirement savings plan funds in small businesses
13. Increased annual retained earnings limits for manufacturing firms to qualify for the manufacturers' tax credit
14. Lower corporation income tax rates
15. General support for better research and development incentives
16. Refundable tax credits for non-taxable research and development firms
17. Increased research and development incentives for Canadian owned businesses
18. Conversion to a twenty-five percent tax credit of the incremental fifty percent research and development tax deduction

TABLE 6-10 (A)
SUCCESSFUL PROPOSALS WHICH TOOK SEVERAL YEARS TO REACH A BUDGET

Proposal

A2(c)	Including professionals in small business deduction
B1(a)	Transfer of small company to owner's children
(b)	Tax penalty on sale and re-acquisition of similar asset
C7	Re-investment of deferred profit sharing plan funds in sponsoring firm
D	Spousal deduction
G1	Increased registered retirement savings plan limits
G2	Re-investment of registered retirement savings plan funds in small businesses
H2	Increased limits for manufacturers' tax credit
I2	Refundable research and development tax credit
I3	Increased research and development tax credits
T1	Extension of appeal date
U	Decreased incentives for large businesses
V9	Simplification
V10	Revenue Canada royal commission

TABLE 6-10 (B)
SUCCESSFUL PROPOSALS WHICH WERE ACTED UPON RELATIVELY QUICKLY

Proposal

Issue

A1	Small business limits
A2(a)	Opposition to the delegation of the definition of the terms "qualifying business" and "non-qualifying business" to the Regulations rather than inserting them in the <u>Income Tax Act</u>
C4(b)	Registered investment savings plan
C6	Underwriting fees
E1	Extend small business development bond
E3	Eliminate ceiling for small business development bond
E5	Include proprietors in small business development bond
F	Loss carryovers
H3	Lower rates
I1	Better research and development incentives
I5	Conversion of research and development deduction to tax credit
K	Employment tax credit programme
S	Eliminate tax shelters
V2	Suspend tax collection on appeal cases
X1	Mortgage interest deduction
X7	Tax penalty on surplus funds

TABLE 6-11
PROPOSALS BY YEAR

	#		Successful		Unsuccessful	
1972	2		0		2	
1973	1		1		0	
1974	2		2		0	
1975	0		0		0	
1976	3		2		1	
1977	8		1		7	
1978	11		3		8	
1979	11	38	3	12 (31.5%)	8	26 (68.5%)
1980	4		1		3	
1981	8		5		3	
1982	0		0		0	
1983	13		5		8	
1984	12		6		6	
1985	19		6		13	
1986	3	59	2	25 (42.5%)	1	34 (57.5%)
Total		97		37		60

Note: This table includes proposals submitted more than once. Therefore the total is greater than the number of proposals listed in Part III of chapter five.

TABLE 6-12 (A)
SCHEDULE OF ANNUAL EXPENDITURES
In Actual \$

	1972	1973	1974	1975	1976
Field Organization	*	*	*	*	798,988
Mandate	61,691	125,818	368,362	641,211	92,420
Legislation	*	*	*	*	154,693
Publicity	22,462	38,876	91,132	130,508	165,356
Administration	34,741	63,403	132,544	199,593	300,368
Occupancy	-	-	-	16,547	32,671
Public Affairs	-	-	-	-	-
Total	118,894	228,097	592,038	987,859	1,544,496
% Increase		191	160	67	56

* For 1973, 1974 and 1975 expenditures on Field Organization were combined with Mandate, and expenditures on Legislation were combined with Publicity.

	1977	1978	1979	1980
Field Organization	1,163,417	1,334,171	1,537,967	1,580,765
Mandate	153,852	177,447	194,669	227,895
Legislation	257,923	320,112	345,883	466,020
Administration	328,713	375,193	483,494	703,530
Occupancy	99,818	48,729	108,062	89,075
Public Affairs	188,524	409,226	261,773	434,371
Total	2,192,247	2,664,878	2,931,848	3,501,656
% Increase	42	22	10	19

	1981	1982	1983	1984
Field Organization	2,502,128	2,835,556	2,886,734	3,336,318
Legislation	781,067	1,260,031	1,130,073	1,225,373
Communications	749,762	888,029	687,146	795,913
Administration	526,595	460,078	320,883	313,354
Office Facilities	238,784	555,624	426,185	389,198
Data Processing	275,679	396,596	388,304	444,061
Total	5,074,015	6,395,914	5,839,325	6,504,217
% Increase	45	26	(9)	11

	1985	1986	1987
Field Organization	3,828,362	4,623,499	4,800,998
Legislation	1,457,910	1,720,579	1,862,077
Communications	871,445	945,799	949,408
Administration	400,076	497,115	584,452
Office Facilities	399,410	420,121	523,714
Data Processing	471,967	1,068,874	861,117
Total	7,429,170	9,275,987	9,581,766
% Increase	14	25	3

SOURCE: CFIB Financial Statements, 1972 - 1987.

TABLE 6-12 (B)
ANNUAL EXPENDITURES IN CONSTANT \$

	Annual Expenditure	Annual Member- ship	Per Capita Expend- iture	Incremental Expenditure	Incremental Members #	Incremental Spending
1972	118,894	3,181	37.4			
1973	211,986	6,787	31.2	93,092	3,606	25.8
1974	499,610	15,656	31.9	287,624	8,869	32.4
1975	764,005	27,000	28.3	264,395	1,344	23.3
1976	1,129,017	34,500	32.7	365,012	7,500	48.7
1977	1,513,983	44,000	34.4	384,966	9,500	40.5
1978	1,733,818	50,000	34.7	219,835	6,000	36.6
1979	1,799,784	53,000	33.9	65,966	3,000	22.0
1980	2,022,909	55,000	36.8	223,125	2,000	111.6
1981	2,733,844	60,000	45.6	710,935	5,000	142.2
1982	3,256,575	62,000	52.5	522,731	2,000	261.4
1983	2,887,896	64,000	45.1	(368,679)	2,000	(184.3)
1984	3,148,217	66,000	44.7	260,321	2,000	130.0
1985	3,527,621	73,000	48.3	379,404	7,000	54.2
1986	4,320,441	76,000	56.8	792,820	3,000	264.3
1987	4,373,239	77,000	56.8	52,798	1,000	52.8

TABLE 6-13
COMPARISON OF INCREMENTAL REVENUES AND EXPENDITURES

Year	Incremental Revenue		Incremental Expenses		Differential	
	Amount	%	Amount	%	Amount	%
1973	90,025	65	109,203	191	- 19,178	-126
1974	421,996	185	363,941	160	+ 58,055	+ 25
1975	528,765	81	395,821	67	+ 132,944	+ 14
1976	648,728	55	556,637	56	+ 92,091	- 1
1977	749,581	41	647,751	42	+ 101,830	- 1
1978	545,228	21	472,631	22	+ 72,597	- 1
1979	670,884	21	266,970	10	+ 403,914	+ 11
1980	242,005	6	569,808	19	- 327,803	- 13
1981	1,047,391	25	1,572,359	45	- 524,968	- 20
1982	566,278	11	1,321,899*	26	- 755,621	- 15
1983	391,991	7	(556,589)	(9)	+ 948,580	+ 16
1984	807,555	13	664,892	11	+ 142,663	+ 2
1985	670,296	10	924,953	14	- 254,657	- 4
1986	1,334,951	18	1,846,817**	25	- 511,866	- 7
1987	677,396	8	305,779	3	+ 371,617	+ 5

* Reflects the cost of the war on the 1981 budget

** Reflects the cost of computerization

SOURCE: Tables 3-5 and 6-12

TABLE 6-14
CFIB CASH POSITION - OPERATING FUND

As At June 30	Cash & Short Term Deposits	Accounts Payable	Employee Remuneration	Surplus/(Deficit) [1-2] [1-(2+3)]
1987	\$166,046	\$256,940	\$413,702	\$ (90,894) \$(504,596)
1986	165,125	358,351	380,797	(193,226) (574,023)
1985	282,221	157,352	369,420	124,869 244,551
1984	52,869	219,006	316,143	(166,137) (482,280)
1983	(218,911)	85,960	193,102	(304,871) (497,973)
1982	(111,432)	86,516	87,950	(197,948) (285,898)
1981	(129,808)	246,180	90,370	(375,988) (466,358)

Note: CFIB also has a Contingency Fund, a Building Fund and a Building Reserve Fund. The Contingency Fund, established to finance immediate responses to currently emerging issues, had a June 30, 1987 balance of \$200,000. The Building Fund, which is used for the building owned and leased by CFIB, had a June 30, 1987 balance of nil. The Building Reserve Fund had a June 30, 1987 balance of \$50,000.

SOURCE: CFIB Annual Financial Statements

TABLE 6-15
CFIB BALANCE SHEET - JUNE 30, 1987

Assets

Operating Fund		
Cash and Short-Term Deposits	\$ 166,046	
Due From Property Fund	2,098,770	
Prepaid Expenses and Sundry Assets	<u>61,593</u>	\$2,326,409
Contingency Fund		200,000
Property Fund		
Land and Building	5,882,109	
Equipment	1	
Amounts Recoverable From Tenants	27,207	
Prepaid Expenses	<u>85,657</u>	5,994,974
Building Reserve Fund		<u>50,000</u>
Total Assets		<u>\$8,571,383</u>

Liabilities

Operating Fund		
Accounts Payable	\$ 256,940	
Employees' Remuneration	413,702	
Fund Balance	<u>1,655,767</u>	\$2,326,409
Contingency Fund		
Fund Balance		200,000
Property Fund		
Accounts Payable	1,565	
Mortgage Payable	5,882,109	
Due to Operating Fund	2,098,770	
Due to Building Reserve Fund	50,000	
Fund Balance	<u>(2,037,470)</u>	5,994,974
Building Reserve Fund		
Fund Balance		<u>50,000</u>
Total Liabilities		<u>\$8,571,383</u>

SOURCE: CFIB Financial Statement, June 30, 1987

TABLE 6-16
THE POTENTIAL MEMBER MARKET

	NUMBER OF CORPORATIONS FILING FEDERAL TAX RETURNS (1)	POTENTIAL MEMBER MARKET	CFIB MEMBERSHIP (2)	MARKET SHARE
1972	236,431	337,775	3,181	1%
1973	260,493	372,130	6,787	2
1974	281,889	402,700	15,656	4
1975	298,350	426,215	27,000	6
1976	325,030	464,330	34,500	7
1977	346,695	495,280	44,000	9
1978	380,626	543,750	50,000	9
1979	419,835	599,765	53,000	9
1980	516,745	738,210	55,000	7
1981		695,784	60,000	9
1982		672,575	62,000	9
1983		685,834	64,000	9
1984		743,356	66,000	9
1985		801,221	73,000	9
1986		846,828	77,000	9
1987		887,487	77,000	9

SOURCE: (1) Corporation Financial Statistics. Statistics Canada, Cat. No. FG CS 61-208, 1978 - 1987.

(2) TABLE 3-5

APPENDICES

CURB THOSE CIVIL SERVANTS!

**Federation takes on
Revenue Canada**

WE'VE RUN OUT OF PATIENCE

**How the empire builders
are gouging the taxpayer**

CFIB drops \$3 billion postal bombshell

Grassroots' power gets results

Federation takes on the banks

A Year of Major Victories

Federation mounts tax protest

Taxation without representation

CONTROL OF CIVIL SERVICE WAGES POSSIBLE!

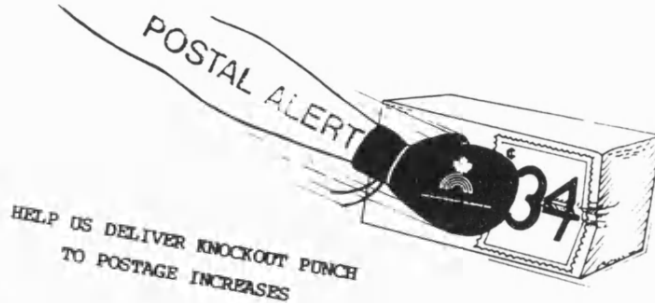
Research arsenal packs punch

Remarkable win for independents

SMALL BUSINESS WINS AGAIN



John Bulloch displays a few of the more than 2,000 membership complaints concerning Revenue Canada. The CFIB spearheaded an effort in the business community to bring about badly needed changes in the Tax Act.



Postal battle goes on

Millions of dollars saved.

That was the result of quick and forceful CFIB action in delaying a postal rate increase for more than six months.

But the battle continues to force Canada Post to stop any further rate hikes until service and productivity improve substantially. The CFIB is also pressing for legislation to end postal strikes once and for all.

*Members better represented than at
any time in CFIB's 15-year history*

Giants squeezing our independents

War declared on MacEachen's budget

CFIB bears down on banks
over inadequate servicing

**THE POLICYMAKERS REACT
ATTACK ON RED TAPE GROWS**

ENOUGH IS ENOUGH

APPENDIX 3-2 THE CFIB NEWSPAPER AD PROTESTING THE 1981 BUDGET

REPORT ON BUSINESS

THE GAZETTE OF CANADA, TUESDAY, DECEMBER 2, 1980

Report No. 1, Canadian Federation of Independent Business, Tax Advisory Council.

Ten reasons why open hearings should be held on the Federal Budget before going any further.

We believe very deeply that most rational, fair-minded Canadians support the idea of an equitable tax system. We also believe that our own history shows us to be a patient, tolerant people who will bite the tax bullet when we believe it is necessary and good for the country. Certainly the federal government is aware of this, as what other body has taxed our patience and pocketbook more than Ottawa?

It is therefore probably no accident that the recent budget

was shrewdly presented as a document of "restraint, fairness and renewal".

The CFIB's Tax Advisory Council has completed a detailed examination of the effects some of the 163 technical amendments will have on "restraint, fairness and renewal". Here are a few examples of problem areas which should be examined at open hearings before becoming law.

1. Interest Deductibility

Interest expense allowable as a tax deduction will be restricted to the amount of income earned from investments during the year. Any excess interest must be deferred or will be treated as capital losses, only one-half deductible against capital gains.

- 1) To restrict interest on a new small business where profits are paid back into the business and not distributed as dividends.
- 2) To restrict on mortgages and loans to small business. In recent years the interest rates on bank loans to finance the investment have exceeded the interest earned.
- 3) To restrict on office buildings, factories and equipment buildings. The high interest on bank loans to finance these investments and mortgage reversal needs has often exceeded the rental income earned.
- 4) To restrict on interest on Small Business Development Corporations where dividends cannot be expected to be paid to the investor for many years to come.

contract in which the income could be spread over a number of years. The impact of the removal of both these alternatives for deferring the gain will have serious consequences. Sellers will be less willing to finance the sale through the use of a mortgage, and instead demand cash. Purchasers, in turn, will have to arrange their own financing at a higher cost. Alternatively, the need for cash could induce the seller to lower the sale price of the business. Sellers will have to increase in order to compensate the seller for the higher taxes that he has to pay. With the elimination of the advantages of income averaging, namely contracts, profits on the sale of goodwill, capital assets, buildings and plant, and postponed depreciation will be subject to tax immediately at high tax rates. This may result in a seller, for the sake of deferring the sale to a more favourable market situation, or as a device to sell at all. The new rules will likely overvalue proceeds from a sale and will affect the high taxes on equity investment proceeds.

and a Registered Pension Plan. In addition, an investment in a Registered Pension Plan can receive a tax deductible lump-sum payment through his/her employer which can be added to his/her Registered Pension Plan. In the past individuals without Registered Pension Plans (most independent entrepreneurs) could contribute \$3,500 to an RRSP with a further \$1,500 through a deferred profit sharing plan (DPSP) paid for by the business. For total tax deductible contributions of \$9,000 per year. But DPSPs for non-employees have been eliminated in the budget, so now people providing small businesses can only contribute \$1,500 to an RRSP. Meanwhile, employees can contribute to take advantage of tax deductible contributions totaling up to \$7,000 plus the lump-sum payment benefit. To make matters worse, the \$1,500 contribution limit for the self-employed has not been changed since 1975 and every year has eroded in value by at least 4%. It should also be noted that the equity in a small business is a very real form of pension for many entrepreneurs. But under present law, all income will be taxed immediately if the business is sold. Previously, payments made for a business over a period of time were taxable when received. In addition, immediate taxation of capital gains at massive rates will cause many owners to avoid the high cost of early retirement.

annuity in small business and the 1981 tax returns will do no less. How are accountants and lawyers advising small business supposed to absorb the budget and advise their clients before December 11, 1981 when the Department of Finance is not aware of all the flaws and damage done by the reactions?

9. Estate Planning

The bulk of the reform provisions in the present Income Tax Act were designed to assist an owner of a small business in the area of lower business planning and liquidity resulting from a change in the form of the business, rather than a change in business operations. The proposed reforms, Number 13, relating to transfers with a change in control, which will restrict tax planning. For example, the restriction would result in taxable income to the transferee, who acquires a company and is ready to start, and attempts to transfer future growth to a son who did not previously control the company, by selling the shares to a company controlled by the son. Immediate taxation of an immediate sale of a business to employees who want to buy, set an existing firm would alter estate planning by present owners.

5. Equity Investment in Small Corporations

The budget has reduced the incentive for individuals to invest in small corporations. As previously mentioned, the interest rate on a new small corporation, although the limit on the small business rate has been increased from \$4,000 to \$20,000 per year and from \$7,500 to \$120,000 per year of earnings -- an amount restricted to \$1,500 maximum -- has been increased to 1976. Unfortunately, the ability to guarantee the small business interest charge payment of dividends has been removed -- that doubling the effective corporate tax payable on future earnings.

8. Increased Professional Fees

With the introduction of HST (harmonized sales tax), the tax system has become progressively more complex for small businesses and are already struggling under the pressure of government red-tape. With the massive changes proposed, uncertainty and delays will result in extra costs for entrepreneurs. Those who don't act promptly may be penalized with higher taxes. The HST tax returns entered a striking tax industry to provide

10. Employee Loans

Currently, the Income Tax Act allows the inclusion of interest benefits on loans to employees or shareholders on the first \$500 of interest on any loan. This rule has been withdrawn starting in 1981. For example, an employer purchases goods for \$500 from his employee's store, or borrows \$500, with repayments to be made from weekly earnings. In order to comply with the new law, a record of a taxable benefit of \$1.50 a month must be kept in order to report the amount of the employer's T4. The interest on other cash advances would also be subject to taxable benefit treatment. The enforcement of this change would be an administrative nightmare to all employers, since the rule applies to all forms of individuals in an employer-employee relationship.

We call upon all business, labour and consumer groups to put this budget through your own experts and to judge it by your own standards. If having done so you concur with our conclusions, then we urge you to help us convince the government that this country will be severely damaged if this budget becomes law.

2. Installment Sales

From November 12, 1980, interest-free offers on all taxpayers in respect of installment sales where a portion of the proceeds need not be paid until five years. The budget now eliminates this allowance. This forces individuals and small businesses who sell property and extended financing services to the buyer, to report for tax purposes all the proceeds at the time of sale. This will happen, in spite of the fact that the entire proceeds may not have yet been received. The change will affect businesses that sell farm equipment, machinery, appliances, furniture, and other goods on a lease payment plan. These selling loans and land on cash must pay the taxes on the sale immediately, rather than when the buyer makes the payments. People who wish to sell the shares of their family corporation will have to look for cash buyers. The person who sells a building or plant through installment payments would have to pay all the income taxes in the year of sale. This would affect the sale of property -- and the result may be to see ineffective buildings rather than sell and buy a new building. The groups that have the most to gain from this proposal will be the banks and large financial institutions. Sellers will no longer be able to extend personal financing arrangements, and buyers will have to go to the banks to obtain sufficient cash to finance the purchase.

6. Discrimination Against Professionals

The budget changes for professionals concerning the philosophy of the taxation of unearned money given to them in deriving services for installment sales, for capital gains allowances and IAAC's (Income Averaging Account, Certificate). The budget proposals discriminate unfairly against professionals. Firstly, a deduction for work in progress previously allowable with respect to a change in salary by 1979 is now being phased. As from the 1977 budget forced professionals to change from the cash basis of income recognition to recognize amounts that were receivable in the year. Secondly, work in progress after 1981 will be taxed, resulting in a severe impairment on the cash required to operate the business. The budget alters the use of work in progress as a method of deferring tax liabilities when needed. The professional is set in a trap when the sale of the client even if it is small. Finally, the government discriminates against professionals who cannot incorporate to set up their professional fee income. These groups are not allowed to take the same business deduction available to other incorporated businesses but cannot get taxed at a higher rate. The likelihood will be that professionals will be taxed higher than any other group.



3. Cash Flow Restrictions

After years of forcing business to pay capital assets through the use of tax credits and fast write-off rules, and after years of long-term about Canada's capital cost allowance (CCA), the budget proposals sharply reduce the amount of income capital gains. Only one-half of the normal capital cost allowance is available to be deducted in the first year, regardless of the time of the year when the asset is purchased. This reduces the after-tax cash flow. In addition, businesses will incur higher costs in the form of every accounting to keep track of the more purchased during the year. In a related proposal, any terminal loss incurred on the disposal of a building will be either written off as a capital loss, in which case only one-half of the loss is deductible as a deferred or deductible cost at the rate of 5% per year. On the other hand, the more depreciation that is recognized on the sale of the asset will be taxed immediately. Since the payment of taxes is immediate, cash flow will be reduced for all businesses.

7. Owners Restricted from Providing for Own Retirement.

The ability of owners to plan for their own future has been severely curtailed. And, in fact, the owner could be in a worse position in retirement than some of his employees. For example, an employer can benefit from the deductible contributions of up to \$7,000 per year to a Registered Retirement Savings Plan,

CFIB TAX ADVISORY COUNCIL
1200 St. James Street West, Suite 1000
Montreal, Quebec H3C 1G8
Toronto, Ontario M5H 1C8
Ottawa, Ontario K1P 6K6
Vancouver, B.C. V6C 1A6
Calgary, Alberta T2C 1A6
Edmonton, Alberta T6C 1A6
Winnipeg, Manitoba R2C 1A6
Saskatoon, Saskatchewan S4N 1A6
Regina, Saskatchewan S4S 0A6
St. John's, Newfoundland A1B 1X6

APPENDIX 3-3
Published CFIB Advocacy Campaigns

(a) "Don't Skin the Beavers" Campaign



BULLOCH AND THE GIANT "DON'T SKIN THE BEAVERS" CHEQUE

(b) \$100 Million Legal Action Against Her Majesty the Queen

\$100 million lawsuit launched

A class action suit for \$100 million has been launched against the federal government on behalf of members by the Federation to recover damages caused by the illegal strike of postal workers.

In its action, the Federation alleges:

The government acted illegally by not enforcing the contract between itself and the postal union and by negotiating changes through a mediator in the terms of this contract. In this way, the government breached the contractual relationship that exists between itself and independent businessmen.

As a result, Federation members have suffered interruptions in their business activities in all departments, including loss of income, loss of business, higher costs, payments to

workers who remain idle, costs in finding alternative means of delivering mail and in handling the many problems resulting from the lack of mail service.

A seed dealer in St. Catharines, who relies heavily on mail order business, recently estimated his extra costs caused by the illegal strike at more than \$50,000 per week.

The Canadian Federation of Independent Business, as Plaintiff, filed a statement of claim in the Federal Court of Canada against Her Majesty the Queen, Defendant, for \$25,000 in damages suffered by the Federation and \$100 million for the damages suffered by its 13,000 members.

The Federation also alleged that for the government to participate in the

mediation of an illegal strike and for the government to negotiate a no retribution clause is to establish an unbelievable precedent.

It can only lead to further civil disobedience as every worker in the public sector may now feel justified in breaking the law to redress his grievances, the Federation stated.

"We are witnessing the beginnings of anarchy," President John Bulloch stated at an April 26 press conference.

"The government should have sued the union for breach of contract even if it took four years of union dues through the check-off procedure to recover the damages. As well, it should not have hesitated to bring in the army to deliver the mails and to contract out delivery to private business."

Wake up Canada

there's no free lunch

Once upon a time there was a Little Red Rooster who scratched about and uncovered some grains of wheat. He called his barnyard neighbours and said: "If we work together and plant this wheat, we will have some fine bread to eat. Who will help me plant the wheat?"

"Not I," said the Cow. "Not I," said the Duck. "Not I," said the Goose. "Then I will," said the Little Red Rooster and he did.

After the wheat started growing, the ground turned dry and there was no rain in sight. "Who will help me water the wheat?" said the Little Red Rooster.

"Not I," said the Cow. "I'd lose my workman's compensation," said the Pig. "Equal rights," said the Goose. "Then I will," said the Little Red Rooster and he did.

The wheat grew tall and ripened into golden grain. "Who will help me reap the wheat?" asked the Little Red Rooster.

"I'm waiting for a guaranteed annual wage," said the Cow. "Not I," said the Duck. "Out of my classification," said the Pig. "Not I," said the Goose. "Then I will," said the Little Red Rooster and he did.

When it came time to grind the flour, "Not I," said the Cow. "I'd lose my unemployment insurance," said the Duck.

When it came time to bake the bread, "That's

overtime for me," said the Cow. "I'm a dropout and never learned how," said the Duck. "I'd lose my welfare benefits," said the Pig. "I'm the only one helping, that's discrimination," said the Goose.

"Then I will," said the Little Red Rooster and he did. He baked five loaves of fine bread and held them up for his neighbours to see.

"I want some," said the Cow. "I want some," said the Duck. "I want some," said the Pig. "I demand my share," said the Goose.

"No," said the Little Red Rooster. "I can rest for awhile and eat five loaves myself."

"Excess profits," cried the Cow. "Capitalist leech," screamed the Duck. "Company fink," grunted the Pig. "Equal rights," screamed the Goose. And they hurriedly painted picket signs and marched around the Little Red Rooster, singing, "We shall overcome." And they did.

For when the Farmer came to investigate the com-

motion, he said, "You must not be greedy, Little Red Rooster. Look at the oppressed Cow. Look at the disadvantaged Duck. Look at the underprivileged Pig. Look at the less fortunate Goose. You are guilty of making second-class citizens of them."

"But-but-but I earned the bread," protested the Little Red Rooster.

"Exactly," the wise Farmer said. "That is the wonderful free enterprise system; anybody in the barnyard can earn as much as he wants. You should be happy to have all this freedom. In other barnyards, you would have to give all your loaves to the Farmer. Here you give four loaves to your suffering neighbours."

And they lived happily ever after. Including the Little Red Rooster, who smiled and crowed, "I am grateful, I am grateful."

But his neighbours wondered why he never baked any more bread.

FREE 2-COLOUR POSTER

If you also believe in the free enterprise system help us spread the word by sending in for a free 2-colour poster of this advertisement for posting in your office or place of business. Quantities can be provided for companies or associations who can make effective use of them.

Write: Canadian Federation of Independent Business, P.O. Box 35, Don Mills, Ontario M3C 2R6.



CANADIAN FEDERATION OF INDEPENDENT BUSINESS

A non-profit organization of over 35,000 independent business owners dedicated to the preservation of free competitive enterprise.

(d) CFIB's Response to Labour's "Day of Protest"

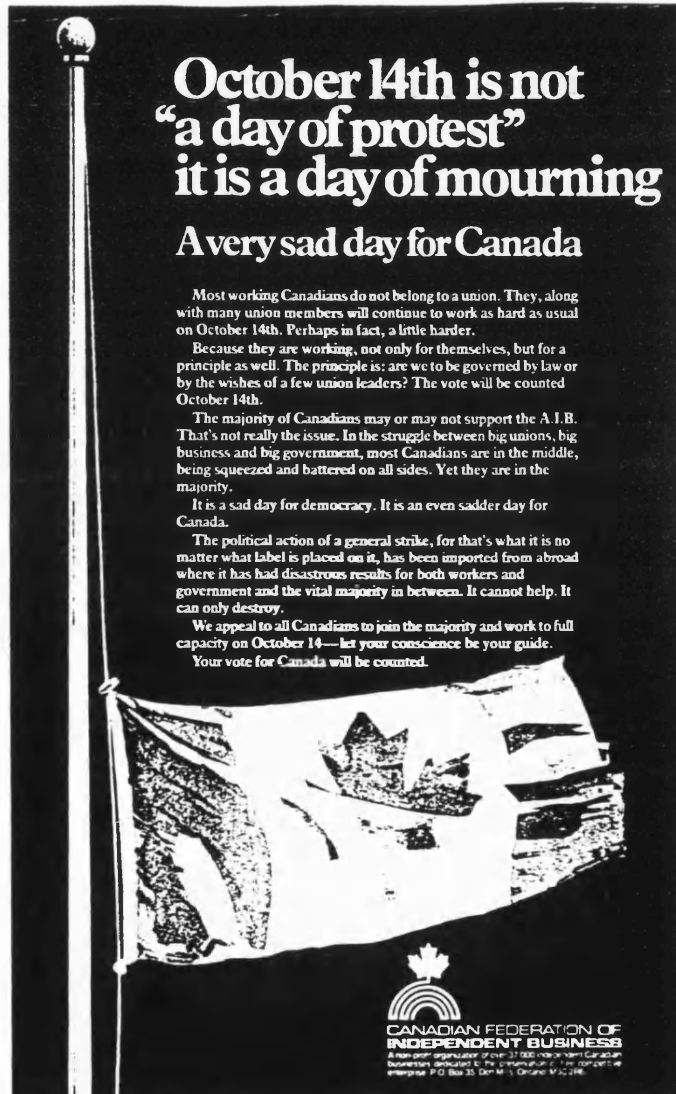
LAST RITES FOR CANADA?

R.I.P.



(e) Civil Service Work Stoppage Campaign

The disrespect of Big Labour



**October 14th is not
“a day of protest”
it is a day of mourning**

A very sad day for Canada

Most working Canadians do not belong to a union. They, along with many union members will continue to work as hard as usual on October 14th. Perhaps in fact, a little harder.


Because they are working, not only for themselves, but for a principle as well. The principle is: are we to be governed by law or by the wishes of a few union leaders? The vote will be counted October 14th.

The majority of Canadians may or may not support the A.I.B. That's not really the issue. In the struggle between big unions, big business and big government, most Canadians are in the middle, being squeezed and battered on all sides. Yet they are in the majority.

It is a sad day for democracy. It is an even sadder day for Canada.

The political action of a general strike, for that's what it is no matter what label is placed on it, has been imported from abroad where it has had disastrous results for both workers and government and the vital majority in between. It cannot help. It can only destroy.

We appeal to all Canadians to join the majority and work to full capacity on October 14—let your conscience be your guide. Your vote for Canada will be counted.


**CANADIAN FEDERATION OF
INDEPENDENT BUSINESS**
A non-profit organization of over 37,000 independent Canadian
businesses dedicated to the promotion of the competitive
enterprise. P.O. Box 33, Don Mills, Ontario M3C 2H6.

**APPENDIX 3-4
A SAMPLE NATIONAL SURVEY**



**OUR
MEMBERS'
OPINIONS
NATIONAL SURVEY**

Our Members' Opinions is a very powerful communication tool. A computerized summary is presented regularly to the media and to federal and provincial governments. Your opinions remain confidential. We encourage you to discuss these current issues with your business associates. If you wish to comment further, space is provided on the back of this form.

BUSINESS INFORMATION

1. How many employees do you have (full or part-time including yourself)?
(1) 1-4 (2) 5-9 (3) 10-14 (4) 15-49 (5) 50-99 (6) 100 and over
2. How long have you been in business?
(1) less than 2 years (2) 2-4 years (3) 5-10 years (4) over 10 years
3. What is the form of your business organization?
(1) Proprietorship (2) Partnership (3) Corporation (4) Other
4. Which ONE activity provides the greatest amount of your gross income?
(1) Agriculture, Forestry, Fishing (6) Wholesale Trade
(2) Mining, oil and natural gas (7) Retail Trade
(3) Construction (8) Finance, Insurance, Real Estate
(4) Manufacturing & Processing (9) Services
(5) Transportation & Public Utilities (10) Other, not classified in one of above
5. Where is your business located? (Mark one)
(Z) N.W.T. (Y) Yukon (B) B.C. (A) Alta.
(S) Sask. (M) Man. (O) Ont. (Q) Que.
(W) N.B. (V) N.S. (P) P.E.I. (N) Nfld.

(Questions 1 to 5 must be answered to allow computer processing)

MOST IMPORTANT PROBLEM

6. Which of the following items are a significant problem for your business?
(Mark as many as apply)
(1) High interest rates (6) High wage rates
(2) Total tax burden (7) Business slower than normal
(3) Inflation (8) Government regulation, red tape, paperwork
(4) Shortage of qualified labour (9) Unfair practices by big suppliers/competitor
(5) Availability of financing (10) Other (Please specify)

BANKING

7. Which bank or financial institution do you use for most of your business banking?
(Mark one)
(1) Canadian Imperial Bank of Commerce (6) National Bank
(2) Bank of Nova Scotia (7) Other chartered bank
(3) Bank of Montreal (8) Trust/Finance Company
(4) Royal Bank (9) Credit Union/Co-op
(5) Toronto-Dominion Bank (10) Other
8. Does your firm presently have an operating loan or term/capital loan with a financial institution? (Mark one for each)
(a) Operating loan (1) Yes (2) No
(b) Term/capital loan (1) Yes (2) No
9. If yes, what rate of interest are you paying for your operating loan?
(Mark one) (See question 10 for choices)
10. If yes, what rate of interest are you paying for your term/capital loan? (Mark one)
(a) Prime (i) Prime plus 2%
(b) Prime plus 1/4% (j) Prime plus 2-1/4%
(c) Prime plus 1/2% (k) Prime plus 2-1/2%
(d) Prime plus 3/4% (l) Prime plus 2-3/4%
(e) Prime plus 1% (m) Prime plus 3%
(f) Prime plus 1-1/4% (n) More than prime plus 3%
(g) Prime plus 1-1/2% (o) Not applicable
(h) Prime plus 1-3/4%
11. How many different bank managers or assistant managers have you had to deal with at your banking branch over the past 5 years? (Mark one)
(1) One (2) Two (3) Three (4) More than three

TAXATION

12. Do you, your spouse or a family member complete your business income tax returns (including gathering and preparing the information and completing the return)? (Mark one)
(1) Yes (2) No
13. If you did not prepare and complete your own business income tax return, how much did it cost in total (information gathering, preparation and completion of form) to have your income tax return completed? (Mark one)
(1) Less than \$100 (4) \$1,000 - \$5,000
(2) \$100 - \$500 (5) \$5,000 - \$10,000
(3) \$500 - \$1,000 (6) More than \$10,000

**APPENDIX 3-5
THE MAY 1984 HARD FACTS SURVEY**

MA/105 (5/E)



THE HARD FACTS MAY 1984

One out of every five small businesses has difficulty hiring suitable employees, even while unemployment remains high. To make this point clearly, we need to detail which occupational categories are needed. Use comment section to be as specific as you can.

Your responses regarding employment and investment trends have received lots of government and public attention. Please take a few minutes to answer and return this form. As always, a large number of responses is crucial.

Please put your member I.D. code here _____

This I.D. code can be found on the address label of your Mandate ballot card. It is located on the left-hand side of the first line (above your name). Example:

OTTORCHIA | | | | | OTTORCHIA | | | 012
OTTORCHIA | | | | | OTTORCHIA | | | 012

Instructions: Please circle answer as shown: (1.)

In the past six months, has employment in your firm? (Indicate **one** choice only)

- 1. Remained the same
- 2. Increased; by how many (Give full-time equivalent) _____
- 3. Decreased; by how many (Give full-time equivalent) _____

At the present time, how many are employed in your firm(s)? (Give full-time equivalents)

- A. Owners/managers, partners _____
- B. Paid employees _____
- C. Total paid employment (no.) _____
- D. Unpaid family members _____
- E. Other unpaid help _____

If suitable workers were available, would you hire additional employees at the present time?

- 1. Yes (If yes, go to question 4)
- 2. No (If no, skip to question 5)

**PLEASE RETURN WITH
YOUR MANDATE BALLOT CARD**

4) If you would hire, please indicate the occupational category. (Fill in appropriate blanks with number of full-time equivalents)

- A. _____ Managerial, administrative
- B. _____ Scientists, engineers, architects (incl. related technicians, such as draftsmen and computer programmers)
- C. _____ Professionals (incl. accountants, lawyers, doctors, teachers, nurses)
- D. _____ Clerical (incl. typists, filing, office machine operators, bookkeepers)
- E. _____ Sales (incl. retail, insurance, real estate, service station)
- F. _____ Service (incl. hotels, restaurants, cleaning and hairdressing)
- G. _____ Processing (incl. metal, plastic, glass, textile, food)
- H. _____ Machining (incl. metal-shaping, tool and die, wood machining)
- I. _____ Product fabricating, assembly and repair (incl. TV and auto repair)
- J. _____ Construction (incl. carpenters, painters)
- K. _____ Transport equipment operation
- L. _____ Other (Please specify) _____

Comments: (Please indicate the nature of your problems regarding recruiting and training, specialized-skill needs, etc.)

5. What are your employment plans for the next six months? (Indicate **one** choice only)

- 1. Keep same number of employees
- 2. Increase number of employees; by how many (Give full-time equivalent) _____
- 3. Reduce number of employees; by how many (Give full-time equivalent) _____

6. What are your current plans for investment in your business for the coming six months?

- | | |
|---|---|
| A. Capital investment
(Circle one) | 1. No change
2. Increase investment level
3. Reduce assets, sell part of business |
| B. Working capital, incl. inventory
(Circle one) | 1. No change
2. Increase level
3. Reduce inventory |

PLEASE RETURN WITH YOUR MANDATE BALLOT CARD

APPENDIX 5-1
PRINCIPAL TOPIC DISCUSSED IN MANDATE ARTICLES

MANDATE #	TOPIC
1	1. Introduction to <u>Mandate</u> 2. <u>Competition Act</u> 3. Labour code amendments 4. Tax reform debate in Parliament 5. Invitation to members of the Canadian Council for Fair Taxation to join CFIB
2	1. Revisions to <u>Competition Act</u> 2. Tax reform debate
3	1. Federation growth 2. Competition policy 3. Note re tax paper available to members 4. U.S. <u>Small Business Act</u>
4	1. Tax proposals 2. Taxation of employee benefit plans 3. Unemployment insurance programme
5	1. Tax brief being prepared 2. TV programme featuring J. Bulloch 3. The threat of "bigness" in a free society 4. Public service strikes
6	1. Tax brief to Minister of Finance 2. Post Office
7	1. Federation's financial statement 2. Note re annual meeting 3. Formation of Canadian Center for Entrepreneurial Studies 4. CFIB expansion in Western Canada
8	1. Canadian Center for Entrepreneurial Studies 2. Post Office 3. CFIB growth 4. How the CFIB will influence the political system
9	1. Unemployment insurance programme 2. TV appearance of the Leader of the Opposition 3. Review of the first operating year 4. "Buy Canadian" programme
10	1. Tax tips and traps 2. New venture incubators 3. Open letter to Members of Parliament
11	1. New industrial strategy 2. Economic development
12	1. Value added tax 2. Meeting with Minister of Consumer and Corporate Affairs 3. Federation expansion
13	1. Brief to Department of National Revenue 2. Budget victories 3. Results of emergency <u>Mandate</u>

- 14
 - 1. Paperwork burden
 - 2. Unemployment insurance programme
 - 3. Increased crime rates
- 15
 - 1. Report on national membership survey
 - 2. Federal/provincial sharing of tax revenues
 - 3. Tour of Western Canada by CFIB president
 - 4. Note re revised Mandate #15
- 16
 - 1. Retail store opening hours
 - 2. Need for an export policy
 - 3. Conservative tax credit plan / Formation of Industrial Bank and Development Agency
- 17
 - 1. Commodities trade
 - 2. Loss of compensation for collecting sales tax in Ontario
 - 3. Meeting with Department of National Revenue officials
 - 4. Need for tariff protection
 - 5. Questionnaire re members' concerns
- 18
 - 1. Social policy
 - 2. Announcement that the CFIB will initiate challenges to established public policy
 - 3. Expansion of General Adjustment Assistance programme
- 19
 - 1. Results of the survey of members' concerns
 - 2. Competition Act
 - 3. Announcement that the CFIB TV show is cancelled to concentrate more on a national publicity programme
- 20
 - 1. Criticism of government spending plans and the process by which spending is authorized
 - 2. Brief to Ontario government re warranty legislation
 - 3. Work done by CFIB district managers
 - 4. The dual bank interest programme
- 21
 - 1. "Don't Skin the Beaver" campaign
 - 2. Flaws in the Income Tax Act
- 22
 - 1. Report on the Danish election
 - 2. Social welfare programmes and policies
 - 3. Unemployment insurance programme
- 23
 - 1. Changes to the Mandate mailing system
 - 2. The negative income tax and social welfare policies
 - 3. Inflation
 - 4. "Don't Skin the Beaver" campaign
- 24
 - 1. Recent legislation improving the financing of small businesses
 - 2. \$100 million lawsuit against the federal government re the postal strike
- 25
 - 1. Budget successes
 - 2. Need for healthy financial markets
 - 3. Miscellaneous notes and comments re government policies
- 26
 - 1. Results of the banking survey
 - 2. Public sector strikes and the dismissal of the lawsuit against the government
- 27
 - 1. Changes to the unemployment insurance programme

2. Report on meetings and speeches by J. Bulloch in Western Canada
3. Miscellaneous notes and comments re government policies
- 28 1. Proliferation of legislation affecting small business
2. Problems affecting slow growth regions
3. Issues to be tackled by CFIB in the future
- 29 1. Deteriorating postal service
2. Problems with metrification
- 30 1. Creation of a national watchdog body to monitor and control stagflation
2. Developments in energy technology
- 31 1. The paperburden problem
2. Proposals for reduced Alberta taxes
- 32 1. Postal and other public service strikes
- 33 1. Summary of CFIB actions
- 34 1. Need for a Canadian ownership policy
- 35 1. Escalation in government spending and the size of the bureaucracy
- 36 1. Review of topics discussed with the Prime Minister
2. Miscellaneous notes and concerns
3. Red Rooster campaign
- 37 1. Preparation of briefs for 1976 budgets
2. Miscellaneous notes and comments
- 38 1. Need for a federal small business policy
2. Changes in manpower and unemployment programmes
3. Essay on the evils of large concentrations of business and union power
- 39 1. Review of positions taken by the new Leader of the Opposition
2. Abuses of the workmen's compensation programme
- 40 1. Review of CFIB actions
2. Results of the national survey of member's concerns
3. Negative income tax
4. Membership analysis
- 41 1. Transportation policy
2. The post-wage and price controls era
- 42 1. Survey of the economy of Atlantic Canada
2. Summary of CFIB actions, administrative changes, and economic news
- 43 1. The labour movement
2. Appointment of a Minister of State for Small Business
3. Report on a meeting between government and business leaders
4. J. Bulloch at an international conference
5. A note urging increased use of the Mandate and a drive for new members
- 44 1. Need for technology appropriate to the economic resources available to local firms and markets
2. Failure of labour's "day of protest"
3. Need for a small business strategy from government

4. A note that the throne speech indicated an awareness of CFIB concerns
5. Guaranteed bank loan programme
6. Ontario business tax regulations
7. A definition of the small business sector
- 45 1. Need to revise measures of labour and capital productivity
2. A response to the government's social and economic policy position paper
3. Government initiatives for export trading
4. CFIB and government representatives at an international conference
5. A request for items to include in the budget briefs
6. Municipal business and property taxes
- 46 1. Tax brief summary
2. Economic forecast
3. Alberta labour legislation brief
4. Bilingual labelling legislation
5. Quebec proposal to establish small business consortia
6. Saskatchewan plan to assist the transfer of small businesses
7. Dual sector approach to governing the economy
8. A note that additional copies of Federation policies are available on request
- 47 1. The need to concentrate on community and social values, not on large concentrations of power
2. Results of the national survey of members
3. Small business benefits of a switch to solar energy
4. Brief to Ontario government re the economy
5. Proposal that Canada adopt the U.S. "set-aside" programme
6. Report on the reduction of paperburden
7. Need to develop technology appropriate to small business
- 48 1. Problems facing Canada's federally sponsored pension plans
2. Call for a royal commission inquiry into pipeline contracts in Alberta
3. Announcement that dual tax rates were established in New Brunswick and Saskatchewan
4. Meeting with the Ministers of National Revenue and Finance and the Minister of State for Small Business re budget brief
5. Review of CFIB meetings with provincial governments - 4
- 49 1. Proposal for a Canadian Small Business Act which would incorporate a national policy for the development of small business and the directing of about one-third of government purchasing to small businesses
2. Government debates small business policy
3. J. Bulloch appointed to a special committee of business and labour leaders

4. Progress of unemployment insurance / manpower bill in Parliament
 5. Amendments to the Small Business Loan Act
 6. Meeting between J. Bulloch and British Columbia premier re forestry industry
 7. Ontario budget report
 8. Major points in the federal budget
 9. Expansion of the Canadian Commercial Corporation's export programme
- 50
1. Need for a new national competition and small firms policy
 2. Letter from Minister of Manpower and Immigration re CFIB unemployment insurance policy
 3. Meeting of CFIB and Quebec politicians
 4. CFIB brief to an Ontario Energy Board hearing
 5. J. Bulloch on an Atlantic Canada tour
 6. CFIB officials before the Senate Standing Committee on Foreign Affairs
 7. CFIB meeting with Postmaster General, union leaders and Progressive Conservative postal critic re the postal strike
 8. Report on small business debate in Parliament
- 51
1. Small business policies announced by federal Opposition party and Ontario Liberal party
 2. CFIB proposals for post-wage and price control era
 3. Need for an employment tax credit programme to combat unemployment
- 52
1. Employment tax credit proposal
 2. Report on CFIB annual meeting
 3. Science Council of Canada reference to the need for small innovative firms
 4. Report on government's small business discussion paper
- 53
1. Enactment of Ontario's Small Business Act
 2. J. Bulloch at an international small business conference
 3. Department of Finance announcement that it will enact an employment tax credit programme
 4. Need for succession planning by small business owners
- 54
1. Meeting with Minister of State for Small Business
 2. CFIB education efforts directed to young people
 3. Need for revision of Ontario's procurement policy
 4. Development of procurement policies directed towards small business
 5. Reduction of the small business tax rate in Manitoba
 6. Union impediments to government sub-contracting policies
- 55
1. Tax brief to Minister of Finance
 2. Results of quarterly survey of members
 3. Amendments to Small Business Loan Act
 4. Amendments to dividend tax rules
 5. Need for a new Canadian industrial policy

- 56 1. Provincial sales and income tax changes sought by CFIB
 2. CFIB dissatisfaction with parts of employment tax credit programme
 3. Appointment of CFIB Legislative Officer - Provincial Affairs
 4. CFIB's national industrial policy
- 57 1. Results of national survey of members
 2. Canadian agricultural policy
 3. Paperburden
 4. Reduction in Saskatchewan tax rates
- 58 1. Need to support proposed changes to civil service wage and strike provisions of the law
 2. CFIB critical of federal pension policy
 3. Report on the British Columbia and Manitoba budgets
 4. Shortage of labour in Quebec
 5. Fisheries policy
- 59 1. Government promises restraint in spending and changes in expenditure plans
 2. Proposed legislation to allow garnishment of civil service salaries
 3. Components of a new industrial policy for Canada
- 60 1. CFIB proposal to replace the manufacturers' sales tax with a national sales tax
 2. Report on the survey of members' business categories
 3. Report on unemployment insurance programme changes
- 61 1. Benefits to employment levels if government would support the creation of capital to finance small business
 2. Appointment of new CFIB directors / Discussion of need for a new industrial policy
- 62 1. Poor service provided by the Post Office
 2. Results of national survey
 3. Appointment of CFIB Director-Provincial Affairs
- 63 1. Appointment of new Minister of National Revenue
 2. Selection of Canada as the host for an international small business conference
 3. Report on federal budget
 4. Free trade not seen as beneficial to Canada
 5. Unemployment insurance changes before Parliament
 6. Report on the activities of the Paperburden Reduction Office
- 64 1. Passage of unemployment insurance changes
 2. Occupational safety standards legislation in Ontario
 3. Report on the bill to control civil service wages and benefits
 4. Letter from Minister of Manpower and Immigration re CFIB's role in unemployment insurance amendments
 5. Revisions to the small business deduction rules
- 65 1. CFIB report to the Prime Minister stressing the role of small business in job creation

2. Summary of the brief to the Newfoundland government re the province's economy
3. Summary of the economic brief presented to the Nova Scotia government
4. Compulsory retirement
5. Report on the job creation survey
- 66 1. Summary of a meeting with opposition Members of Parliament
2. Summary of paperburden reductions achieved to date
3. Government plan to initiate a loan guarantee plan
4. CFIB education booklet
5. Tax issues are #1 concern of CFIB letter writers
6. Aggressive trade programme needed to shore up the current account deficit
- 67 1. Report on provincial budgets
2. CFIB fight against the Weston takeover of The Bay-Simpson's
3. CFIB fellowship grants and new education booklets
4. Announcement of new CFIB radio commentaries
- 68 1. Reduction of Alberta small business tax rate
2. Meeting between J. Bulloch, the Prime Minister, and cabinet ministers re the economy
3. CFIB attack on government red tape and regulation
4. Provincial tax breaks to small business
5. Meeting between government and big business re mega-projects
6. CFIB official with Member of Parliament re the role of small business
- 69 1. Summary of budget brief
2. Paperburden action spreading to Alberta and British Columbia
3. CFIB request that professionals be treated better in taxation of personal service corporations
4. Results of banking survey
5. Red tape in the Yukon
6. Prince Edward Island liquor commission report
7. Note that members will receive a new magazine
- 70 1. Elections to CFIB's board of directors - 3 articles
2. Response of bankers to banking survey
3. Provincial sales tax improvements
4. How the CFIB uses members' Mandate comments
5. Need for easier access to government contracts
6. Meeting between CFIB and British Columbia Liberal party
- 71 1. Report on Federation campaigns to reduce red tape and paperburden
2. Review of issues the Federation is pursuing
3. Report on a meeting with the Alberta tourism minister
4. Federation appointment of an official to be responsible for all communications of the CFIB in french
5. Summary of the Mandate voting system

- 72
1. Report on the tax benefits of the budget that defeated the government
 2. Appointment of the president of the Federal Business Development Bank to the Export Development Corporation's Board of Directors
 3. Changes to the Bank Act
 4. Summary of CFIB activities
 5. Report on CFIB education publications and fellowships
- 73
1. Summary of provincial activity
 2. Report on the national survey of members' concerns
 3. Report on a brief to the Ontario government re energy policy
 4. Request that wine sales be permitted in small retail stores in Ontario
 5. Growth of CFIB and the significance of its achievements
 6. Summary of the decision process resulting in new Federation building
 7. Reprint of a response to a member's concerns re the new building
 8. CFIB administrative appointments
 9. Note urging members to use the Mandate vote
 10. Obituary for the father of J. Bulloch
- 74
1. Issues facing the CFIB
 2. Need for a reduction in interest rates
 3. Many members' loans not under Small Business Loan Act
 4. Results of the national survey of members
 5. Further details re the red tape campaign
 6. New national telephone system for manufacturers and processors
 7. Two notes re briefs submitted by CFIB to the federal and provincial governments - 2
- 75
1. Reduction of small business corporate tax rate in British Columbia
 2. Reply from the Governor of the Bank of Canada re the Federation's request for reduced interest rates
 3. Protest of the rate increases proposed by Bell Canada
 4. CFIB presentations to the federal cabinet
 5. Speech by J. Bulloch re the future prospects for Canada
 6. Shortage of skilled workers in Western Canada
 7. Update on CFIB's new building
 8. Response of Quebec members re the referendum debate
- 76
1. Spousal deduction finally part of the budget measures
 2. New tax treatment for interest on small business bonds
 3. Increase in limit on small business loans
 4. Dual tax rates on small businesses now in all provinces but one

5. Report on Ontario budget
 6. Appointment of the Federation's Director of Research
 7. Need for a comprehensive policy on shopping mall development
- 77
1. Energy policy
 2. Summary of a Federation brief re manpower training programmes
 3. Complaints re the small business development bond programme
 4. Amendments to federal law now allow garnishment of the salaries of federal civil servants
 5. Postponement of Bank Act changes
 6. Congratulations to the CFIB re Foreign Investment Review Agency amendments
 7. Government commitment to increase purchases from small businesses
- 78
1. Problems with the postal service
 2. Review of bankruptcy legislation
 3. Action on the small business development bond programme
 4. New federal telex number
 5. Federation success in having telephone rate increase reduced
 6. Federation appointment of Vice President-Legislative Affairs
 7. Report on procurement policies favourable to small business proposed by a major Canadian company
 8. Update on proposal to allow wine sales in retail outlets
 9. Government proposal to pay interest on its overdue accounts
- 79
1. Need to end the right to strike by public sector employees
 2. Budget proposals
 3. Spinoff benefits from massive energy projects must come to small businesses
 4. Announcement of new members of the Federation's Board of Governors
 5. Postal problem prevents mailing to Quebec members on time
 6. Small business development bond low interest loan programme
 7. Problems with the proposed Alberta corporate income tax
- 80
1. Budget report
 2. Complaint by the CFIB that a government ad failed to include small business
 3. Announcement of a CFIB study into the public sector employees' right to strike
 4. Report on damage caused by the Post Office to a member's uninsured fragile package
 5. Paperburden brief presented to the Quebec government
 6. Energy debate

7. Bureaucratic reversals of policy re administering the Income Tax Act
8. Note that CFIB briefs were heard by federal and provincial political parties
- 81
 1. Summary of the bankruptcy law brief presented to the Minister of Consumer and Corporate Affairs
 2. Changes to the Bank Act
 3. Opening of a Legislative Affairs office in Victoria
 4. Income tax tips
 5. CFIB pressing Ottawa to extend the small business development bond programme
 6. CFIB at an international small business conference
 7. Proposals to fight changes to the capital gains tax rules
- 82
 1. CFIB plan to simplify the tariff rules
 2. Promotion of small business views and problems to federal Conservative Members of Parliament and the Senate
 3. Pension reform
 4. CFIB success in extending the implementation of metrification
 5. CFIB cooperating with other organizations for greater political clout
 6. Presentation of scrolls to founding members
 7. Manufacturers' sales tax rules
 8. Correction to January Mandate vote results
- 83
 1. Report on national energy survey
 2. Extension of the small business development bond programme
 3. Appointment of a Director of Education
 4. Report on paperburden successes in several provinces
 5. Brief presented to Alberta government re problems with its new corporation income tax
 6. British Columbia considering the sale of wine in retail outlets
 7. CFIB appearance at an Ontario labour committee hearing
- 84
 1. Payroll taxes
 2. Reductions in provincial small business corporation income tax rates
 3. Problems resulting from the expansion of shopping malls
 4. Higher telephone rates
 5. Income tax tips
 6. Congratulations to the membership for high survey response rates
 7. Listing of federal government information office telephone numbers
 8. Brief to Alberta government proposing wine sales in retail stores
- 85
 1. J. Bulloch speech at a national pension conference

2. Appointment of a Government Affairs officer in Quebec / Opening of a new office in Quebec
3. Summary of brief re sales tax revisions
4. Legislative officer to be appointed in Atlantic Canada
5. Luncheon to honour founding members
6. Income tax cartoon
- 86 1. Need to curtail the right to strike by public sector employees
2. Summary of successes in small business banking practices and with regard to paperburden
3. Call for the resignation of the Postmaster General
4. Summary of actions protesting the postal strike
- 87 1. Summary of budget submission
2. Brief to Quebec government proposing a moratorium on public sector strikes
3. Protest to the Post Office over proposed rate increases
4. Summary of Federation activities
5. Tips to small business owners
- 88 1. Report on national postal survey
2. Brief to British Columbia government re wine sales in retail outlets
3. Summary of Federation activities
4. Appointments to the Board of Governors
5. Request to the membership to complete the interest rate survey
6. Note that some Canada pension plan files have been lost
7. Statistics Canada surveys of use to small businessmen
8. Speech by J. Bulloch at an Alberta small business week meeting
9. Report on the membership's vote re a tax-based wage control plan
- 89 1. Announcement of a "war" on the federal budget
2. Summary of budget measures to attack
3. Summary of advocacy measures taken in the attack on the budget
4. Request that membership notify CFIB of the budget measures adversely affecting their business
5. Report on favourable measures in the budget
- 90 1. Summary of actions in war against the budget
2. Summary of changes in the budget proposals and disastrous provisions that were not changed
3. Reminder to the membership to call Members of Parliament re budget
4. Postal rate increases
- 91 1. Open letter to the membership re the budget war
2. Summary of budget fight actions
3. Action on pension reform
4. Summary of education actions
- 92 1. Note that pension study is available to the public

2. Use of confidential tax information to distribute government "propaganda"
 3. Summary of discussions with the provinces re the budget
 4. Note urging members to return survey re business concerns
 5. Summary of provincial actions
 6. Announcement of a venture capital conference
 7. Wrongful dismissal suits
 8. Need to re-instate the small business development bond programme
- 93
1. Favourable budget measures and reduction of government spending in the provinces
 2. Summary of budget proposals
 3. Summary of education activities
 4. Summary of banking brief to the House of Commons Finance committee
 5. Report on a meeting with the Manitoba premier
- 94
1. Note requesting members to express their views to local politicians
 2. Announcement of the Federation's annual meeting
 3. Salary cap for federal civil servants
 4. Recommendations to the Finance Minister to improve the government's financial situation
 5. Summary of recent small business measures
 6. Plans for a cross-Canada tour by J. Bulloch
 7. Request that the membership reply to the first call from the CFIB area rep
- 95
1. Summary of recommendations to federal cabinet members
 2. Summary of members' views from cross-Canada tour
 3. Announcement that future surveys will be mailed with Mandate
 4. Results of national education survey
 5. Summary of current activities
- 96
1. Report on a meeting with the Minister of Finance
 2. Announcement of new members of the Board of Governors
 3. Correction to a prior Saskatchewan provincial report
 4. Summary of economic points in a J. Bulloch speech
 5. Summary of provincial actions and a report on provincial public sector wage caps
- 97
1. Summary of successes in attacking the budget
 2. Summary of a meeting with the Minister of Finance
 3. Proposed changes to postal rates
- 98
1. Results of a comprehensive study of banking services
 2. Ranking of the banks in the above study
 3. Clarification of a prior workers' compensation article
 4. Excessive collateral requirements of the banks
 5. Increased payroll taxes
- 99
1. Tax measures to improve the financing of small business

2. In the same pre-budget meeting, the CFIB recommended that the deficit be held down, and other changes that would make it easier for new small businesses to be created. Action also needed on payroll taxes.
3. Claim of success in getting the government to pay interest on overdue accounts
4. Note re meetings with banking and government officials in response to the banking survey
- 100 1. Report on a Hard Facts survey and its meanings
2. Summary of the major results of the Hard Facts survey
3. Summary of provincial actions
4. Follow up on the banking survey
5. CFIB official's appointment to a commodity tax advisory committee
- 101 1. Changes in government attitude towards small business and a report on budget changes reflecting CFIB proposals
2. Summary of provincial actions
3. Summary of appearance at Alberta legislature re collective bargaining in the civil service
4. Summary of provincial budgets
- 102 1. Summary of national survey of members
2. Report on tax conference presentation by CFIB
3. CFIB attendance at an international small business conference
4. Report on a meeting with the Finance Minister
5. Quote from a federal government report which acknowledges the efforts of CFIB on pension reform
6. Note re a brief to the Manitoba government re payroll taxes
7. Beer/wine retail sales dispute in Quebec
- 103 1. Summary of efforts to have an advocate of small business within government
2. Support of British Columbia government's actions against the civil service
3. Alberta's venture capital scheme
4. CFIB appointments
5. Request to complete the Hard Facts survey
- 104 1. Payroll taxes - unfair proportion paid by small business
2. Analysis of CFIB's position re unemployment insurance programme
3. Report on CFIB organization structure
4. Report on small business information session
5. Comment on Conference Board of Canada's economic forecast
- 105 1. Recommendations to the Macdonald Royal Commission
2. Summary of national survey and submission to the Macdonald Royal Commission
3. Summary of Hard Facts survey and a submission to the Department of Finance
- 106 1. Commentary on the submission to the Macdonald Royal Commission

- 2. Summary of issues being pursued by CFIB
- 107 1. Report on success on registered retirement savings plan reform
- 2. Request for comments from members on their treatment by Revenue Canada
- 3. Summary of February federal budget
- 4. British Columbia study on the small business tax load
- 5. Ontario small business tax incentives
- 108 1. Unfair competition from the Post Office
- 2. Summary of proposals re the administration of the Income Tax Act
- 3. Summary of Federation victories in the assessment of the Income Tax Act and with regard to the operation of Revenue Canada
- 4. Summary of provincial government actions
- 109 1. Expansion of Canada Post into commercial activities
- 2. Interest rates
- 3. Report on the Ontario budget
- 4. Presentations to bankruptcy legislation seminars
- 5. Quebec brief to commission studying financing of small business
- 6. Proposals for better telephone rates for small business
- 110 1. How Canada can follow the example of the U.S. in embracing entrepreneurial values
- 2. Summary of small business concerns to press with politicians in election campaigns
- 3. Notice of the annual meeting
- 111 1. CFIB pressing Revenue Canada for administrative changes
- 2. Criticism of Canada Post
- 3. CFIB fighting proposed workers' compensation increases in Ontario
- 4. CFIB study on the birth and death of small firms
- 2
- 5. Need to pass budget measures benefiting small business
- 6. Need for small business equity programme in British Columbia
- 112 1. J. Bulloch at international small business conference
- 2. Summary of new cabinet appointments
- 3. Report on successes on postal rates and expansion of the Post Office into the private sector
- 4. National survey
- 5. Income tax measures in Alberta
- 113 1. Reaction to the Minister of Finance's statement on the economy
- 2. Government response to the Hard Facts survey indicating difficulties in attracting suitable employees
- 114 1. Tax proposals
- 2. Results of banking survey in Western Canada

- 3. Wage "decree" system in Quebec
- 4. Need for increased entrepreneurial education and job training
- 115 1. Summary of economic points made by J. Bulloch to the Minister of Finance
- 2. Report on a meeting with the new premier of Ontario
- 3. Summary of a submission to the Minister of State for Small Business
- 4. Report on provincial actions to improve equity funding
- 116 1. Summary of a brief protesting postal rate increases
- 2. Report on CFIB participation in a national economic conference
- 3. Summary of Hard Facts survey
- 4. Summary of provincial budgets
- 5. Note re Quebec labour survey
- 117 1. Summary of victories in the May 1985 budget
- 2. Good news in the Quebec budget
- 3. Report on the New Brunswick budget
- 4. CFIB success in reducing paperburden
- 118 1. Announcement of a renewed fight against the Post Office
- 2. Announcement of annual meeting
- 3. Note urging members to relay their concerns re the Post Office to their Member of Parliament
- 4. Paper burden in Quebec
- 5. Summary of national concerns survey
- 6. Note urging members to take the time to cooperate with CFIB district managers
- 119 1. Deregulation of the transportation industry
- 2. Report on the CFIB's appearance before a committee investigating the Post Office
- 3. Announcement of CFIB's sponsorship of a textbook on entrepreneurship
- 4. Problems of small business with equal pay legislation
- 5. Announcement of CFIB fight against a value added tax
- 6. Success with a summer employment programme
- 7. Proposal for an Ontario tax holiday
- 8. Need to revamp the unemployment insurance programme
- 9. Announcement of new published objectives for the CFIB
- 120 1. Affirmative action policies re women in the business world
- 2. Report on Hard Facts survey of employment forecasts
- 3. CFIB appearance before a government committee re financial institutions
- 4. Summary of the Macdonald Royal Commission report
- 5. Opposition to a value added tax
- 6. CFIB opposition to the Canadian Radio and Television Commission's long distance ruling

- 121 1. Kill VAT - message of pre-budget consultation
2. Budget recommendations
3. Results of national survey
4. Summary of a private sector report on Canada Post
5. Report on Ontario budget
- 122 1. VAT update - report on CFIB study of VAT implementation
2. Report on CFIB submission to Forget commission on unemployment insurance
3. Note that membership is over 75,000
4. Report on amendments to the Combines Investigation Act
5. Provincial workers' compensation initiatives
- 123 1. VAT not included as a discussion paper with February budget
2. Budget reaction
3. Summary of Ontario pre-budget submission
4. Note re survey on liability insurance
5. Note that exporters will be able to send installers to U.S. customers
6. Summary of Federation statistics on small business births and deaths
- 124 1. Hard Facts summary
2. New proposals to replace the manufacturers' sales tax
3. Summary of provincial budgets
4. Note that members can participate in a Department of National Defense procurement questionnaire
5. Report on meeting with Alberta premier
6. Reaction to Neilsen task force on government spending
7. Note that CFIB is participating in student summer job campaign
- 125 1. Reaction to changes to Combines Investigation Act
2. Bank reaction to CFIB banking survey
3. Summary of provincial budgets
4. CFIB at a Manitoba workers' compensation review committee
5. Report on Bulloch's speech at the International Conference on Small Business
6. Bankruptcy legislation
- 126 1. Quebec task force on deregulation
2. CFIB meeting with president of Canada Post
3. Report on Ontario labour law issues
4. Report on Alberta budget
5. Notice of annual meeting
- 127 1. Note that information inserts in Mandate will be increased
2. Note that members will be asked their views on proposed business transfer tax
3. Free trade
4. Opening of Montreal office
5. Provincial small business initiatives
6. Alberta members concerns about high municipal taxes
7. Ontario "hours-of-work" task force appearance

8. Ontario equal pay legislation
- 128
1. CFIB reaction to proposed postal rate increase
 2. Report on liability insurance survey
 3. Obituary for CFIB official
 4. Newfoundland public sector strike
 5. Ontario sub-contracting legislation
 6. Bulloch at International Small Business Conference

APPENDIX 5-2
SUBJECT CONTENT OF MANDATE PICTURES

MANDATE

#

- 2 J. Bulloch at CFIB Competition Act conference
- Panelists at CFIB Competition Act conference
- 6 CFIB officials with Department of Finance officials
- 8 J. Bulloch announcing formation of the Centre for Entrepreneurial Studies
- 9 J. Bulloch with Leader of the Opposition
- 11 CFIB official
- 12 CFIB officials at meeting with Minister of Consumer and Corporate Affairs
- 18 J. Bulloch with a radio interviewer
- 21 "Don't Skin the Beaver" protest campaign
- 24 J. Bulloch with Minister of Trade
- 25 CFIB officials with Minister of Finance
- 27 CFIB officials with Minister of Manpower and Immigration
- 28 CFIB officials with Minister of Consumer and Corporate Affairs
- 29 J. Bulloch with Postmaster General
- 31 CFIB officials with Statistics Canada official
- 32 CFIB officials examine postal survey returns
- 33 CFIB officials before House of Commons Standing Committee on Finance, Trade and Economic Affairs
- 34 CFIB officials at a national conference
- 36 J. Bulloch, the Prime Minister and the Red Rooster poster
- CFIB member with Red Rooster stickers
- 37 J. Bulloch and Ontario premier at an international conference
- CFIB officials with Quebec premier
- 38 J. Bulloch with Minister of Industry, Trade and Commerce
- 39 Leader of the Opposition
- 40 CFIB tax advisor
- 41 CFIB officials with Minister of Transportation
- CFIB officials with an Opposition Member of Parliament
- 42 CFIB officials with a New Brunswick cabinet minister
- 43 "A Day of Mourning" newspaper ad
- CFIB official with a new cabinet minister
- 45 CFIB official with a Member of Parliament
- 46 J. Bulloch with Minister of State for Small Business
- 47 CFIB official with Social Credit Party leader
- 48 CFIB official with Quebec Opposition Leader
- 49 CFIB official with Opposition small business critic

50 CFIB officials with Minister of Consumer and
Corporate Affairs

51 J. Bulloch with premier of Prince Edward Island

52 CFIB officials with Minister of Consumer and
Corporate Affairs

53 Ontario legislators with provincial Small
Business Act

54 CFIB officials with Minister of Finance re
employment tax credit

55 J. Bulloch with Minister of State for Small
Business

56 CFIB officials with Alberta premier

57 CFIB officials with Minister of Agriculture
Paperburden cartoon

58 CFIB officials with British Columbia Minister
of Finance re provincial budget

CFIB officials with Nova Scotia premier

59 CFIB officials with Minister of Science and
Technology

60 CFIB official with Opposition Member of
Parliament

61 CFIB official with federal cabinet minister

CFIB official and directors at the annual meeting

62 Post Office "Rest in Peace" poster

CFIB official with members involved in successful
lawsuit against the postal union

63 J. Bulloch with the Minister of Finance

CFIB official making an anti-free trade speech

64 CFIB official and Minister of Manpower and
Immigration re the unemployment insurance bill

65 CFIB officials with the premier of Nova Scotia

66 J. Bulloch with Progressive Conservative Members
of Parliament

67 CFIB official with the premier of New Brunswick

68 J. Bulloch with the Minister of Industry and
Trade

CFIB official with Ontario cabinet minister

CFIB official with Ontario government official

69 CFIB officials with the Minister of Finance

70 New CFIB directors

CFIB official responding to a member's inquiry

71 J. Bulloch and the Ontario premier

New Federation French-speaking publications and
media official

72 CFIB official and Member of Parliament re the
Bank Act

J. Bulloch and Member of Parliament re energy
policy

CFIB publications - 2

73 CFIB official with Ontario Treasurer

CFIB officials discussing new administration
policy

New CFIB building

74 CFIB official with premier of Newfoundland

National Film Board film on the CFIB

- 75 CFIB official with Minister of State for Small Business
- 76 J. Bulloch with premier of Manitoba
- 77 CFIB officials with premier of Saskatchewan
Members of the Committee on Employment Opportunities
CFIB officials before the Committee on Employment Opportunities
- 78 CFIB officials with a Newfoundland Member of Parliament and cabinet minister
Federation official with a reporter
Federation officials with members before a provincial trade commission
- 79 CFIB officials with the Minister of Finance
CFIB officials at a Board of Governors' meeting
- 80 CFIB officials inspecting damage done to a member's fragile package by the Post Office
CFIB officials with Quebec cabinet minister
- 81 CFIB official with federal cabinet ministers
CFIB official in Federation library
- 82 CFIB officials with Conservative Members of Parliament - 3
CFIB founding member receiving scroll
- 83 J. Bulloch with Minister of Energy
CFIB officials with Conservative energy critic and Opposition Leader
Director of Education with 2 professors
CFIB official at an Ontario labour committee meeting
- 84 CFIB official with the pension survey
CFIB official with the Prince Edward Island premier
CFIB officials discussing Atlantic Canadian problems
- 85 J. Bulloch at the national pension conference
Quebec government affairs officer
CFIB official with a federal cabinet minister
Group shot at founding members' luncheon
- 86 CFIB officials with the president of the Treasury Board
J. Bulloch with the president of the Canadian Bankers' Association
Ad poster protesting the postal strike
"Postal Revolt Caravan"
CFIB official with a TV reporter
- 87 CFIB official with the Minister of Finance
CFIB officials at a pre-budget news conference
J. Bulloch at a rally protesting high interest rates
CFIB officials with national postal survey
- 88 CFIB officials at the annual meeting
CFIB official with the British Columbia Consumer and Corporate Affairs minister
Deficit cartoon
J. Bulloch at an international small business conference

- 89 J. Bulloch announcing the "war" on the budget
CFIB officials at the budget news conference
CFIB official at a Liberal party meeting
A member making a contribution to fight the budget
- 90 J. Bulloch at post-budget press interview
Reprint of the full page newspaper ad attacking the budget
CFIB official with budget letters
- 91 Budget cartoon
Budget - 4
- 92 J. Bulloch with provincial premiers - 2
CFIB officials with the Ontario Minister of Finance
- 93 CFIB official with Parliamentary Secretary to the Minister of Finance
CFIB officials with Manitoba premier
- 94 Budget - 2
CFIB officials with a Federation member
- 95 J. Bulloch at a press conference
J. Bulloch with a retiring member of the Board of Governors
- 96 CFIB officials before a parliamentary tax committee
J. Bulloch with the Minister of Finance
Members of the Board of Governors
- 97 Reprint of the Mandate declaring the war on the budget
Federal officials responsible for the budgets who have been reassigned - 3
Reprint of the newspaper ad attacking the budget
CFIB officials with the Minister of State for Small Business and Tourism
- 98 News conferences announcing the results of the banking survey - 5
- 99 Pre-budget meeting with the Minister of Finance
CFIB official with the Saskatchewan Minister of Finance
Quebec premier re the budget
- 100 J. Bulloch announcing the Hard Facts survey
CFIB officials with the Saskatchewan premier
CFIB official with a cabinet minister
- 101 J. Bulloch with a bank official
CFIB officials before the Alberta legislature
- 102 J. Bulloch with the Minister of Finance
CFIB officials at a national conference
- 103 J. Bulloch and the British Columbia premier re the province's restraint programme
CFIB official with the Minister of State for Small Business and Tourism
CFIB at a news conference re the British Columbia restraint programme
CFIB official and a member inspecting wine and beer store shelves
J. Bulloch and an Ontario cabinet minister

- 104 CFIB news conference re the unemployment insurance programme
CFIB official and a federal cabinet minister
J. Bulloch with an Opposition Member of Parliament
CFIB official with an Opposition Member of Parliament
- 105 CFIB officials with federal cabinet minister
CFIB before the Macdonald Royal Commission
CFIB officials with the Minister of Finance
Graphic - the CFIB brief to the Macdonald Royal Commission
CFIB officials with the Hard Facts survey
- 106 J. Bulloch at a trade convention
CFIB officials discussing tax complaint letters
- 107 J. Bulloch with the Leader of the Opposition
CFIB officials with a federal cabinet minister
CFIB before the task force investigating Revenue Canada
CFIB pre-budget submission to Ontario
CFIB officials with members
- 108 CFIB officials before task force investigating Revenue Canada - 2
J. Bulloch with Minister of Finance
- 109 CFIB officials with Conservative labour critic
J. Bulloch at a national small business conference
CFIB official with a provincial budget
CFIB official re telephone rates
- 110 CFIB official with a representative from a British small business organization
Cartoons - 3
- 111 Graphic depicting increased postal rates
CFIB officials with a retiring board member
- 112 J. Bulloch with the cabinet minister responsible for the Post Office
CFIB official with the Minister of Finance
J. Bulloch with the Deputy Prime Minister
CFIB officials at an Alberta hearing
Members of the Board of Governors
- 113 J. Bulloch with the Employment Minister
CFIB official with the NDP small business critic
CFIB official with the Liberal small business critic
CFIB official with the British Columbia Minister of Finance
CFIB officials with the New Brunswick labour minister
- 114 CFIB official before Quebec labour committee
- 115 J. Bulloch with the Minister of Finance
CFIB official with the Minister of State for Small Business
J. Bulloch with the Ontario premier
CFIB official with the Quebec revenue minister

- CFIB official with the Saskatchewan minister responsible for the Employment Development Agency
- CFIB officials with the British Columbia premier
- CFIB official with an Alberta cabinet minister
- CFIB official with the New Brunswick Minister of Finance
- 116 J. Bulloch with the Leader of the Opposition
- J. Bulloch with the Prime Minister
- CFIB official with the minister responsible for Canada Post
- CFIB official with the Ontario Workers' Compensation Board chairman
- 117 J. Bulloch with the Minister of Finance
- 118 CFIB officials with Members of Parliament - 6
- CFIB official with Members of Parliament re the Post Office
- 119 CFIB officials before the committee investigating the Post Office
- CFIB official with the Ontario treasurer
- CFIB officials with the Saskatchewan small business minister
- 120 CFIB officials before committee on financial institutions
- New members of the Board of Governors
- 121 Bulloch and Minister of Finance after pre-budget meeting
- Cartoon - VAT
- Chart showing levels of small business dissatisfaction with banks
- 122 Bulloch with Ontario premier re VAT
- CFIB officials at news conferences re banking survey - 3
- CFIB officials with Saskatchewan premier re release of CFIB's 1986 Small Business Agenda
- 123 Bulloch reacting to February budget
- Minister of Finance reacting to February budget
- CFIB official with Mr. Forget
- 124 CFIB officials with Alberta premier re approach to public policy
- 125 CFIB officials with Quebec premier re small business concerns
- CFIB official at Manitoba Employers Task Force on Workers' Compensation
- CFIB officials with President and CEO of Bank of Montreal
- 126 CFIB officials with president of Canada Post
- CFIB officials with president of Canada Post
- Quebec CFIB official with Quebec Minister for Small Business
- CFIB official with federal Small Business minister
- 127 CFIB official with International Trade minister
- Bulloch with Leader of the Opposition re free trade
- Bulloch at Washington hearing

Atlantic CFIB official with New Brunswick Liberal
leader

Bulloch and new Board members

CFIB official at Ontario labour law hearing

128

CFIB official on TV panel show

British Columbia official and member

CFIB official at Ontario labour law hearing

In memorium - deceased official

APPENDIX 5-3
THE MANDATE LETTERS

MANDATE #	SUBJECT MATTER
29	Reduce small business taxes Banking Excise taxes Consumer packaging and labelling law Sales taxes Congratulations to the CFIB Cost of tax appeal
30	Need for government regulation Post Office Post Office Need for better combines legislation Real estate tax shelter Unfair American competition
31	Size of bureaucracy Post Office - 2 Reduction in the democratic way of life Congratulations to the CFIB Sales taxes Unemployment insurance
32	Training military personel to deliver mail Unemployment insurance Lack of willing workers Post Office Oil companies treatment of independents Foreign purchasing over domestic
33	Bell Canada charges Unfair competition from federal travel service Compensation for collecting income tax Post Office -2 Paperburden Buy Canada policy
34	Government policies interfere with attracting workers High wage rates Paperburden Canada pension plan Metrification Compensation for collecting employee taxes
35	Paperburden Canada pension plan Employee taxes Post Office Workers' compensation Use of CFIB logo on letters Congratulations to the CFIB
36/37	nil
38	Sales taxes Paperburden Standby charge

Government attracting workers away from small
 business
 Landlord/tenant law
 Workers' compensation
 Property taxes
 Unions
 Government regulation
 Manpower training
 39 Paperburden
 Allocation of retail space in malls
 Unemployment insurance
 Jury trials for tax cases
 Efforts of large firms/unions to thwart the Anti-
 Inflation Board
 Bell Canada charges
 Paperburden
 40 Workers' compensation
 Government regulation
 Unsuitable labour supply
 Delays in government incentive plans
 Paperburden
 Government ads
 Cost of fighting tax appeals
 Gas prices
 Banking
 41 Sales taxes
 Unions
 Inflation
 Unemployment insurance
 Foreign trade practices
 Lower American wages
 Bogus invoice racket
 Workers' compensation
 Civil service power
 42 Paperburden
 Unions
 Workers' compensation - 2
 Tax burden
 Small business loans
 Congratulations to the CFIB
 Statistics Canada
 Federal civil service pensions
 43 Government wage policies
 Post Office
 Big labour
 Manpower training programmes
 Rising expenses
 Price competition from larger firms
 Inability to garnishee federal government wages
 Prices of products
 Inflation
 Banks
 44 Government loans to foreign countries
 Post Office
 Competition from foreign suppliers
 Bilingual labelling laws

Deduction of metric tools
 Anti-Inflation Board restrictions on pensions
 Government
 Unemployment insurance
 Government
 45 Compensation for collecting sales taxes
 Government spending
 Higher Canadian wages vs. United States
 Post Office
 Cost of income tax appeals
 Provincial "paid-up" capital tax
 Plea for a higher Mandate response rate
 Unemployment insurance
 Big business
 Unemployment insurance
 Post Office
 46 Milk quota
 Payroll taxes
 Government spending
 Canada Manpower
 Atlantic Canada business problems
 NSF cheques
 Growth of civil service
 Government expenses
 General economy
 Competitive prices in United States
 Succession duties
 47 Banking
 Price hikes at British Columbia Hydro
 Shortsightedness of payments to the unemployed
 Unions
 Congratulations to the CFIB
 Swiss refusal to shorten the work week
 Post Office
 Workers' compensation
 48 Post Office
 Unemployment insurance
 NSF cheques
 Civil servants
 Registered retirement savings plans
 Pessimism re economic future
 Minimum wages
 Post Office
 49 Registered retirement savings plan deadline
 Expansion of Alberta Telephone into private
 business
 Frustration with bureaucrats and unions
 Proposed heritage day holiday
 Limits of the annual business limit
 Government purchasing policies
 Unions
 Sales taxes
 High taxes and government control detrimental to
 New Brunswick investment
 50 Government / Federal Business Development Bank
 Federal Business Development Bank

Civil service
 Federal Business Development Bank
 Government spending
 Banking
 Competition
 Payroll taxes
 Federal Business Development Bank
 Quebec political situation
 Government regulation
 51 Payroll taxes
 Manpower training programmes
 Public sector strikes
 Bureaucratic delay in paying
 Canada customs censorship policies
 Banking
 Welfare recipients
 Rent controls
 Call for help
 52 Need for high school courses in small business
 Tax is a disincentive to work
 Unemployment insurance
 Payroll taxes
 Bureaucracy/Taxes
 Unions
 Unemployment insurance
 Metric conversion
 Bureaucracy
 53 Poor quality labour
 Sales tax compensation
 Canada pension plan eligibility
 Government buildings too plush
 Essential service strikes
 Orders in council
 Minimum wage laws
 Post Office
 Labour training
 Government
 Government employees
 54 Waste in lumber clearing
 Labour restrictions
 Unemployment insurance
 Slowness of government payments to small business
 Bankruptcy Act
 Unions - 2
 Paperburden
 Unfair competition from government
 55 Government handling of pension monies
 Unions
 Delay in receiving government payments
 Registered retirement savings plans
 Progressive tax rates for small business
 TV in Parliament
 Federal sales taxes - 2
 Unfair government purchasing policies
 Unemployment insurance
 56 Unions

British Columbia Telephone ad rates
 Lack of quality tax professionals in small
 communities
 Metrification
 Lack of competent help
 Unemployment insurance
 Minimum wages
 NSF cheques
 Wage and price controls
 57 Poor quality finished products being produced
 Government spending
 Government import policy
 Unfair competition from government stores
 Sales tax remittances
 Paperburden
 Rail rates
 Government enforcement of regulations
 Corporation income tax installments
 58 Lack of government contracts
 Lack of appropriate rewards for hard work
 Money-off coupons a nuisance for small retailers
 Bank financing
 Labour contracts the reason for wage and price
 controls
 High costs
 Government legislation ruins incentive
 Need for a tax credit for wood burning stoves
 Bank excessive controls
 Unemployment insurance
 59 Extend registered retirement savings plan
 deadline to April 1
 Increased costs
 Higher costs
 Good labour
 Elect mother nature as new prime minister
 Government subsidies to big business
 Arbitrariness of government enforcement of
 regulations
 Lack of competent summer help
 Poor quality of Canadian produced goods
 Unfair competition from Crown corporations
 Need to tighten unemployment insurance rules
 60 Workers' compensation - 2
 Slowness in payments from government
 Student labour
 Capital gains tax
 Failure of government ferry to deliver gas to
 Victoria Island
 Simplification of tax forms and rates
 Government waste in publications
 Unions
 61 Small business loans
 Work habits of sales tax auditors
 Slowness of tax refunds
 Sales tax remittances
 Management of forest resources

- Access to working capital
- Property tax assessments
- Employment tax credit
- Precious Metals Act
- 62 Slowness of payments from big companies and government
- Unity Canada campaign
- Post Office / Civil servants
- Improper assessing by government auditors
- Taxes
- Transport Canada contract bid procedure
- Need for federal assistance in manpower training
- Post Office
- Report from Ottawa're labour and rent expense reduction programme
- 63 Forestry management and cutting policy
- Unemployment
- Sales taxes
- Unemployment insurance- 3
- Post Office
- Government size and regulation
- Government policy re beef cattle
- Union strikes
- 64 Need for the teaching of social rights and obligations in high school
- Concentration of power after The Bay buys Simpson's Limited
- Government reporting requirements
- Inability to purchase tobacco products
- Government pension indexing
- Federal sales tax
- Inadequacy of vocational training programmes
- Unemployment insurance hinders supply of labour
- Poor quality supplies and workmanship
- 65 Hudson's Bay concentration of power
- Hard work brings success
- Need for more skilled workers
- Sales tax
- Waste in distribution of government literature
- Unions
- Minimum wage laws
- Management of forestry
- Unemployment insurance
- 66 Devaluation of Canadian dollar
- Newfoundland insurance premium tax
- Unemployment / Minimum wages
- Unions
- Tax deduction for giving blood
- Small Business Loans Act
- Property assessments
- Banking
- Unions
- 67 Need for new ideas from country's leaders
- Unfair practices of large companies
- Unions
- Reimbursement for collecting taxes

Frustration of a small business owner
 Government red tape discouraging U.S. business
 Minimum wages
 Government waste
 Expansion of lending sources for small businesses
 68 Welfare and unemployment insurance
 Government incentive grants
 Oil company rents to retailers
 Small business loans
 Errors made by government officials
 Property and business tax assessments
 Government does not recognize small business
 Banks
 Government expenditure plans
 69 Regulation of trucking industry
 Employee training programmes
 Poor quality workers
 Corporate income tax
 Paperburden
 Crown corporations
 Unemployment insurance
 Media coverage of bottling industry
 Small business loans
 Post Office
 70 Newfoundland insurance premium tax
 Need for more incentives
 Competition from government stores
 Unions
 Unemployment insurance - 2
 Oil companies
 Sales tax remittances
 Credit card fees
 News media
 71 Unfair competition from large business
 Pricing of manufactured goods
 Need to increase fines for minors
 Customs duties
 High interest rates
 Compensation for collecting sales taxes
 Paperburden
 Unemployment insurance
 Welfare payments
 Taxes
 Praise for bank and government officials
 72 Minimum wages
 Congratulations to CFIB
 Labour standards legislation
 High tax burden
 Need for government to better publicize new laws
 Government regulation of postage meters
 Poor air routes
 Workers' compensation
 Small business loans
 Union negotiating
 73 Need to upgrade the image of trades
 Praise for government assistance

Unemployment insurance and welfare
 Interest rates - 2
 Paperburden
 Reduced tax rates
 Sales taxes
 Banking
 74 New CFIB building
 Preferential treatment for large corporations
 Government employees
 Bank loans in Iron Curtain countries
 "A Time for Truth"
 Credit card fees
 Need not to destroy incentives
 Banking and interest rates
 Government financing pressure on small business
 Employment tax credit programme
 75 Metric conversion
 Indexing of government pensions
 Post Office
 Customs procedures
 Government pricing of oil and natural gas
 Nova Scotia corporation income tax rate
 reductions
 Government employees
 Sales tax remuneration
 Increases in petroleum prices
 Excessive tax on small corporations vs large
 corporations
 76 Unemployment insurance
 Paperburden
 Frustration of an independent
 Managerial training for small businessmen
 Definition of small business
 Lack of profit in gas retailing
 Paperburden
 Competition from large corporations
 Banking
 High interest rates
 Workers' compensation
 Government spending
 Family allowance deduction
 77 Yellow pages advertising costs
 Sales tax remuneration
 Income tax payment dates
 Unemployment and civil servants
 Equitable tax rates
 Payroll taxes
 Tax auditor advisory booklet
 Canada / Russia government comparison
 Federal gas tax
 Provincial government power
 Amusement tax
 National apprenticeship programme
 78 Slowness of government payments
 Sales taxes
 Complaint re "sales" in retail industry

- Misleading advertising
- Paperburden
- Lack of government assistance
- Unfair competition from government
- Tax deduction for income maintenance insurance fees
- Ease with which some can go bankrupt
- Unfair competition from giant competitors
- Earlier mailing of T1 information slips
- NSF cheques
- 79 Do not tax profits re-invested in inventory
- Need to teach the work ethic in the schools
- Sales taxes - 2
- More government assistance for small business
- Paperburden
- Discontinue the capital gains tax
- Use of foreign purchased goods by government agencies
- Unemployment insurance
- Anti-combines legislation
- Interest rates
- Financial assistance programmes
- 80 Unions
- Lack of government direction
- Labour laws
- Inability to locate competent help - 2
- Support the CFIB
- Federal government advertising
- Bankers
- Expansion of shopping malls
- Employees quitting without notice
- Inability to get proper financing
- 81 Customs and sales taxes
- Problems of a small business
- Government red tape re research and development
- Sales taxes - 2
- Lack of provincial incentives
- Capital gains taxes
- Foreign Investment Review Act frustrating the sale of a business
- No need for clothing quota
- Frustration caused by centralization of Revenue Canada offices
- 82 Need for uniform store hours
- Government regulation and excessive costs
- Government pay raises
- Frustration of a small business owner
- Need for government agencies to "Buy Canadian"
- Strikes
- Post Office
- Government getting into private business
- Banks
- Frustration with government
- 83 19 comments attached to the energy survey
- 84 Unfair billing by government
- Unemployment insurance

Oil companies
 Costs to small firms vs. large firms
 Workers' compensation - 2
 Banks
 Preferential grants to large companies
 Government interference
 Excessively high freight rates
 Capital gains tax
 85 Unemployment insurance
 Post Office
 Need for higher profit margins by gas retailers
 Need for a national oil agreement
 New GATT duties
 Inability of government to be profitable
 Need for greater lead time for tax increases - 2
 Allow U.S. banks into Canada
 Raise the annual business limit - 2
 86 8 letters protesting the postal strike
 87 High interest rates / Inventory procurement
 problems
 Unemployment insurance
 High interest rates
 Lack of quality help
 Post Office
 Tax laws favourable to large businesses
 Small business development bonds
Small Business Loan Act
 88 Interest rates - 3
 Government mismanagement of the economy
 Interest rates / High government spending
 Credit card fees
 High interest rates / Post office
 Post Office - 2
 Public sector strikes
 Difficulties in obtaining labour
 Need for the CFIB to help very small businesses
 Lack of confidence in politicians and civil
 servants
 89 15 letters protesting the budget
 90 Unemployment insurance
 Budget - 5
 Inability of key U.S. personnel to move to Canada
 Post Office
 91 Budget - 3
 Post Office - 2
 Slowness of government payments
 Government
 Need to layoff workers
 92 Budget - 4
 System to layoff politicians and bureaucrats
 Higher interest rates
 Excessive public sector wage scales
 Unfairness of paying tax on the sale of a
 business
 Unemployment insurance / Welfare
 Government spending

93 Government use of tax files to mail propaganda
 Metric conversion
 Government incentives to large business
 Recommendations for reductions in the cost of
 government and in civil service strikes
 Electoral reform
 Congratulations to the CFIB
 Budget
 Statistics Canada
 94 Government - 3
 Government grants
 Congratulations to the CFIB
 Banks' requirement of personal guarantees
 Government spending
 Government spending
 Interest rates
 Budget
 95 Government - 3
 Unemployment insurance - 2
 Budget and energy programme
 Government job security
 Congratulations to the CFIB
 Employment tax credit programme
 Budget
 96 Budget
 Banks - 2
 Post Office - 2
 Strikes in the civil service
 Government bailouts of big business
 Federal legislation
 97 Shopping centers
 Public expectations too high
 Job training programmes
 Government
 Income taxes
 Post Office
 Government bailouts of big business
 Government interference in the economy
 "6 and 5" restraint programme
 98 Bankers
 Government inspectors / Bank charges
 Complicated income tax law
 Banking
 Reduce the size of government
 Dome Petroleum
 Budget
 99 Need for government promotion of industry
 Tax policy
 Government waste
 Excessive union power
 NSF cheques
 Right to strike laws
 Civil service
 Need for unemployment insurance for the
 self-employed
 Regulate supermarket hours

Government grants
 Congratulations to the CFIB
 100 Lack of a work incentive
 Beer and wine sales in supermarkets
 Sales tax remittances
 MP's need to study the Income Tax Act
 Municipal taxes
 Consumers' lack of confidence
 Budget
 NSF cheques
 Simplified tax system
 Deregulate oil pricing
 Extended store open hours
 Unemployment insurance
 101 Banking - 4
 Workers' compensation
 NSF cheques / Banks
 Payroll taxes
 Union bargaining
 Make work programmes
 Congratulations to the CFIB
 Right to strike law
 Post Office
 102 Payroll taxes
 Post Office
 Deferred profit sharing plans
 Low farm prices / High costs
 Interest rates
 Capital gains tax
 National Energy Program
 Government spending
 Payroll / Sales taxes
 Budget
 Credit card discounts
 Customs laws
 103 Public sector restraint
 Wage guidelines
 Payroll taxes - 2
 Public sector bargaining contracts - 2
 Government grants to large business
 Congratulations to CFIB/ High taxes
 Budget
 Sales taxes
 Federal farm tax credit
 104 Government waste
 Manitoba insurance plan
 Bankers - 3
 Unfair competition from government businesses
 Union power
 Interest rates - 2
 Retail sales by wholesalers
 Public sector contracts
 Taxes too high
 105 Government regulations
 Government needs to inform public of its
 regulations

Federal wage restraint
 Government restraint needed
 Income tax policies harmful to small business
 Unemployment insurance - 2
 Government growth
 Paperburden
 Government regulation
 Canadians look to government too much
 Freedom of choice in quantity measurements
 106 Poor attitude of students/employees - 2
 Customs regulations
 National Energy Program
 Recession in farming
 Lack of quality help
 Overall tax burden - 3
 Banks
 Payroll taxes
 Interest rates
 High costs
 107 Welfare recipients
 Government spending
 Revenue Canada's attitude to taxpayers
 Unemployment insurance
 Interest rates / Taxes
 Payroll taxes
 Limited eligibility for venture capital
 programmes
 Fishing / Energy policies
 Capital gains tax
 Government restraint
 Improve work ethic
 Militant unions
 Government alienation of the West
 Revenue Canada assessment policies
 Wage disparity with large companies
 108 Post Office - 3
 Unions
 Handling of bankruptcies
 Post Office engages in unfair competition with
 private enterprise
 Tax collection
 Crown corporations
 Reduce government interference in the economy
 Unemployment insurance
 Support for Mandate
 109 Congratulations for Revenue Canada brief
 Maternity leave
 Problems of a franchise owner
 Congratulations to the CFIB for tax tips
 Tobacco taxes
Mandate advice re hiring and firing
 A plug for unity
 Post Office into the catalogue business
 Unemployment insurance
 Income taxes
 Congratulations re tax auditor article

110 Post Office
 Arrival of the income tax auditor
 One-step financial services
 Steps to reduce shoplifting
 Union leaders
 Congratulations re recent income tax successes
 Balanced federal budget
 Government make work programmes
 Inability to provide for retirement
 The potential of the American market
 Government licences
 Federal Business Development Bank
 Post Office
 111 Militancy of labour negotiations
 Manitoba payroll taxes
 Unemployment insurance and welfare mentality
 High taxes and inflation
 High interest rates - 2
 Paperburden
 Deregulation of banking
 More fiscal responsibility by government
 Post Office
 Classify medical doctors as small businesses
 Post Office
 Unemployment insurance / welfare discourage
 employment
 112 Post Office
 Excessive bank collateral
 Worker's compensation
 National Energy Program / Interest rates
 Problems in the tourist industry
 Payroll taxes
 Government red tape / Too many civil servants
 Post Office - 2
Income Tax Act too difficult to understand
 Congratulations to the CFIB
 Discrepancy between private and public sector
 wages
 113 Statistics Canada
 Capital gains tax for farmers
 Mechanics' lien problems
 Import duties
 Post Office
 Right to strike / Banks need to give notice
 before calling loans
 Problems of small business owners
 Unfair competition from non-taxed co-operatives
 Collateral requirements of the banks
 Inefficient public services
 Banks
 114 Post Office
 Strikes
 Post Office
 Unemployment insurance
 Excessive public sector wage settlements
 Keep pressure on government

Bank personal guarantees
 Interest rates
 Sales taxes
 Congratulations to the CFIB - 2
 Income taxes
 Post Office
 Wage rates
 115 Government needs to pay its bills faster
 Civil service and Members' of Parliament pensions
 Unions
 NSF cheques
 Unions
 Minimum tax
 Post Office
 Need for on-the-job training
 Bank collateral
 Government red tape
 Unemployment insurance
 Need for an equitable split of business assets on
 divorce
 Workers' compensation
 Unemployment insurance
 116 Incorporation of medical practices
 Banks - 2
 Inadequate education system - 3
 Unemployment insurance - 2
 Modify tax laws
 Sales taxes
 Banks / Slowness of government payments
 Student help
 Bankruptcy
 117 Post Office - 3
 Congratulations to the CFIB
 Lack of qualified labour
 Banks
 Corporate income tax and capital gains tax
 Paperburden
 Red tape in getting apprentices
 Unemployment insurance
 Government red tape / High interest rates
 Need for greater productivity
 Summer youth programmes
 118 Unions
 Post Office - 3
 Problems of small business - 2
 Bankruptcy
 Value added tax
 Banks
 Congratulations to the CFIB
 Competition from big business and big government
 Permit the public to vote on civil service
 contracts
 119 Post Office
 Capital cost allowance rates
 Complicated tax laws
 Workers' compensation

Congratulations to the CFIB
 Unemployment insurance - 2
 Reduce government spending
 Farm tax losses
 Banks
 Federal sales tax rates
 Bankruptcy
 Workers' compensation and unemployment insurance
 120 Slowness of government payments
 Unemployed people
 Congratulations to the CFIB
 Unemployment insurance - 3
 Unions
 Need for pride in work and jobs
 Post Office
 Rules re firing employees
 Red tape
 Bankruptcy.
 121 Unemployment insurance / Labour demands
 Substandard labour skills
 Unemployment insurance - 3
 VAT - 3
 Paperburden
 Small business creates jobs
 Government bailouts
 Unfair government regulations
 Payroll taxes
 122 Post Office
 Banks into insurance
 NSF cheques
 Ontario capital gains tax
 Federal inspectors
 Banks
 Post Office
 Payroll taxes
 VAT
 General economic problems
 Congratulations to CFIB
 Government bids
 Unfair competition from not-for-profits
 Government bailouts
 123 Banks / Taxes / Unemployment insurance
 Equal pay legislation
 Government expenditures
 Paperburden
 Need for more incentives
 Employee benefit programmes
 Government expenditures
 Free trade
 Post Office
 Federal Business Development Bank
 Workers' compensation
 Need for privatization
 Congratulations to CFIB
 124 Unfair competition from banks
 Congratulations to CFIB

Efforts at cost reduction
 Government grants
 Lack of skilled labour
 Too much government
 Grants and subsidies / Unfair competition
 Unemployment insurance - 2
 Bank charges
 Value of Canadian dollar
 Post Office
 125 Government spending
 Civil service
 Liability insurance
 Property taxes
 Poor quality labour
 Post Office
 Need for more information on government cost savings
 "Undecided" Mandate votes
 Frustration with government
 Post Office
 Congratulations to CFIB
 Government expenditures
 Government regulation
 Budget
 126 Measures to save government expenditures
 Liability insurance
 Interest rates
 Unemployment insurance
 Government bailouts
 Congratulations to CFIB
 Workers' compensation
 Simplification
 Poor quality labour
 Manitoba payroll and corporation income taxes
 Unemployment insurance
 Pay equity legislation
 Insurance premiums
 Welfare programmes
 127 Unemployment insurance
 Paperburden
 Workers' compensation
 Need to bolster agriculture sector
 Financing needs
 NSF cheques
 Free trade
 Liability insurance
 Government
 Ontario labour law task force
 Workers' compensation
 Property taxes / Liability insurance
 Bankruptcy laws
 128 Registered retirement savings plans
 Free trade
 Paperburden
 Property taxes
 Government involvement in business

Post Office
School taxes
Unfair competition from big banks
Workers' compensation
Government deficit

**APPENDIX 5-4
SUMMARY OF MANDATE QUESTIONS**

NOTE: Most questions are prefaced by "Are you for (F) or against (A) ... ". There is also a box for registering a "No Opinion" (N) vote.

MANDATE #	QUESTION	MEMBERS' VOTE		
		F	A	N
1-1.	Bill C-259 (New Tax Legislation - Small Business Incentive)	51.0	40.6	8.4
2.	Should Canada Implement a program of mandatory wage and price controls?	49.2	45.0	5.8
3.	Bill C-253 (Amendments to the Canada Labour Code - Technological Change Provisions)	10.3	79.2	10.5
4.	Bill C-256 (Competition Act - Fundamental Change)	25.6	67.0	7.4
2-1.	Bill C-253 (Amendments to Canada Labour Code - Extension of bargaining rights)	8.4	84.4	7.2
2.	Bill C-253 (Amendments to Canada Labour Code - Picketing provisions)	85.6	10.8	3.6
3.	Bill C-256 (Competition Act - Misleading Advertising)	35.4	59.0	5.6
4.	Gray Report (Establishment of a screening agency to control foreign investment)	42.5	46.3	11.2
3-1.	Bill C-256 (Competition Act, Section 40 - Disallowance of some trade practices)	39.6	52.3	8.1
2.	Bill C-264 (Family Income Security Plan)	42.1	47.6	10.3
3.	Bill C-253 (Amendments to Canada Labour Code-Certification)	6.9	87.0	6.1
4.	Quebec Bill 24 (Uniform store hours legislation)	50.8	39.2	10.0
4-1.	Should the right to strike in essential services (e.g. air traffic controllers and post office workers) be replaced by a form of compulsory arbitration?	91.5	6.3	2.2
2.	Bill C-248 (The Cigarette Products Act)	58.5	35.0	6.5
3.	Should the Senate be abolished?	37.0	55.3	7.7
4.	Bill C-256 (Competition Act, Section 43 - Refusal to deal)	33.2	53.5	13.3
5-1.	The Local Initiatives Program (LIP)?	31.2	63.5	5.3
2.	Woods Task Force Report on Labour Labour Relations - Unions should be given legal status?	92.0	3.3	4.7

3.	The proposal by Premier W.A.C. Bennett that Federal equalization payments to the "have-not" provinces should be made instead to low income earners in all provinces through a guaranteed minimum wage, rather than to the have-not provincial governments?	32.7	48.7	18.6
4.	The retention of Information Canada?	14.6	76.4	9.0
6-1.	Should electoral reform be undertaken before the next federal election?	53.5	37.7	8.8
2.	The imposition of provincial gift tax on the transfer of assets between spouses?	5.5	92.7	1.8
3.	Bill C-183 (Amendments to the Canada Labour Code - revised technological change provisions)	16.2	62.3	21.5
4.	The Small Farms Development Program?	43.8	42.2	14.0
7-1.	The Foreign Takeover Review Act?	35.8	54.3	9.9
2.	The 1971 amendments to the Unemployment Insurance Act regarding eligibility for receiving benefits?	7.0	89.8	3.2
3.	The 1971 amendments to the Unemployment Insurance Act regarding the waiting period for claimants?	20.5	74.1	5.4
4.	Do you favour the Government's efforts to create a bilingual civil service?	23.3	69.0	7.7
5.	Do you favour the principles of a Guaranteed Annual Income, based on a negative income tax?	25.6	66.1	8.3
8-1.	The new expanded Unemployment Insurance benefits?	9.3	89.2	1.5
2.	A clearly defined Canadian Government "Buy Canada" policy?	50.1	41.3	8.6
3.	The policy of the Justice Department to use tax data as evidence in non-tax cases?	16.3	79.2	4.5
4.	The New Horizons program for senior citizens?	37.2	50.8	12.0
9-1.	The "constant dollar" income tax plan proposed in the recent federal election campaign?	70.2	16.9	12.9
2.	Federal government financial support of the 1976 Olympic Games in Montreal?	26.3	70.2	3.5
3.	A policy requiring recipients of unemployment insurance to accept any job offered them or face loss of their benefits?	87.0	10.1	2.9

4.	Municipalities receiving a percentage of the revenues of the federal government to meet the growing demand for municipal services?	54.5	37.4	8.1
10-1.	Provincial legislation regarding warranties on consumer items?	56.8	33.7	9.5
2.	Removal of the Federal Sales Tax on building materials?	64.9	28.7	6.4
3.	A small business investment incentive plan?	75.5	17.1	7.4
4.	Extension of the normal April 30 personal income tax return filing date to June 30 for the 1972 taxation year only?	49.7	40.8	9.5
11-1.	The recommendation of the Economic Council that all Canadian patents should normally become eligible for an automatic non-inclusive licence to manufacture in Canada five years after the application for that patent is made?	47.9	31.6	20.5
2.	Compelling political parties and candidates to disclose the sources of their financing?	60.0	36.2	3.8
3.	Businesses being eligible for L.I.P grants?	25.1	70.4	4.5
4.	A tax incentive to encourage employees of Canadian businesses to acquire the shares of their company?	86.4	8.4	5.2
12-1.	The proposed international treaty for the registration of trademarks?	48.2	26.1	25.7
2.	The expansion of the federal Government's program of Counselling Assistance to Small Enterprises (CASE)?	55.6	36.7	7.7
3.	The recently announced Canada Manpower Training On-the-Job Program for Skill Shortages?	68.0	26.2	5.8
4.	The federal loan assistance program established under the Small Business Loans Act in effect since 1961?	68.1	20.5	11.4

Emergency Mandate - re capital punishment

1.	The re-instatement of the conditions of the five-year trial period of limited application of the capital punishment as described in Bill C-2?	18.7	72.3	9.0
2.	Capital punishment for capital crimes?	75.0	21.6	3.4

3.	If your answer to the above question is against capital punishment, would you like to see changes in the criminal code relative to the crime of murder?			
	- Imprisonment for natural life with no parole	27.0		
	- Imprisonment for 25 years before parole is considered	50.1		
	- Other recommendations	22.9		
13-1.	Bill C-125, the bill to amend the Unemployment Insurance Act?	94.9	4.1	1.0
2.	The establishment of a registry to record licensing arrangements between Canadian and foreign companies?	31.9	27.8	40.3
3.	The private member's bill C-138 recently introduced to the House of Commons that would restrict the sale and ownership of all firearms?	59.8	37.0	3.2
4.	A 90-day wage-price freeze enforced by joint federal-provincial bodies with the authority to disallow wage or price increases higher than an established permitted rate of increase?	64.4	29.3	6.3
14-1.	An amendment to the Income Tax Act to permit an unincorporated business owner to conduct a reasonable salary for a spouse?	66.7	27.7	5.6
2.	The new regulation of the department of manpower and immigration?	68.6	26.3	5.1
3.	An expansion of the services of the Industrial Development Bank to include venture capital or equity investment in Canadian-controlled private businesses?	50.7	34.4	14.9
4.	The controversial May 8, 1972, Budget proposals regarding Corporation Taxation?	65.6	23.3	11.1
15-1.	Bill C-132, the Foreign Investment Review Act?	53.2	33.4	13.4
2.	Bill C-153 to prohibit major oil companies from retailing petroleum products?	40.5	52.1	7.4
3.	Bill C-22, an amendment that would eliminate advertising from childrens' programming?	49.4	44.8	5.8
4.	An amendment to the federal Income Tax Act that would allow a rollover of capital gains tax from an owner of a small business to his children during his lifetime or at death?	89.0	8.5	2.5
16-1.	A federal government proposal to permit provincial governments to put up 25 percent of the initial			

	capital needed to launch a new chartered bank?	44.3	46.6	9.1
2.	Bill C-213, section 99, a provision of the new Canada Business Corporations Act, concerning those persons who are disqualified from being a director of a corporation?	63.2	23.9	12.9
3.	Bill C-203, the Election Expenses Act?	70.7	23.7	5.6
4.	Bill C-211, the Family Allowance Act, 1973?	36.5	58.9	4.6
17-1.	A provision of the Manitoba "Employment Standards Act" requiring employees to give the same notice of termination required of employers?	61.5	32.2	6.3
2.	Bill C-135, the Residential Mortgage Financing Act?	43.9	44.4	11.7
3.	Bill C-176, Protection of Privacy Act; provisions which permit electronic eavesdropping by police for any alleged or suspected indictable offences?	66.5	31.2	2.3
4.	Section 137 of Bill C-213, the Canadian Business Corporations Act, relating to unanimous shareholder agreements?	24.0	55.7	20.3
18-1.	Amending provincial and federal labour laws so as to make all forms of compulsory union membership illegal?	87.1	10.6	2.3
2.	Deleting the word "active" from the section of the Income Tax Act concerning the special deduction provided for small Canadian businesses in relation to business income?	47.0	36.8	16.2
3.	The use of the minimum wage as an economic tool to alleviate poverty of low-paid people?	42.4	51.7	5.9
4.	The Ontario Government's Bill 101, the Consumer Reporting Act?	67.1	23.0	9.9
19-1.	Proposed B.C. labour legislation which would grant broad powers to the labour relations board whose decision would not be appealable to a court of law?	38.1	51.1	10.8
2.	Incorporating a Bill of Rights in the written constitution which would bind both the federal and provincial governments?	71.8	19.0	9.2
3.	Legislation which permits evidence to be given in a court concerning oral statements made by salesmen in connection with a consumer product warranty?	43.0	50.3	6.7

4.	Small businesses being required to grant an unpaid pregnancy leave of absence to female employees who have worked for the firm for at least one year?	15.8	79.7	4.5
20-1.	Having payments to recipients of Old Age Security benefits, the Guaranteed Income Supplement and the Canada Pension Plan being made available to workers who voluntarily drop out of the work force before age 65?	33.6	61.9	4.5
2.	Provinces enacting legislation to establish uniform shopping hours in retail operations which would include restrictions on Sunday openings, statutory holidays and a limit on the number of evening openings?	61.4	34.0	4.6
3.	The federal government establishing a National Petroleum Corporation?	52.3	41.5	6.2
21-1.	A system of temporary mandatory wage and price controls in Canada?	42.8	53.4	3.8
2.	Legislation which would make teacher groups and school boards subject to binding arbitration?	74.9	21.6	3.5
3.	Laws being enacted to make class actions more widely available in Canada?	37.1	37.9	25.0
22-1.	Legislation which would give jurisdiction to the Restrictive Trade Practices Commission to make decisions concerning the abuses of loss leader selling?	45.5	46.1	8.4
2.	A consumer loan insurance scheme which would be sponsored jointly by the federal government and the consumer lending institutions?	39.8	51.0	9.2
3.	The appointment of ombudsmen at the federal and provincial levels of government?	62.9	29.8	7.3
23-1.	Legislation to establish a special class of "income bonds" as new sources of capital for small and medium-size businesses?	57.5	30.7	11.8
2.	Legislation which would allow an advertiser to show another company's trademark in an advertisement for product comparison purposes?	26.8	68.4	4.8
3.	A two-price system for selected, basic commodities?	55.6	35.4	9.0
24-1.	Applying indexing to all phases of the tax and social security			

	systems?	49.7	38.1	12.2
2.	Bill C-108, an Act to amend the Canada Pension Plan?	43.9	51.3	4.8
3.	Bill C-229, an Act to amend the Canada Labour Code?	25.9	70.2	3.9
4.	The practice of the Department of National Revenue demanding net worth statements from taxpayers?	9.8	88.3	1.9
25-1.	Provincial unfair trade practices legislation?	60.4	33.5	6.1
2.	Amendments to the Small Business Loans Act which would allow the interest rate charged under the Act over the term of the loan to fluctuate with the prime rate charged by the banks?	41.2	51.4	7.4
3.	Granting exemptions to the banks and other lending institutions under the Tied Sales section of the proposed Combines Investigation Act changes?	26.4	56.5	17.1
4.	Metric conversion in Canada?	72.0	24.1	3.9
26-1.	The May 6 Federal Budget proposal which would allow Canadians to deduct interest income from taxable income?	78.4	16.0	5.6
2.	The Local Initiatives Program (LIP)?	33.5	63.3	3.2
3.	The Local Employment Assistance Program (LEAP)?	56.0	37.6	6.4
4.	Legislation which makes it a criminal offence to grossly overcharge consumers when similar, lower-priced items are available?	51.6	43.6	4.8
27-1.	Legislation that would grant authority to union leaders to conclude agreements binding on their members?	53.0	39.0	8.0
2.	Ontario's Bill 25, the Land Speculation Act?	37.4	50.6	12.0
3.	Legislation to prohibit the publication of opinion polls before election campaigns?	43.2	48.1	8.7
4.	A proposal to buy back a major sector of the Canadian economy from foreign control?	54.4	38.6	7.0
28-1.	An amendment to the Income Tax Act which would permit an owner of an unincorporated business enterprise to deduct a reasonable salary for a working spouse?	76.5	19.9	3.6
2.	The October, 1974, immigration regulations?	71.8	20.9	7.3
3.	The creation and use of producer marketing boards in the			

	agricultural sector?	26.3	61.3	12.4
29-1.	Giving discounts to customers who pay cash rather than use credit cards?	68.4	26.5	5.1
	2. The proposal that would disallow royalty payments as a deductible expense for tax purposes?	30.4	52.2	17.4
	3. Bill S-19, a proposal to transfer the laws concerning cannabis (marijuana, hashish) from the Narcotic Control Act to the Food and Drugs Act?	31.6	63.1	5.3
30-1.	Bill C-32, the Petroleum Administration Act?	46.6	45.5	7.9
	2. The approach to integrating manpower programs and unemployment insurance programs now in use in Germany?	86.9	9.7	3.4
	3. Legislation which requires bilingual labelling on prepackaged products?	26.2	68.5	5.3
31-1.	A high growth rate in Canada's population?	34.0	61.6	4.4
	2. Legislation which would prevent oil companies from directly operating gasoline retail outlets?	56.1	36.9	7.0
	3. The lowering of railway freight rates as a method of aiding regional economic expansion?	60.1	29.4	10.5
32-1.	A degree of control on where immigrants are allowed to settle in Canada?	71.0	26.5	2.5
	2. Free trade between Canada and the USA?	43.9	50.4	5.7
33-1.	A voluntary price and income program?	47.5	47.5	5.0
	2. A selection system for immigrants in which the country of origin is a factor?	66.1	30.6	3.3
	3. Bill C-386, an Act to amend the Canada Labour Code?	79.6	15.1	5.3
	4. Bill C-371, an Act to amend the Statistics Act?	80.5	15.5	4.0
34-1.	Transferring the federal sales tax (FST) from the manufacturing level to the wholesale level?	33.7	50.4	15.9
	2. Replacing the FST at the manufacturing level with a combined provincial federal retail sales tax?	42.9	47.6	9.5
	3. Giving unpaid employees priority over secured creditors in bankruptcies?	72.8	22.5	4.7
35-1.	Canada unilaterally extending its fisheries control zone to 200 miles?	80.2	14.1	5.7

2.	A program of temporary price and income controls?	56.3	40.8	2.9
3.	Restricting the powers of secured creditors in a bankruptcy?	46.3	42.6	11.1
4.	Providing tax relief to employees purchasing metric tools?	55.5	38.8	5.7
36-1.	The federal government's program of economic restraint?	76	22	2
2.	Extending the powers of the chartered banks to include leasing?	41	49	10
3.	Additional liability in a bankrupt corporation for the officers or directors?	45	48	7
4.	Franchise Dealer's Bill of Rights legislation?	56	30	14
5.	Giving the Yukon provincial status?	47	38	15
6.	Federal government support of the Olympics?	22	75	3
37-1.	A lower minimum wage rate for teenagers?	70	27	3
2.	The collection of triple damages by businessmen injured by violations of the Combines Act?	52	27	21
3.	Chartered banks offering data processing services to customers?	39	48	13
38-1.	Proposed 1976 amendments to the Unemployment Insurance Act?	91	7	2
2.	Replacing capital punishment with a mandatory, 25-year sentence?	28	70	2
3.	A Freedom of Information Act?	74	14	12
39-1.	The extension of wage and price controls to smaller companies in five key sectors?	42	53	5
2.	Licensing the possessor of firearms?	53	45	2
3.	Compulsory public disclosure of financial statements of private provincially incorporated companies?	15	79	6
40-1.	A negative income tax scheme to provide income support and income supplementation?	27	65	8
2.	Extending Section 88 provisions of the Banks Act to cover retailers' inventories?	63	22	15
3.	Taxing workmen's compensation benefits?	46	51	3
41-1.	Shifting the burden of cost control for medicare, hospital insurance and postsecondary education to the provinces?	39	52	9
2.	Allowing Class Actions for certain anti-competition offences?	36	51	13
3.	Allowing small grocery stores to sell beer for off-premises con-			

	sumption as is now permitted in Quebec?	66	31	3
42-1.	The federal government's anti-inflation program?	60	37	3
	2. Transferring all railway track ownership to a Crown corporation?	36	54	10
	3. Compulsory use of seat belts in cars?	56	41	3
43-1.	The proposal to divide the term patent protection into two stages?	48	15	37
	2. Compulsory licensing of patents for complementary technology?	36	23	41
	3. A mandatory secret ballot both for contract ratifications and for strike votes?	94	4	2
44-1.	Employee/employer co-determination?	56	38	6
	2. The federal government's work-sharing program?	54	39	7
	3. Indexing family allowances?	39	54	7
	4. Extending to all employees the right of grievance against alleged unjust dismissal?	35	59	6
45-1.	The abolition of the Small Loans Act?	34	52	14
	2. Allowing full payment of mortgages after three years?	75	21	4
	3. The lifting of wage and price controls from the private sector in 1977?	38	59	3
	4. Giving the taxpayer a choice of options for reinvesting RRSP funds at age 71?	84	9	7
46-1.	The emergency action taken to restrict imports of clothing?	49	43	8
	2. A National Heritage Day?	33	65	2
	3. Giving employees the legal right to refuse work they consider unsafe?	48	44	8
	4. Mandatory joint health and safety committees?	35	54	11
47-1.	A customs union with an independent Quebec?	28	59	13
	2. Proposed changes in the Canada Pension Act related to child care?	43	48	9
	3. Keeping the category of nominated relatives?	27	62	11
	4. Tougher control over potential entrepreneurs?	47	33	20
48-1.	Lowering the normal retirement age?	21	77	2
	2. Indexing the minimum wage?	26	70	4
	3. Transferring income to people instead of to governments?	51	26	23

4.	Converting land measurement from acres to hectares?	32	58	10
49-1.	Suppliers being free to give customers who purchase large quantities a price advantage that cannot be justified by cost savings?	47	49	4
2.	Greater control over industries where the supply of an article or service to a market is controlled by a small number of firms?	36	56	8
3.	Bringing regulated enterprises under the new Competition Bill?	52	31	17
4.	A Canadian Youth Corps?	56	40	4
50-1.	Making the Post Office a Crown Corporation?	79	14	7
2.	The Ontario Government's "Career Action Programme"?	49	43	8
3.	Taxing the investment portion at death?	23	70	7
4.	The disallowance of interest on policy loans as an expense for tax purposes?	26	66	8
51-1.	Extending the present system of wage and price controls until October 14, 1978?	65	32	3
2.	Province/industry-wide bargaining?	26	66	8
3.	The federal government's Enterprise Development Program?	28	59	13
4.	Allowing any member of the bargaining unit to cross a picket line during a legal strike?			
			Invalidated	
52-1.	Levying property taxes on charitable organizations?	40	56	4
2.	Levying property taxes on churches?	41	56	3
3.	Property taxes on private schools?	49	48	3
4.	The section of Quebec's Bill 45 dealing with picketing?	6	87	7
53-1.	Canada becoming predominantly a resource- and service-based economy?	28	61	11
2.	A Sunset Law?	70	18	12
3.	Allowing private carriers to utilize the facilities of Bell Canada?	62	22	16
4.	Requiring that formal notice be given to Canada Manpower of all hirings?	30	67	3
54-1.	Selectivity in Old Age Assistance programs?	22	75	3
2.	The Job Experience Training (J.E.T.) program?	58	37	5

3.	Bringing labour legislation entirely under federal jurisdiction?	25	64	11
4.	Restricting retail operations on Sundays and holidays?	52	44	4
55-1.	The right to strike in the public sector?	4	95	1
2.	Eliminating the tax on capital gains?	70	27	3
3.	Two levels of government collecting corporate income taxes?	16	76	8
4.	Two levels of government collecting sales taxes?	26	67	7
56-1.	Proportional representation?	33	57	10
2.	Giving dependent contractors the right to organize?	14	76	10
3.	Indexing as a way of cushioning the effects of inflation?	21	74	5
4.	Giving municipalities general licensing authority?	22	70	8
57-1.	Canada moving toward self-sufficiency in food production?	69	24	7
2.	Having patients directly pay some of their health care costs?	68	30	2
3.	Provincial legislation to create Business Improvement Areas (BIA's)?	45	40	15
4.	Making contributions to non-producer regulatory interest groups eligible for tax credits?	20	65	15
58-1.	Amending provincial and federal labour laws so as to make it illegal to require union membership as a condition of employment?	92	7	1
2.	More stringent curbs on imports of selected goods from low-cost countries?	43	47	10
3.	Abolishing the minimum wage?	60	36	4
4.	Allowing professionals to incorporate for tax purposes?	63	25	12
59-1.	Ottawa legislating changes in the Canadian Constitution without consensus from the provinces?	17	78	5
2.	The use of "market value assessment" for property tax purposes?	35	59	6
3.	Government funding of development programs administered by trade associations?	23	60	17
4.	Eliminating reduced rates for large users of electricity?	47	48	5
60-1.	Giving tax incentives for the installation of renewable energy systems in private homes and businesses?	46	48	6
2.	Compulsory retirement based on age?	12	86	2

3.	A law requiring all retailers who use the "Universal Product Code" (U.P.C.) to also mark prices on all items?	63	27	10
4.	Eliminating artificial barriers to entry in the "for hire" trucking industry?	53	23	24
61-1.	Allowing mortgage interest payments and property taxes to be deductible from taxable income?	79	19	2
2.	Submitting a limited number of policy issues to a referendum?	56	37	7
3.	Limiting unemployment insurance benefit payments based on total family income?	70	27	3
4.	The right of individuals or communities to obtain court injunctions aimed at closing operations that threaten the quality of the environment?	36	55	9
62-1.	The amendments to the Unemployment Insurance Act?	96	3	1
2.	Banning loss-leader advertising of selected products?	39	52	9
3.	A Bill of Rights with absolute legal authority being written into a new Canadian Constitution?	30	49	21
4.	Legislation limiting the use of social insurance numbers?	55	38	7
63-1.	Proceeding with the charges against postal union leaders indicted as a result of their illegal strike?	96	3	1
2.	Placing Petro-Canada under private ownership?	53	34	13
3.	Requiring able-bodied welfare recipients to do public service work in order to remain eligible for benefits?	93	5	2
4.	The use of public funds to attract new corporate investment?	42	50	8
64-1.	A temporary freeze on government budgets?	74	20	6
2.	Limiting the comparability of public sector wages and benefits to large unionized corporations?	30	59	11
3.	Setting entrance quotas for all post-secondary schools?	43	50	7
4.	Having the level of government which administers a program made responsible for financing it?	68	22	10
65-1.	Government refunding sales taxes paid by business on defaulting accounts?	64	30	6

2.	Transferring control over manpower training to Industrial Training Boards?	52	27	21
3.	The prescreening of large mergers as proposed in the recent federal competition bill?	62	25	13
4.	The use of lotteries as a source of government revenues?	62	34	4
66-1.	Extending the Post Office's exclusive letter-delivery privilege to include electronic transmission?	18	67	15
2.	Giving unpaid employees priority over secured creditors in bankruptcies?	79	17	4
3.	Reducing class sizes in schools to maintain teacher employment?	21	76	3
4.	Permitting professionals to advertise their fees?	75	19	6
67-1.	Suppliers determining retail prices?	26	68	6
2.	Giving Parliament effective power to control government spending?	75	20	5
3.	Ottawa requiring the provinces to provide basic health care for all Canadians?	59	35	6
4.	Exempting candy, confections and soft drinks priced at less than \$1 from retail sales taxes?	60	33	7
68-1.	Indexing capital gains?	68	24	8
2.	Increasing the share of increased energy resource revenues that flow to the federal government?	45	46	9
3.	Less restrictive shopping centre leases?	61	24	15
4.	Allowing workers involved in government-subsidized public-sector job-creation programs to participate in the unemployment insurance program?	48	42	10
69-1.	A dual benefit rate structure which would provide different levels of UI benefits for claimants with and without dependents?	67	29	4
2.	Governments being required to pay an interest penalty on late payments of their outstanding accounts?	87	10	3
3.	Suppliers imposing exclusive dealing restrictions on their customers?	22	62	16
4.	Governments using a tax on advertising as a source of revenue?	20	73	7
70-1.	Exempting workers who voluntarily quit their jobs or who			

	are fired for misconduct from receiving UI (unemployment insurance) benefits?	78	18	4
2.	Slowing down the rate of conversion to the metric system?	51	41	8
3.	Allowing the owner of an unincorporated business to deduct for tax purposes, a salary paid to a working spouse?	70	24	6
4.	Continuing the federal Small Business Intern Program?	43	47	10
71-1.	The Unemployment Commission requiring compulsory reporting by employers on new hirings to catch UIC cheaters?	40	56	4
2.	Re-instituting capital punishment as a penalty for first-degree murder?	77	18	5
3.	Governments paying businesses for the time spent on paperwork and red tape?	42	51	7
4.	Limiting unemployment benefits to people who can demonstrate financial need?	45	48	7
72-1.	Bell Canada charging for local calls?	10	85	5
2.	The proposed increase in the excise tax on gasoline and other fuels?	42	55	3
3.	Raising the employer and employee contributions to unemployment insurance to cover a larger portion of the cost of the program?	24	72	4
4.	The Federal Business Development Bank (FBDB) expanding its role as a supplier of equity capital?	40	40	20
73-1.	Attaching a buy Canadian requirement to government grants?	56	30	14
2.	The proposed federal-provincial Canadian Energy Bank?	64	25	11
3.	Replacing the traditional tip with a fixed rate service charge?	13	84	3
4.	Raising government pension benefits to retired Canadians?	58	35	7
74-1.	The use of government guaranteed loans to strengthen the ownership of Canadian business?	57	34	9
2.	Allowing banks to accept the inventories of retailers and wholesalers as collateral?	75	16	9
3.	A compulsory small business set-aside for federal government procurement?	47	39	14

4.	Banning public opinion polls during election campaigns?	53	41	6
75-1.	Subsidizing lower interest rates for small business?	56	41	3
2.	Restricting the use of credit cards?	62	34	4
3.	Extending the powers of the chartered banks to include leasing?	26	67	7
4.	The Employment Tax Credit Program?	42	50	8
76-1.	Reviewing the activities in Canada of major foreign-owned companies?	66	25	9
2.	The proposed UIC changes dealing with part-time workers?	28	67	5
3.	Restricting Canada's major oil firms from opening more company operated self-serve gasoline stations?	45	50	5
4.	The use of coupons as consumer incentives to buy various products?	25	65	10
77-1.	The removal of indexing from the personal income tax system?	11	85	4
2.	Restricting volume discounts to match only real, provable economies?	41	48	11
3.	Charging a fee for the guarantee under the Small Business Loans Act (SBLA)?	40	50	10
4.	A comprehensive wage insurance plan?	21	74	5
78-1.	Compulsory notice of appointment of receivers for failing businesses?	83	12	5
2.	Setting up a national trading corporation?	23	63	14
3.	Prohibiting minimum volume orders?	38	52	10
4.	Extending the controls on clothing imports?	51	35	14
79-1.	Tougher bad cheque laws?	89	8	3
2.	A provision requiring employees to give the same notice of termination required of employers?	73	22	5
3.	Legislation that would require all governments to reimburse smaller firms for their costs when they are found blameless of wrongdoing in government-related actions?	88	6	6
4.	Housewives being allowed to contribute to the Canada Pension Plan?	54	36	10

80-1.	Raising the Registered Retirement Savings Plan limits (RRSPs)?	72	22	6
2.	Legislation to extend the present period of notice employers must give their employees in cases of termination?	11	84	5
3.	The Federal Government assuming a 25% interest in all oil and natural gas development on Canada Lands?	38	54	8
4.	The Local Economic Development Assistance program (LEDA)?	26	63	11
81-1.	Having Britain change our Constitution at the same time it is being brought to Canada?	17	75	8
2.	Increased immigration of skilled workers?	40	55	5
3.	Legislation that would change standards for private pension plans?	43	44	13
4.	Increased economic cooperation with developing nations?	61	25	14
82-1.	Employer deductions of income tax payable by commissioned employees?	25	62	13
2.	Lower interest rates at the expense of a lower Canadian dollar?	55	37	8
3.	Immediate publication of all polls taken at public expense?	79	15	6
4.	Eliminating or substantially raising "ceilings" on Workmen's Compensation Boards' settlements?	20	69	11
83-1.	Rent Controls?	27	66	7
2.	Controls on purchases of Canadian real estate by foreign investors?	58	36	6
3.	Provincial legislation that requires photos on a driver's licence?	67	27	6
4.	Imposing quotas on the number of imported automobiles?	36	58	6
84-1.	Exemption of principal residences from capital gains taxation?	81	16	3
2.	Extending Unemployment Insurance Maternity Benefits to adoptive parents?	21	75	4
3.	Including working capital under the Small Business Loans Act (SBLA)?	50	36	14
4.	Allowing farmers to police themselves in order to control output?	48	26	26
85-1.	Eliminating the child tax exemption?	25	68	7

2.	Doubling benefits and contributions under the Canada-Quebec Pension Plans (CPP/QPP)?	26	66	8
3.	Union members and their leaders being subjected to full legal penalties if they are involved in either public or private sector illegal strikes?	96	2	2
4.	Setting up a federal crown corporation to publish a national newspaper?	6	90	4
86-1.	The private sector being allowed to deliver the mail?	81	15	4
2.	Allowing interest charges on credit cards without a monthly statement?	25	71	4
3.	Replacing the minimum \$100 deduction for charitable contributions with a system of tax credits?	61	31	8
4.	A tax-based incomes policy (TIP)?	24	54	22
87-1.	Experience rated UI premiums?	49	39	12
2.	Taxing strike pay?	82	14	4
3.	Separate rates for local and long distance 1st class mail service?	46	49	5
4.	Government controls on newspaper ownership?	22	67	11
88-1.	Provincial legislation requiring retail outlets to clearly identify their parent company?	61	28	11
2.	The federal government running a program which would allow Canadians to place bets on the outcome of sporting events?	42	51	7
3.	Restrictions on consumer credit?	53	39	8
4.	Governments and their agencies charging and paying interest rates that reflect the real cost of money?	54	32	14
89-	No questions.			
90-1.	Taxing more employee benefits?	28	67	5
2.	Moving the federal sales tax to the wholesale level?	18	68	14
3.	Directors being liable for taxes being withheld from employees?	33	57	10
4.	Further government participation in the purchase of private oil companies?	17	75	8
91-1.	Voluntary wage guidelines in the public and private sectors?	56	36	8
2.	Instituting American style Chapter 11 procedures in Canadian bankruptcy legislation?	67	22	11
3.	The off-oil program?	42	52	6

4.	Increasing the level of coverage provided by the Canada Deposit Insurance Corporation?	58	23	19
92-1.	Charging an "excess profits tax" on banks?	45	44	11
2.	Reform of the Parliamentary system to allow Standing Committees greater independent action?	50	28	22
3.	Halting full implementation of the metric system of measurements in Canada?	52	43	5
4.	The government subsidizing work-sharing plans by means of unemployment insurance benefits?	31	63	6
93-1.	The deregulation of oil and natural gas prices?	57	29	14
2.	A new provincial payroll tax on employers and the self-employed?	4	93	3
3.	Government legislation prohibiting foreclosure on home mortgages?	30	61	9
4.	Mandatory affirmative action programs?	8	83	9
94-1.	Substantial, permanent cuts in government spending?	86	10	4
2.	Selective cuts in government spending?	74	21	5
3.	Some form of permanent, compulsory wage guidelines for the public sector?	85	12	3
4.	Eliminating employees deductions at source for personal tax?	27	67	6
95-1.	Government bailouts of firms in financial difficulties?	13	79	8
2.	The use of coercion to enforce the 6 percent and 5 percent guidelines for wages and prices over the next two year?	45	47	8
3.	Limiting the indexation of unemployment insurance benefits?	71	24	5
4.	Selling assets or shares of government controlled Crown Corporations to the private sector (privatization)?	80	10	10
96-1.	Legislation to broaden the range of benefits, rights and responsibilities for part-time workers?	14	80	6
2.	Extending the benefit period for unemployment insurance?	13	83	4
3.	Public sector job creation programs?	27	66	7
4.	Allowing public agencies to engage in commercial activities?	29	61	10
97-1.	Restricting public sector employee benefits to benefits			

	which are already established in the private sector?	81	15	4
2.	The elimination of family allowances?	50	43	7
3.	A 15% transaction tax on large corporate mergers?	45	41	14
4.	Cancelling some government assistance programs to business to help reduce the deficit?	60	32	8
98-1.	The loan guarantee scheme adopted by Britain for high risk small businesses?	33	52	15
2.	Legislation to regulate the activities of transient traders?	53	38	9
3.	Post office expansion into other commercial goods and services?	10	87	3
4.	Paid educational leave?	18	73	9
99-1.	Removing restrictions on the growth of foreign banks in Canada?	55	33	12
2.	De-regulation of airline fares and access to routes in Canada?	72	18	10
3.	Creating a separate federal Department of Small Business and Tourism?	44	43	13
4.	A compulsory course on intro- duction to business for all high school students?	66	27	7
100-1.	A flat-rate personal income tax?	53	36	11
2.	Allowing domestic crude oil prices to move toward world levels?	54	34	12
3.	Legislation to permit the opening of retail operations on Sundays and statutory holidays?	38	58	4
4.	Government-sponsored mortgage interest rate insurance?	36	56	8
101-1.	Canada-wide standards for government-insured health care delivery?	43	45	12
2.	The federal government's pro- posed "Crow Rate Settlement"?	41	35	24
3.	Credit card user fees?	26	71	3
4.	Ownership limitations for trust companies that would disallow dominant share positions?	48	31	21
102-1.	Direct election of members of the Senate?	63	23	14
2.	Limiting the power of the Senate over ordinary legislation to a suspensive veto?	40	41	19
3.	Continuation of the Federal-Prov- incial Wage Restraint Program?	87	11	2
4.	Bill C-157?	27	61	12

103-1.	Increasing the federal government's share of the unemployment insurance (UI) program cost?	39	49	12
2.	A government-subsidized youth training program?	45	49	6
3.	The imposition of new non-tariff trade barriers?	35	49	16
4.	Requiring banks to send to their customers an up-to-date listing of bank service charges?	71	24	5
104-1.	A mandatory reduction in the workweek or workyear?	11	84	5
2.	Legislation requiring 60% Canadian content for foreign automakers?	32	59	9
3.	Requiring strike votes to be conducted by independent agencies?	85	8	7
4.	Exempting truck tariff bureaus from prosecution?	13	48	39
105-1.	Legislation guaranteeing equal pay for work of equal value?	36	56	8
2.	Legislation protecting franchise dealers?	34	57	9
3.	Allowing private management of public health care facilities?	59	28	13
4.	Strengthening competition legislation at this time?	35	42	23
106-1.	An "enterprise allowance scheme"?	26	65	9
2.	Reducing taxes on alcoholic beverages?	37	58	5
3.	Changing legislation to reimburse taxpayers for their costs when they win tax appeals?	86	9	5
4.	Provincial "income tax on base"?	20	50	30
107-1.	Telephone companies charging for local telephone calls according to use rather than the present flat rate billing system?	22	72	6
2.	Allowing firms to provide workers' compensation through private insurance firms?	58	29	13
3.	The federal government offering native groups preferential rates to bid for contracts?	10	80	10
4.	Including "tips" in income for tax purposes?	38	55	7
108-1.	The current initiatives for sectorial free trade with the United States?	52	14	34
2.	Requiring students to pass compulsory provincial exams to qualify for high school graduation?	83	13	4
3.	Replacing small claims courts with the new Provincial Court			

	(Civil Division) in all provinces?	83	9	8
	4. Government-subsidized loan guarantees?	28	61	11
109-1.	Allowing non-union contractors to bid equally on all public contracts?	96	3	1
	2. Extending to private businesses the special tax-free rollover granted to farmers?	85	7	8
	3. Allowing banks and/or other financial institutions to enter the insurance business?	21	69	10
	4. Direct government support payments for displaced older workers?	27	55	18
110-1.	Allowing extended child care leave?	11	85	4
	2. The accumulation of benefits and seniority for the duration of maternity and child care leave?	16	79	5
	3. Extending the federal small business procurement policy to Crown corporations?	48	36	16
	4. Restricting arbitrators in public sector labor disputes to settlements within government spending policy?	53	34	13
111-1.	Allowing deferral of taxation of capital gains from the sale of a business if the proceeds are invested in another business within two years?	87	6	7
	2. Amending the Canada Post Corporation Act?	91	4	5
	3. Taxpayers having the right to direct their education taxes to support approved schools of their choice?	53	37	10
	4. Revising Deferred Profit Sharing Plans (DPSPs)?	60	9	31
112-1.	A minimum tax for individual high-income earners?	66	28	6
	2. An increase in government defence spending?	52	39	9
	3. Federal departmental advocacy units on regulations?	48	26	26
	4. Allowing trust companies to expand their business-lending portfolios?	81	10	9
113-1.	Continued government subsidization of the Federal Business Development Bank's (FBDB) loan activities?	25	60	15
	2. Allowing all families regardless of level of income to receive			

	family allowances and the child tax exemption?	36	60	4
3.	Making our Unemployment Insurance benefits more in line with those in the United States?	74	19	7
4.	An equal division of the gain in business asset values between a couple on divorce?	25	63	12
114-1.	Government grants for worker relocation?	22	70	8
2.	Encouraging increased foreign investment in Canada?	74	17	9
3.	"Special economic zones"?	36	48	16
4.	Reducing the subsidy level in basic university education?	38	54	8
115-1.	Removing income tax from small business corporations and taxing earnings when distributed?	69	22	9
2.	Establishing a federal value-added tax (VAT)?	21	57	22
3.	Initiatives to negotiate a bilateral free trade arrangement with the United States?	66	20	14
4.	Subsidization of government advisory programs for business?	24	69	7
116-1.	Reducing interprovincial barriers to trade?	80	10	10
2.	Introducing competition in long-distance telephone services?	72	19	9
3.	A tax-assisted educational savings plan?	48	43	9
4.	The establishment of tax incentives for exporting firms?	47	37	16
117-1.	The privatization of retail liquor outlets?	71	22	7
2.	The establishment of a refundable employment tax credit program?	33	55	12
3.	Action to assist with the long-term financing of farms?	51	32	17
4.	Experience rating for workers' compensation?	56	27	17
118-1.	The removal of corporate tax incentives to finance a reduction in corporate tax rates?	61	20	19
2.	The establishment of a two-tier wage scheme?	80	13	7
3.	Setting aside certain federal government purchases for bids by smaller businesses only?	50	37	13
4.	Employee benefit packages which direct employees to listed professionals?	19	65	16
119-1.	Mandatory requirement of a Smoking Policy in the workplace?	51	43	6
2.	Replacing some federal and provincial taxing power with			

	a legal right to impose local income taxes?	17	68	15
3.	The continuation of rent reviews and their extension to more comprehensive systems?	29	60	11
4.	Allowing the sale of wine and beer through independent grocery stores?	70	27	3
120-1.	Less restrictive immigration policies?	38	52	10
2.	Replacing most existing social welfare programs with a single, new, universal system?	76	13	11
3.	The introduction of a "second chance" system of government procurement for small business?	44	40	16
4.	A tax system where officials prepare individuals' income tax forms?	10	83	7
121-1.	A comprehensive disability program?	23	64	13
2.	Using health insurance premiums to partially finance health expenditures?	53	36	11
3.	Providing for mandatory arbitration of first collective agreements?	33	48	19
4.	The age limit of 71 for RRSP funds?	28	61	11
122-1.	Differentiation in minimum wage laws?	76	19	5
2.	Limiting the rate of growth in federal transfer payments to the provinces?	48	34	18
3.	Workers' legal rights to return to work following a compensable injury or disease?	38	50	12
4.	Canada/Quebec Pension Plan pensions to spouses not in the commercial workforce or with low earnings?	39	46	15
123-1.	Increasing restrictions on overtime allowed?	20	74	6
2.	Legislating a right for all employees, and for any community resident, to know about potential hazards in their workplaces?	57	29	14
3.	Parliamentary review of government appointments to senior positions?	67	22	11
4.	Exempting some firms from payroll taxes?	41	49	10
124-1.	Including the right to own and enjoy property within the Canadian Charter of Rights and Freedoms?	68	14	18

2.	Mandatory retirement?	31	63	6
3.	A universal system of free child care?	8	87	5
4.	A comprehensive wage insurance plan?	11	82	7
125-1.	Giving unpaid suppliers the right to retrieve goods from insolvent customers?	79	15	6
2.	Civil action after notification against those not making payment on NSF cheques?	90	7	3
3.	A reduction in the frequency of mail delivery?	22	74	4
4.	A no-fault system for auto-injury compensation?	63	23	14
126-1.	Experience-rated UI premiums?	54	37	9
2.	Taking a longer-term approach to reduce the Canada Post deficit?	33	60	7
3.	Extending the minimum vacation entitlement for longer serving employees?	29	65	6
4.	Continued participation of business firms in the SEED program?	51	35	14
127-1.	Non-financial companies owning financial institutions?	27	49	24
2.	Prison sentences for repeated offenses against the environment?	77	17	6
3.	A stay of receivership to allow an insolvent company to reorganize?	80	14	6
4.	Raising the drinking age to 21?	68	27	5
128-1.	Introducing a new Business Transfer Tax (BTT) to replace the Manufacturers' Sales Tax (MST) and to lower personal income tax rates?	34	44	22
2.	The provision of export deficiency payments to compensate farmers for low selling prices?	37	50	13
3.	Contracting more sub-post offices by Canada Post and expanding their range of services?	84	12	4
4.	Further tax and royalty cuts by governments to stimulate oil exploration and development?	40	47	13

APPENDIX 5-5 (A)
THE OCTOBER 1975 MANDATE



CANADIAN FEDERATION OF
INDEPENDENT BUSINESS

15 COLDWATER ROAD • DON MILLS, CANADA M3B 3J1

OCTOBER, 1975

NUMBER 35

MANDATE

How the empire builders are gouging the taxpayer

With a population of only 22 million, Canada is one of the most over-governed countries in the world. Consider: under a heavy overlay of federal bureaucracy lie the ever-growing administrators and civil servants at the provincial, regional and municipal levels ... all carried on the weary shoulders of the taxpayers.

On the federal and provincial scenes alone the bureaucratic big spenders have burgeoned sixfold over the past decade to the point where in 1975-1976 Ottawa and Ontario, for example, will spend more than \$45 billion of public money compared to about \$7½ billion in 1965.

Hammer theme

What the Federation plans to do in this and other articles is to nail down some of the principal factors causing this unacceptable escalation in government spending. We will also spell out some of the political motives behind it. In fact, the Federation will hammer this theme until our leaders get the message and act.

Probably the biggest single reason behind government high-rolling is the empire and power-building opportunities open to governments that possess unlimited funds — opportunities that politicians are quick to detect as a means of increasing and entrenching power. It's the old bread-and-circuses act on a gargantuan scale. Government touts its giveaways as "benefit" programs without regard to the fact that once a so-called benefit or welfare project is launched, its cost can only increase with time. And seldom are those projects ever dropped.

How did the empire builders get away with it? Let's take a look at the federal scene. In 1960-1962, the Royal Commission on Government Organization (the Glassco Commission) completed an exhaustive six-volume study of the federal government. It was a highly professional and competent job

which produced several hundred recommendations designed to weed out waste and extravagance and achieve greater efficiency at less cost.

After studying the report, the government announced it would adopt certain recommendations, particularly those which suggested new organizational approaches to old problems. Various government departments started to engage management consultants to examine each problem in depth and come up with solutions that would make a department more powerful and justify higher-salaried positions.

Today, 10 years later, they're still engaged on this work — at a cost of about \$1 billion a year in consultants' fees alone. And as a result of the big consultant bonanza, new departments, new divisions of old departments and new agencies have emerged, each with its own director, assistant director and an army of assistants.

All this lunatic growth, of course, was far beyond what the Glassco Commission had recommended.

Take one example: the field that directly affects the small businessman. Ottawa today has more than 100 agencies regulating everything from airline ticketing to how a door-to-door salesman should operate. In addition, most of the provinces have 50 or more regulatory agencies of the same type, many of them simply duplicating the federal ones.

Doing opposite

Back in 1960, the civil service establishment was genuinely concerned that Glassco's findings would cancel out a lot of jobs. It needn't have worried. Its mandarins discovered a unique way of appearing to implement sections of the report while in reality doing the very opposite.

Maxwell Henderson, the former auditor-general and a man with a keen eye for government chicanery, blew the whistle on the situation in 1965-1966.

He carefully studied Glassco's findings of waste, extravagance and inefficiency and then had his staff go and check if anything had changed.

Henderson later reported to Parliament that the old conditions still existed in 73 per cent of the cases investigated, that absolutely no action had been taken to remedy the faults.

This, mark you, four years after the Glassco report appeared.

The Public Accounts Committee of the House of Commons, which had asked Henderson to do the investigation, has never bothered to take any action on his report.

Greater waste

What Henderson found 10 years ago has probably worsened drastically since there are more departments, more government activity and a huge increase in bureaucracy and spending. Henderson told the Economics Society of Alberta last year that dollar waste today is three to four times greater than what Glassco found more than a decade ago.

Henderson recommended to Parliament in 1968 and again in 1973 that a royal commission similar to Glassco's, but reporting to Parliament rather than government, should be set up to investigate the bureaucracy and its cost to taxpayers.

The Federation supports this proposal with the proviso that special attention be given to the cost of paperwork to both the small business community and the nation.

In the United States, President Ford has established a \$4 million President's Commission to study federal government policies, rules and practices relating to information gathering and dissemination.

It's the beginning of an attack on the crushing burden of government paperwork and excessive regulations.

How about a similar program in Canada, Mr. Prime Minister?

READ MANDATE ISSUES HERE . . . VOTE BALLOT ON OPPOSITE PAGE

INSTRUCTIONS: When marking your ballot, notice that space is provided for your written comments. Comments to your M.P. may be made on any matter of concern to you and are not restricted to those presented in the Mandate. Please sign your ballot, detach and fold so that the return address is on the outside. Affix postage, staple closed, and mail by October 14. Mandate ballots are return addressed to a Tabulation Centre where a National Summary of the voting is compiled (see below). Your ballot is then forwarded to your M.P. who is identified in your mailing plate code.

1. Are you for or against Canada unilaterally extending its fisheries control zone to 200 miles?

For centuries, fishing fleets from many countries of the world have fished in Canada's coastal waters, for example, on the Newfoundland Grand Banks for cod, or in B.C. coastal waters for salmon. Historically, Canada's fishing control zone has been limited to 12 miles.

It is proposed that Canada follow the example of such countries as Iceland, Peru and Ecuador by unilaterally extending Canadian control to 200 miles. Foreign fleets would not be banned, but Canada would set tough quotas and restrictions. International groups would no longer set the rules.

Arguments for: Such a move is necessary to stop overfishing by huge foreign fleets. Size of catches have fallen and conservation of fish stocks is required to prevent elimination of some major species. International quotas cannot be adequately supervised and enforced. Jobs for Canadians would be preserved.

Arguments against: Negotiation rather than unilateral action is the preferred course in international affairs. This move would offend our trading partners. Quotas set by international conferences are a satisfactory method of fish resource management. Canada lacks the means to enforce unilateral action.

2. Are you for or against a program of temporary price and income controls?

Under such a program the federal government would impose a freeze on incomes and prices for a period of say 90 days, followed by a period of controls during which limits on increases in wages, prices, profits, dividends and rents would be imposed. This issue was placed before members in February, 1974. However, the Federation requires a fresh mandate in view of the rapidly changing economy.

Arguments for: Inflationary expectations are now built into the political-economic system. Consequently people expect higher wages and prices, and a vicious circle of ever increasing costs has set in. There are no other short term options. Controls will buy time to work out long-range solutions. Conventional methods of fighting inflation — tight money and high interest rates — would create unacceptable levels of unemployment.

Arguments against: A freeze is unfair, discriminating against those falling behind. Experience in other countries suggests controls don't work. Public attention is diverted from the real causes of inflation — increases in the money supply, deficit spending by government and large wage and price increases imposed by the power groups. Government controls create bureaucracies and destroy the workings of the free market system.

3. Are you for or against restricting the powers of secured creditors in a bankruptcy?

A secured creditor is one that holds a mortgage, a conditional sales contract, a lien, a debenture, or any form of security on assets. Under the existing Bankruptcy Act, a secured creditor concerned about the potential default of his loan is free at any time to take control of the assets regardless of possible or actual bankruptcy proceedings. Under Bill C-60, Bankruptcy Act 1975, when a petition for a bankruptcy order is filed, a secured creditor would be prevented from seizing the assets he holds as collateral.

Arguments for: By staying the powers of secured creditors to seize assets, the trustee can determine more fairly the value and distribution of assets on behalf of all the creditors.

Arguments against: Secured creditors are likely to move in earlier and realize assets rather than attempt to manage a business as a going concern. Financing costs could increase.

4. Are you for or against providing tax relief to employees purchasing metric tools?

A proposal has been made to government to provide a tax credit to employees who are required to own measurement sensitive tools in order to earn their livelihood. Approximately one worker in 10 in manufacturing will be affected with costs of new tools from \$50 to \$600. Approximately 200,000 motor mechanics will face costs up to \$2,000. Similarly employees in tool manufacturing and construction will be affected.

Arguments for: Costs of metric conversion, which is supposed to benefit all Canadians, should be borne by all Canadians. The tax credit approach is less bureaucratic than a system of individual grants. Without tax relief employees could be asked to bear many of those costs.

Arguments against: The system could be abused since it would be difficult to distinguish between initial and replacement tool purchases. Tax credits for tools could result in demands for special tax credits from other sectors of society. A major loss of government revenue would result.

KEEP A
RECORD OF
YOUR VOTE HERE
FOR **FOR** **AGAINST** **NO**
OPINION

RETAIN THIS HALF FOR YOUR RECORD
THIS HALF IS YOUR BALLOT

NATIONAL SUMMARY OF MANDATE NO. 34 (EXPRESSED IN PERCENTAGES)

	FOR	AGAINST	NO OPINION
1. Are you for or against transferring the federal sales tax (FST) from the manufacturing level to the wholesale level?	33.7	50.4	15.9
2. Are you for or against replacing the FST at the manufacturing level with a combined provincial and federal retail sales tax?	42.9	47.6	9.5
3. Are you for or against giving unpaid employees priority over secured creditors in bankruptcies?	72.8	22.5	4.7

NOTE: The National Summary goes to every elected member of the federal and provincial parliaments, senior civil servants and Senators.

VOTE YOUR MANDATE - IT IS THE KEY TO FEDERATION STRENGTH!

TO MY MEMBER OF PARLIAMENT:

Following are my personal opinions on Mandate No. 35

1. Are you for or against Canada unilaterally extending its fisheries control zone to 200 miles?
2. Are you for or against a program of temporary price and income controls?
3. Are you for or against restricting the powers of secured creditors in a bankruptcy?
4. Are you for or against providing tax relief to employees purchasing metric tools?

	FOR	AGAINST	NO OPINION
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Late ballots are excluded from the National Summary but are forwarded to your MP.

COMMENTS TO MY MEMBER OF PARLIAMENT:

(ATTACH EXTRA SHEET IF SPACE IS INSUFFICIENT)

SIGNATURE

Our members speak up

The more that I think of all the work and energy spent by myself and other small businessmen doing the government's books, the madder I get. Federation members should invoice the federal government for what they feel is a fair charge for services rendered.

*Rick J. Kratz,
Crest Metal,
Lethbridge, Alta.*

If you are a small business proprietor you are forced to contribute to the Canada Pension Fund and you are required to pay the employer's share and the employee's share (up to \$241.20). This compares with an employee who pays only one half this amount (up to \$120.60).

*F.E. Gabriel,
F.E. Gabriel & Co.,
Winnipeg, Man.*

Our remittance on employee payroll deductions was 15 days late. Without notification, the district taxation office came in and collected

a certified cheque for the total plus a penalty of \$256 and interest of \$21. At the same time, the district taxation office owes us overpayment on UIC for 1973 and 1974 in the amount of \$204.62.

*B. Bazemer,
Guardian Press,
Hamilton, Ont.*

If Postmaster General Bryce Mackasey closes down the Post Office, the employees will then be in a position to draw Unemployment Insurance benefits.

*C.W. Gowan,
Gowan Personnel Ltd.,
Winnipeg, Man.*

It appears that there is an abundance of high cost "waste" being pumped out of the Workmen's Compensation Board — expensively produced posters of all kinds. As a non-profit organization, the WCB must, or should be responsible to all its contributors, and as an employer-contributor, interested in

keeping the cost of compensation coverage down, I protest!

*K.G. Tutt,
Mack Kirk Roofing Co. Ltd.,
Vancouver, B.C.*

Your advice to inform government of our CFIB membership in any dealings with them is an excellent idea. I might also suggest that members sign all letters with the initials "CFIB."

*N.J. Daniels, MD, CFIB,
Scarborough, Ont.*

Congratulations on your article, "Wanted: A Canadian ownership policy". The effect of a branch plant economy on the ultimate population mix of Canada will be most serious. I don't want the most prestigious job for my grandchildren to be managing the local MacDonald hamburger stand.

*Henry Johnson,
JWI Ltd.,
Montreal, Que.*

PAGE 3

OCTOBER, 1975 NUMBER 35



CANADIAN FEDERATION OF INDEPENDENT BUSINESS



FIRST CLASS MAIL



CANADIAN FEDERATION OF INDEPENDENT BUSINESS

President
Vice-President
Secretary-Treasurer

John F. Bulloch, B.A.Sc., M.B.A., P. Eng.
Raymond J. Sherk, B.A.Sc., M. Comm., P. Eng.
Ronald J. Farano, O.C., B. Comm.

OFFICERS

OFFICES

HOME OFFICE — 15 Coldwater Road,
Don Mills, Ontario M3B 3J1 Telephone 447-2407
VANCOUVER — 1916 West Broadway, Vancouver, B.C. V6J 1Z2
OTTAWA — 56 Sparks Street, Suite 514, Ottawa, Ontario K1P 5A9
MONTREAL — 11300 Maurice Dupressis Boulevard,
Montreal, Quebec H1C 1G1

DIRECTORS

Robert G. Morrow, Vancouver
Jack J. Foster, Edmonton
Kenneth A. Davidson, Winnipeg
John F. Bulloch, Toronto
Ronald J. Farano, Toronto
J. A. Rioux, Fredericton
Raymond J. Sherk, Willowdale
John R. Ferguson, Ottawa
Ben Sevak, Montreal
Jacques Turcotte, St. Jérôme

Objectives

To promote and protect a system of free competitive enterprise in Canada.

To give the independent a greater voice in laws governing business and the nation.

THE MANDATE

A regular presentation of current national issues by the Canadian Federation of Independent Business. The Federation operates under federal charter as a non-profit organization. Voting membership dues are tax-deductible as business expenses.

FIRST CLASS MAIL

AFFIX
8c.
STAMP

Mandate Tabulation Centre
CANADIAN FEDERATION OF INDEPENDENT BUSINESS
P.O. Box 35
DON MILLS, ONTARIO M3C 2R6

SUPPORT YOUR LOCAL INDEPENDENT BUSINESSMAN

STAPLE HERE

APPENDIX 5-5 (B)
THE APRIL 1985 MANDATE



4141 Yonge Street, Willowdale, Ont., Canada M2P 2A6

number 115, april 1985

mandate

INSIDE
Hiring tips



John Bulloch (right) and federal Finance Minister Michael Wilson face the media together after their 90-minute session spent discussing the CFIB's pre-budget proposals. Bulloch recommended tax and RRSP changes designed to ease capital funding for small firms.

Bulloch to Wilson: "Meet or beat U.S."

Meeting or beating the Americans on key economic fronts is essential if Canadians want to ensure jobs for future generations.

That's one of the messages CFIB President John Bulloch delivered to federal Finance Minister Michael Wilson during a 90-minute session on Parliament Hill.

"Canadians need a rallying cry such as 'Meet or beat the Americans' to be more competitive overall, especially in terms of inflation, interest rates and labour costs," Bulloch told the minister.

In the meeting, and in a joint encounter with the media later, Bulloch called on government to provide a fertile environment for the development of new small firms which will create most of the jobs in the economy in the next five years.

To that end, the CFIB urged Ottawa to adopt a six-point package of tax and RRSP changes to ease the chronic underfunding of new ventures and reduce the total tax burden which is consistently the most serious problem reported by members.

The Federation also expressed support for the government's deficit-reducing plans, pointing out four areas of interest to small business where cut-backs could be implemented. Chief among those was a suggestion to end subsidized lending programs of the Federal Business Development Bank.

Said Bulloch: "Many Canadians, including those in the small business sector, must make sacrifices to not only place this country on a more competitive footing with the U.S., but also to assist our own government in bringing the federal deficit under control."

Ottawa heard the CFIB's demand for solid policy, not tokens

Governments must stop token handouts to small business and concentrate on delivering meaningful support to the sector that is creating most of the jobs in the economy, the CFIB has told the federal government.

At public hearings across the country, CFIB representatives told André Bissonnette, federal Minister of State for Small Business, that governments must adopt a new approach in 10 key areas and move on each front simultaneously.

At the first hearing in Vancouver, CFIB President John Bulloch told the

officials that creating a significant number of jobs requires an environment that accelerates the birth and growth of small businesses.

To do that, he said, it is necessary to re-think areas such as: entrepreneurship, taxation, regulation, red tape and paperburden, equity financing, debt financing, management development, manpower, markets, succession, and retirement.

Bulloch stressed that action on one or two fronts would not produce the momentum in the small business sector needed to spur job creation. Rather, he said, the multi-dimensional approach is vital.

He was critical of past governments' tokenism, in which politicians and bureaucrats gave with one hand and took away with the other.

"There is little or no good in giving one type of tax incentive while at the same time increasing regulations and payroll taxes," he told the hearing.

The CFIB's submission, the culmination of 15 years of research and member



André Bissonnette, federal Minister of State for Small Business, discusses procurement policy with Marianne Antoniak, the CFIB's Director of National Affairs, during a public hearing on the Small Business Consultation Paper in Edmonton.

Miller turns to the Federation first

The concerns of small business in Ontario are receiving close attention from the new Premier, Frank Miller.

The CFIB was first on Miller's list of "must-see" outside groups after he was chosen Progressive Conservative leader and before he was sworn in as Premier.

In that meeting, he sought the Federation's advice on eliminating corporate tax for Canadian-controlled corporations (see Question 1, page 2), a proposal he presented to the first ministers' conference in Regina.

The new Premier understands the problems and strengths of the small business sector because of his hands-on experience with a number of small retail and tourist firms.

"We've had an excellent relationship with Mr. Miller over the years, both when he was Treasurer and as Minister

of Industry and Trade," said CFIB President John Bulloch.

"We consider that his background is important not just for policy initiatives he might introduce in Ontario, but also in terms of the influence on economic issues he can bring to bear in other provinces and in Ottawa."



In a news conference Ontario's new Premier Frank Miller (right) and John Bulloch discuss the results of their meeting soon after Miller won his party's leadership.

VOTE YOUR MANDATE - IT'S THE KEY TO FEDERATION STRENGTH!
 Keep your own record of your vote below. See ballot card instructions on opposite page.

Are you for or against removing income tax from small business corporations and taxing earnings when distributed?

Several provinces have established small business corporate income tax holidays. At the first ministers' conference it was proposed that governments eliminate entirely the combined federal-provincial tax on corporate profits. However, taxes on dividends and taxes on the sale of shares would be increased proportionately. The effect would be to leave more capital in the corporation, but impose the same level of taxation when earnings are distributed to the owners.

1 Arguments for removing income tax from small business corporations and taxing earnings when distributed. The ability to retain more earnings for investment would help firms to grow, employ more Canadians and generate new tax revenues. Small businesses pay far more than their share of property, business, and payroll taxes and removing tax on profits would help equalize the total tax burden.

Arguments against removing income tax from small business corporations and taxing earnings when distributed. Paying no tax on profits could attract public criticism against small business. The amount of corporate income tax that would be postponed would be about \$2 billion per year. The proposal does not focus help where it is most needed—new ventures and fast-growing firms.

FOR AGAINST UNDECIDED

Are you for or against establishing a federal value-added tax (VAT)?

Department of Finance officials are studying a proposal to replace the manufacturer's sales tax (MST) with a VAT. VAT is essentially a sales tax that is collected from all businesses including service firms. Double taxation is avoided by allowing businesses to credit the VAT they pay on their purchases against the VAT they charge on their sales. VAT is rebated on exports and charged on imports. The current MST applies only to goods manufactured in Canada and the duty-paid value of imports. It is estimated that the current MST rate of 10% can be replaced by a VAT of 2% to 2.5% because it applies to a much greater part of consumption. In the U.S., VAT has been discussed as a basic mode of tax reform. Most European countries impose a VAT.

2 Arguments for establishing a federal value-added tax (VAT). VAT is less susceptible to tax evasion than other forms of taxation since each firm deducts the tax paid by its predecessor. Increases in VAT could generate new revenues for federal deficit reduction, and for reducing taxes in other areas, for example income and payroll taxes. It would eliminate the distortions and difficulties associated with the present manufacturer's sales tax.

Arguments against establishing a federal value-added tax (VAT). Once installed, even a small rate increase in this hidden tax extracts huge sums, causing slower economic growth and new inflationary pressures. Retailers could face the burden of two types of sales taxes if provincial sales taxes continue. European experience shows that once the tax is in place, multiple rates and exemptions are imposed, increasing the complexity of compliance.

FOR AGAINST UNDECIDED

Are you for or against initiatives to negotiate a bilateral free trade arrangement with the United States?

The government is currently considering the negotiation of a bilateral comprehensive free trade agreement with the U.S., providing for the removal of tariffs and non-tariff barriers on substantially all Canada-U.S. trade. Exports are vital to the Canadian economy, representing about 30% of national income in 1983 and supporting over three million jobs. The American market accounts for over 70% of total Canadian exports. Although tariffs have been reduced steadily under GATT, protectionist non-tariff measures have recently intensified in the U.S. This has caused difficulties throughout the Canadian economy, including outflows of Canadian investment to establish plants in the U.S.

3 Arguments for initiatives to negotiate a bilateral free trade arrangement with the U.S.: The arrangements would protect Canada from growing protectionist pressures in the U.S. Subsequent structural adjustments are expected to lead to a more cost-efficient Canadian economy, strengthen Canada's competitiveness in all export markets and provide higher returns to a more productive workforce.

Arguments against initiatives to negotiate a bilateral free trade arrangement with the U.S.: Free trade is a big step toward full economic union and could weaken political independence. Closures or downsizing of some U.S. subsidiaries and Canadian firms could lead to net job losses. There is a risk that American exporters will take greater advantage of the larger market than will Canadian firms.

FOR AGAINST UNDECIDED

Are you for or against subsidization of government advisory programs for business?

Government advisory services include a range of counselling and information services. These programs may include start-up advice, low-cost consulting services, management education courses, subsidized private sector advice and advisory services in the areas of marketing, exports and technology.

4 Arguments for subsidization of government advisory programs for business: Low cost government advisory services could prevent unnecessary business failures and assist start-ups, since private consulting is often too expensive. Without subsidization, many firms in the more remote, less traditionally business-oriented regions would be left with few if any advisory services.

Arguments against subsidization of government advisory programs for business: Governments are not a natural source of advice or assistance for business. Programs and advice that are offered at no cost are not valued highly. Higher quality material will be developed and delivered by the private sector and business associations if a proper charge is levied.

FOR AGAINST UNDECIDED

OUR MEMBERS SPEAK UP

One small thing which would help the economy more than any program would be to ensure that all levels of government or government-funded institutions pay their bills within 30 days. Even 60 days would be an improvement.

Marvin Post
Attic Books
London, Ontario

Actuarially unsound pensions of the federal civil service and MPs must be becoming an increasing burden on the already overtaxed private sector. This overblown pension is getting in the way of a sense of unity between the public and private sectors.

Colin Campbell
Campbell Woodall & Associates
Calgary, Alberta

Unions dictate wages to us and public sector unions influence private sector union demands.

Jim Flood
John Flood & Sons Ltd.
Saint John, New Brunswick

One of the largest problems facing retail businesses is NSF and fraudulent cheques. Making out a police report is a waste of time. In my business alone I write off \$2,000 to \$4,000 annually due to these cheques. Nationally, the amount must be in the billions.

Ed Paproski
Diversified Sound Ltd.
Saskatoon, Saskatchewan

Business must compete for business with business. To be fair, why should labour not compete with labour for labour? Would it not be fair if everyone could bid for jobs? Union contractors are finding themselves in impossible situations entirely due to union vs. non-union labour. I am not anti-union, I am pro-freedom of choice.

Wally G. Altwasser
Advice Unlimited
Coquitlam, British Columbia

Experience shows that it isn't the small businessman who earns the \$60,000 minimum tax level, but the upper level of government employees. I would suggest that if a minimum tax should come about, it should be indexed.

John Parkinson
Yukon Salvage Ltd.
Whitehorse, Yukon

Canada Post has been competing with newspapers for many years. A business that can rely on a tax base, or has a parliament designed monopoly cannot possibly be fair competition to a private business that must pay every tax that comes along and remain highly competitive in order to survive.

Diane Migowski
The Maple Creek News Ltd.
Maple Creek, Saskatchewan

We are badly in need of on-the-job training for workers. We have problems getting someone who is interested in being a seamstress and being told how to make drapes.

Jean E. Morris
Morris Draperies
Godenich, Ontario

The banks' understanding of the real business world is very limited. The collateral attached to loans is so excessive that most businesses don't have a chance in an economy as difficult as ours.

Jack T. Burnett
Mabum Plastics Ltd.
Langley, British Columbia

When applying for government aid there is so much red tape involved that the money saved goes into keeping the red tape up-to-date.

Howard Braun
Braun's General Store
Rosenfeld, Manitoba

The availability of Unemployment Insurance benefits is hard to compete with. In a lot of cases, UI benefits are higher than working for minimum wage, so many people say why bother working.

Joanne Hardwick
Island House Inc.
Summerside, Prince Edward Island

Re: equal division of the gain in business asset values between a couple on divorce. This would only become equitable if an equal share of the loss in business asset values was to be considered. A man I know whose business was failing found he owed his wife half of all family assets but no one shared the considerable liability created by a lost account receivable.

Jack Bray
Aqua Line Enterprises Ltd.
Richmond, British Columbia

The Workers' Compensation Board charges us \$5.50 per \$100 for carpentry work in shops while the rate for finished carpentry is \$4.50. I find it hard to believe that a carpenter who works in a shop is 20% more likely to have an accident than one who works in the field. This places undue financial burdens on many small businesses.

M. Hoveland
Mattie-Al Woodworking Ltd.
Fort McMurray, Alberta

Those collecting UI benefits should perform a minimum number of hours of public service each week. Not only would the public which pays UI receive some benefits, but others would be employed organizing services to be provided.

Scott Robinson
Robinson's Mobile Feed
& Farm Supply Ltd.
Plainville, Ontario

National Summary goes to every member of the federal and provincial parliaments, senior civil servants and senators.

INSTRUCTIONS. Please vote the enclosed ballot card. Add comments to your member of Parliament on any matter of concern to you. Mandate ballot envelopes are returned addressed to a computerized tabulation centre where a National Summary of the voting is compiled and your ballot redirected to your MP—identified in the address label. Mandate ballots are valid at all times; however, to ensure your vote is included in the National Summary, the ballot should be mailed by:

HERE IS THE NATIONAL SUMMARY OF YOUR VOTE ON MANDATE NO.	FOR	AGAINST	UNDECIDED
1) Are you for or against government grants for worker relocation?	22%	70%	8%
2) Are you for or against encouraging increased foreign investment in Canada?	74%	17%	9%
3) Are you for or against "special economic zones"?	36%	48%	16%
4) Are you for or against reducing the subsidy level in basic university education?	38%	54%	8%

CFIB staff carry message throughout country



Pierre Clement (left), the CFIB's Director of Provincial Affairs for Quebec, discusses member concerns with Maurice Mariel, Minister of Revenue for the province. One of the priority topics was the reinstatement of the 2% commission for collecting retail sales tax.

cross-country push is on to make equity financing more accessible for small business.

In pre-budget submissions from coast to coast, the CFIB urged senior provincial cabinet ministers to establish, replenish or maintain small business development corporations in which investors gain tax incentives by putting their money into the sector that's creating jobs.

The Ontario program has injected \$272-million into small firms in that province, creating at least 11,000 jobs at



Dale Botting (right), Director of Provincial Affairs for Saskatchewan and Manitoba, brings Gary Lane, Saskatchewan's minister responsible for the Employment Development Agency, up to date on the impact of payroll taxes and the importance of moving beyond make-work programs in job-creation efforts.

lower cost to the public purse than other government schemes.

About 70% of the investor corporations also gave critical managerial experience to the companies in which they invested.

In British Columbia, the Federation stepped up the pressure for a long-promised equity program, urging the province to follow the lead of its Western neighbours.

And in Alberta, where the Small Business Equity Corporation program ran out of money while applications



John Bulloch and Oksana Exell, the CFIB's Director of Provincial Affairs for British Columbia and the Yukon, urge B.C. Premier Bill Bennett (centre) to follow the lead of other provinces in establishing incentives for small business equity investment ventures. At the meeting in Victoria, CFIB presented its pre-budget proposals to the province.

Solid policy not tokens

surveys, makes 35 specific recommendations to governments. They range from simplifying the Income Tax Act and reducing red tape and paperburden to incorporating entrepreneurial values into the educational system and establishing annual targets for increasing the small business share of government contracts.

Copies of the paper are available, free of charge, on request from the CFIB Head Office.



The Federation called for increased funding for SBECs in its pre-budget paper in Alberta. Herb-Doug Wright, Director of Provincial Affairs for Alberta, discusses the issues with Al Adair, Minister of Tourism and Small Business (left) and Treasurer Lou Hyndman.

were still coming in, the government has been urged to replenish and upgrade the funding. In its initial run, the plan provided \$15-million in incentives which were leveraged into 3-1/2 times as much investment in small firms.

In New Brunswick, where twice the national rate of members report serious trouble finding financing, the CFIB pressed for speedy establishment of such a program.

Cabinet officials in Newfoundland were put under the same pressure from the CFIB in an effort to ease the financing burden there.



Maintenance of the corporate income tax holiday and the establishment of equity capital vehicle head the agenda as Peter O'Brien (right), the CFIB's Director of Provincial Affairs for Atlantic Canada, discusses pre-budget proposals with John Baxter, New Brunswick's Minister of Finance.

To promote and protect a system of free competitive enterprise in Canada.

To give the independent a greater voice in laws governing business and the nation.

625 Howe St., Ste. 220, Vancouver, B.C. V6C 2T6
 1012096th St., Ste. 1000, Edmonton, Alberta T5J 3H1
 2101 Tenth Avenue, Ste. 200, Regina, S4P 1A3

A regular presentation of current national issues by the Canadian Federation of Independent Business. The Federation operates under federal charter as a non-profit organization. Voting membership dues are tax deductible.

100 St. Elizabeth Street, Winnipeg, Manitoba R2R 0H4
 1000-100 Ave. East, Ste. 100, Calgary, Alberta T2C 1N1
 1000-100 St. St. Ste. 100, Saskatoon, S4N 5T4

4111 Yonge Street, Willowdale, Ontario M2P 2A9, Tel. (416) 222-8922

APPENDIX 6-1
SELECTED CFIB PUBLISHED VICTORY CLAIMS



NEWS & VIEWS

MANDATE 140 (10/88)

CFIB wins battle over bank service fees



NEWS & VIEWS

MANDATE 142 (01/89)

Major UI victory pays off in cost benefits

VICTORIES
on RRSPs

Significant
CFIB victory

Remarkable win for independents

Major victory
for Federation
over red tape

VICTORIES IN BUDGET FOR FEDERATION

Tax reform results show Federation's impact

CFIB tax-attack pays off in major victory

WCB victory in Manitoba

Success on small business tax rates

SBDBs

Another Small Business Victory

Big business attack rebuffed

Tax changes recognize role of small business



CANADIAN FEDERATION OF
INDEPENDENT BUSINESS

MANDATE

745 MOUNT PLEASANT ROAD • TORONTO CANADA M4S 2N5

MAY, 1974

NUMBER 24

Federation victories

Several victories in changes to "competition bill"

OTTAWA DISCOVERS SMALL BUSINESS

Victory for Nova Scotia WCB Bill withdrawn

CFIB achieved a major victory recently when the Nova Scotia government withdrew proposed changes to the Workers' Compensation Act which would have sent WCB costs skyrocketing for every business in the province.

Federation tax recommendations adopted by Finance Committee

Independent businesses will likely welcome most of the proposed changes to the White Paper on Tax Reform recently introduced by the House of Commons Finance Committee.

Several of the proposed changes were right on target with recommendations submitted to the all-party Committee last September by the Canadian Federation of Independent Business. CFIB President John Bulloch says he welcomes the Committee's endorsement.

BULLETIN

Just as this Mandate went to press, the federal government released information on tax reform. There were major victories for CFIB, including one pertaining to automobile expenses. Full details will be spelled out in the next Mandate.

Budgets produce some victories

APPENDIX 6-2 (A)
SELECTED CANADIAN SPECIAL INTEREST GROUPS

	Org. Date	Membership(1)	
		Ind.	Corp.
A. AGRICULTURE			
Canadian Federation of Agriculture	1936		14
Western Canadian Wheat Growers' Association	1970	4500	550
B. BUSINESS			
Atlantic Provinces Chamber of Commerce	1896		850
Black Business and Professional Association*		100	
Business Council on National Issues	1976		150
Canadian Association of Family Enterprises*	1983		400
Canadian Automobile Association	1913	2.6m.	
Canadian Bankers' Association	1891		66
Canadian Chamber of Commerce			
Canadian Construction Association	1918		5000
Canadian Federation of Independent Business	1971	- 75000	-
Canadian Federation of Independent Grocers	1962	3200	
Canadian Institute of Public Real Estate Companies	1970		37
Canadian Latvian Business and Professional Association *	1954	125	
Canadian Manufacturers' Association	1871		3000
Canadian Organization of Small Business	1979		6000
Canadian Pulp and Paper Association	1913		5000
Canadian Toy Manufacturers' Association	1932		180
Halifax Board of Trade			
Independent Businessmen's Association in British Columbia *			
Independent Petroleum Association of Canada	1952		35
Insurance Bureau of Canada	1964		180
Life Underwriters Association of Canada	1906	19461	
Mining Association of Canada	1935		82
Retail Council of Canada	1963		5000
The Small Business Network, Inc. *	1983	400	
Tourism Industry Association of Canada	1931	6	350
Trust Companies Association of Canada	1952		35
United Small Business of Nova Scotia Ltd. *	1983		410
C. CONSUMERS			
Consumers Association of Canada	1947	140,000	
D. LABOUR			
Canadian Federation of Labour	1982	220,000	
Canadian Labour Congress	1956	2.3m.	80
Canadian Union of Public Employees		304,269	
E. PROFESSIONAL			
British Columbia Medical Association			
Canadian Association of Optometrists			
Canadian Bar Association			
Canadian Tax Foundation			
Canadian Institute of Chartered Accountants			
Institute of Chartered Accountants, of Nova Scotia			

F. SOCIAL

Canadian Advisory Council on the Status of Women	1973		
Canadian Association of Retired Persons	1976	5000	
Canadian Conference of Catholic Bishops	1943	128	
Canadian Council of the Blind	1950	4000	
Canadian National Institute for the Blind	1918	750	
Coalition of Provincial Organizations of the Handicapped			
Kidney Foundation of Canada		25000	10700
National Action Committee on the Status of Women	1972		470
National Anti-Poverty Organization	1971		210
National Council of Women in Canada	1893	750,000	
United Church of Canada	1925	9.6m.	

G. THINK TANK

Canadian Energy Research Institute *			
Canadian Institute for Economic Policy *			
Canada West Foundation *			
C.D. Howe Institute	1973	17	252
Centre for the Study of Regulated Industries *			
Conference Board of Canada			
Economic Council of Canada			
Fraser Institute	1974	- 657 -	
Institute for Policy Analysis *			
Institute for Political Involvement *			
Institute for Research on Public Policy *			
Niagara Institute *			

(1) Membership data has been obtained from the Directory of Associations in Canada, 9th ed. or directly from the organizations. The data represents the period 1986 to 1988.

* All organizations except those so indicated made representations to the 1987 tax reform hearings conducted by the House of Commons Committee on Finance and Economic Affairs and/or the Standing Senate Committee on Banking, Trade and Commerce (Source: Report of the Standing Senate Committee on Banking, Trade and Commerce (1987). Toronto: Richard De Boo Publishers; Report of the Standing Committee on Finance and Economic Affairs (1987), Toronto: Richard De Boo Publishers.

APPENDIX 6-2 (B)
BUSINESS INTEREST GROUPS CLASSIFIED BY DOMAIN

A. STRUCTURE

1. Industry Type

(a) Multi-Industry

Canadian Chamber of Commerce
Canadian Federation of Independent Business

(b) Broad Sector

Canadian Manufacturers' Association
Canadian Construction Association

(c) Specific Industry

Canadian Toy Manufacturers' Association
Insurance Bureau of Canada

2. Product/Service

(a) Single Product/Service

Retail Council of Canada
Canadian Federation of Independent Grocers

(b) Multi-Product/Service

Canadian Chamber of Commerce
Halifax Board of Trade

(c) Group of Products/Services

Tourism Industry Association of Canada
Canadian Institute of Public Real Estate
Companies

3. Size

(a) Large Firms

Business Council on National Issues
Canadian Bankers' Association

(b) Small Firms

Atlantic Provinces Chamber of Commerce
Black Business and Professional Association
Canadian Association of Family Enterprises
Canadian Federation of Independent Business
Canadian Latvian Business and Professional
Association
Canadian Organization of Small Business
Independent Businessmen's Association in British
Columbia
The Small Business Network, Inc.
United Small Business of Nova Scotia Ltd.
Halifax Board of Trade

(c) Mix of Large/Small Firms

Canadian Construction Association
Canadian Manufacturers' Association
Canadian Federation of Independent Grocers
Retail Council of Canada
Tourism Industry Association of Canada

4. Ownership

(a) Public Companies

Business Council on National Issues

Insurance Bureau of Canada

(b) Private Companies/Sole Proprietors

Atlantic Provinces Chamber of Commerce

Canadian Federation of Independent Grocers

(c) Individuals

Canadian Automobile Association

Life Underwriters Association of Canada

B. TERRITORY

1. National - Federations

Canadian Federation of Independent Business

Canadian Chamber of Commerce

2. National - Non-Federations

Mining Association of Canada

Retail Council of Canada

3. Provincial

Independent Businessmen's Association in British
Columbia

United Small Business of Nova Scotia Ltd

4. Regional/Local

Atlantic Provinces Chamber of Commerce

BIBLIOGRAPHY

**A. BOOKS, REPORTS, JOURNAL ARTICLES AND MEDIA ARTICLES
REFERRED TO IN THE TEXT**

- Aaron, H.J. and Galper, H. (1985). *Assessing Tax Reform*. Washington: Brookings Institution.
- A Commission on Canada's Future. (1983). Minister of Supply and Services Canada. Cat. No. Z1-1983/1-71-1.
- Anderson, J.E. (1977). Pressure groups and the Canadian bureaucracy. In: *Public Administration in Canada: Selected Readings*. 3rd. ed. (K. Kernaghan, ed.), pp. 292-304. Toronto: Methuen Publications.
- Arnold, B.J. (1985). The taxation of controlled foreign corporations: Defining and designating tax havens. Canadian Tax Journal, 33 (3 May-June), pp. 445-489.
- Baetz, M.C. (1985). The CFIB and the MacEachen budget. In: *Canadian Cases in Business-Government Relations* (M.C. Baetz and D.H. Thain, eds.), pp. 325-347. Toronto: Methuen Publications.
- Benson, E.J. (1969). *Proposals for Tax Reform*. Ottawa: Queen's Printer for Canada. Cat. No. F32-169.
- Bird, R.M. (1980a). Tax Incentives for Investment: The State of the Art. Toronto: Canadian Tax Foundation, Canadian Tax Paper No. 64.
- Bird, R.M. (1980b). *Taxing Corporations*. Montreal: The Institute for Research on Public Policy.
- Boadway, R., Bruce, N. and Mintz, J. (1984). Taxation, inflation, and the effective marginal tax rate on capital in Canada. Canadian Journal of Economics, XVII (1 Feb.), pp. 62-79.
- Borins, S.F. (1988). Public choice: "Yes Minister" made it popular, but does winning the Nobel Prize make it true? Canadian Public Administration, 31 (1 Spring), pp. 12-26.
- Bossons, J. (1971). The Ontario proposals for a small business tax incentive. Canadian Tax Journal, XIX (3 May-June), pp. 173-184.
- Brennan, G. and Buchanan, J.M. (1984). Towards a tax constitution for leviathan. In: *The Theory of Public Choice - II* (J.M. Buchanan and R.D. Tollison, eds.), pp. 71-89. Ann Arbor: University of Michigan Press.
- Breton, A. (1974). *The Economic Theory of Representative Government*. Chicago: Aldine Publishing Company.

- Breton, A. (1978). Economics of representative government. In: *The Economics of Politics*, pp. 51-64. London: Institute of Economic Affairs, # 18.
- Brimelow, P. (July 11, 1977). The shopkeepers' shopkeeper. MacLean's, pp. 51-52.
- Bryden, K. (1982). Public input into policy-making and administration: The present situation and some requirements for the future. Canadian Public Administration, 25 (1 Spring), pp. 81-107.
- Buchanan, J.M. (1984a). Politics without romance: A sketch of positive public choice theory and its normative implications. In: *The Theory of Public Choice - II* (J.M. Buchanan and R.D. Tollison, eds.), pp. 11-22. Ann Arbor: University of Michigan Press.
- Buchanan, J.M. (1984b). Constitutional restrictions on the power of government. In: *The Theory of Public Choice - II* (J.M. Buchanan and R.D. Tollison, eds.), pp. 439-452. Ann Arbor: University of Michigan Press.
- Canadian Organization of Small Business. (1985). *A Comprehensive Analysis of Canada's Economic Dilemma*.
- Canadian Organization of Small Business. (1986). *Non-Linear Labour Relations Are The Key To Labour Peace and Harmony*.
- Canadian Organization of Small Business. (1987). *Pro-Enterprise Advocacy Council*.
- Canadian Organization of Small Business. (1989). *The Voice of Small Business: Special Issue*.
- Canadian Tax Foundation. (1983). *Income Tax Aspects of Real Estate Transactions. Proceedings of the Corporate Management Tax Conference 1983*. Toronto: Canadian Tax Foundation.
- Canadian Tax Foundation. (1986). *Income Tax Considerations in Corporate Financing. Proceedings of the Corporate Management Tax Conference 1986*. Toronto: Canadian Tax Foundation.
- C.D. Howe Institute. (Jan. 1987). *Tax reform in a new light. Commentary # 13*.
- Caves, R.E. (1976). Economic models of political choice: Canada's tariff structure. Canadian Journal of Economics, IX (2 May), pp. 278-300.
- Chrétien, J. (1985). *Straight From the Heart*. Toronto: Key Porter Books Limited.

- Cohen, D. (1980). John Crosbie wants you to work harder. Canadian Business, 53 (2 Feb.), pp. 42-50, 55, 102.
- Cohen, M.A. (1978). The budget process and income tax changes. In: Report of Proceedings of the Twenty-Ninth Tax Conference, pp. 6-20. Toronto: Canadian Tax Foundation.
- Coleman, W.D. (1985). Analysing the associative action of business: Policy advocacy and policy participation. Canadian Public Administration, 28 (3 Fall), pp. 413-433.
- Cunningham, G. (March 29, 1982). Can CFIB help members survive the 1980s? Financial Times of Canada, p. 12.
- Curry Jr., R.L. and Wade, L.L. (1968). A Theory of Political Exchange. Englewood Cliffs, N.J.: Prentice-Hall, Inc.
- D'Aquino, T., Doern, G.B. and Blair, C. (1983). Parliamentary Democracy in Canada: Issues For Reform. Toronto: Methuen Publications.
- Das, H. (1990). Organization Theory With Canadian Applications. Toronto: Gage Educational Publishing Company.
- Dingwall, J. (June 27, 1981). Federation bends Ottawa's ear. Financial Post, p. S4.
- Directory of Associations in Canada. 9th. ed. (1988). Toronto: Micromedia Limited.
- Dobell, R. (Date unknown). How Ottawa decides economic policy. (Source unknown). pp. 12-19.
- Doern, G.B., Maslove, A.M. and Prince, M.J. (1988). Public Budgeting in Canada. Ottawa: Carleton University Press.
- Doern, G.B. and Phidd, R.W. (1983). Canadian Public Policy: Ideas, Structure, Process. Toronto: Methuen Publications.
- Downs, A. (1957). An Economic Theory of Democracy. New York: Harper and Row.
- Drache, A. (June 28, 1980). Taxation policy: A shot in the dark. Financial Post.
- Eismeier, T.J. (1979). Budgets and ballots: The political consequences of fiscal choice. In: Public Policy and Public Choice (D.W. Rae and T.J. Eismeier, eds.), pp. 121-149. Beverly Hills: Sage Publications, Inc.

- Estabrook, B. (Sept. 17, 1979). Rift in ranks of small business. Financial Times of Canada, p. 5.
- Faulkner, J.H. (1982). Pressuring the executive. Canadian Public Administration, 25 (2 Summer), pp. 240-253.
- Filion, L.J. (1990). Free trade: The need for a definition of small business. Journal of Small Business and Entrepreneurship, 7 (2 Jan.- Mar.), pp. 33-46.
- Frey, B.S. (1978). The political business cycle: Theory and evidence. In: *The Economics of Politics*, pp. 93-108. London: Institute of Economic Affairs, # 18.
- Frey, B.S. (1984). Politico-economic models and cycles. In: *The Theory of Public Choice - II* (J.M. Buchanan and R.D. Tollison, eds.), pp. 305-322. Ann Arbor: University of Michigan Press.
- Gibson, J.L., Ivancevich, J.M. and Donnelly Jr., J.H. (1973). *Organizations: Structure, Processes, Behavior*. Dallas: Business Publications Inc.
- Gillespie, W.I. (1978). In Search of Robin Hood: The Effect of Federal Budgetary Policies During the 1970s on the Distribution of Income in Canada. Ottawa: C.D. Howe Research Institute.
- Gillespie, W.I. (1983). Tax reform: The battlefield, the strategies, the spoils. Canadian Public Administration, 26 (2 Summer), pp. 182-202.
- Gillies, J. and Pigott, J. (1982). Participation in the legislative process. Canadian Public Administration, 25 (2 Summer), pp. 254-264.
- Good, D.A. (1980). *The Politics of Anticipation: Making Canadian Federal Tax Policy*. Ottawa: School of Public Administration, Carleton University.
- Gooding, W. (Dec. 22, 1979). The big battle for small-business members. Financial Post, pp. 1-2.
- Gow, D. (1973). *The Progress of Budgetary Reform in the Government of Canada*. Ottawa: Economic Council of Canada, Special Study No. 17.
- Grimond, J. (1978). Introductory remarks. In: *The Economics of Politics*, pp. 21-27. London: Institute of Economic Affairs, # 18.
- Haig, R.M. ed. (1921). *The Federal Income Tax*. New York: Columbia University Press.
- Halifax Chronicle-Herald. (April 27, 1984). CFIB applauds tax appeal change. p. 34.

- Hanson, B.G., Krishna, V. and Rendall, J.A. eds. (1981). Canadian Taxation. Don Mills, Ont.: Richard DeBoo Limited.
- Hanson, S., Smith, N. and Holland, N. (1978). The Death of a Taxpayer. Don Mills, Ontario: CCH Canadian Limited.
- Harris, E.C. (1986). Canadian Income Taxation. 4th. ed. Toronto: Butterworth & Co. (Canada) Ltd.
- Hartle, D.G. (1982). The Revenue Budget Process of the Government of Canada: Description, Appraisal, and Proposals. Toronto: Canadian Tax Foundation, Canadian Tax Paper No. 67.
- Hartle, D.G. (1983). The theory of 'rent-seeking': some reflections. Canadian Journal of Economics, XVI (4 Nov.), pp. 539-554.
- Hartle, D.G. (1985). A public choice approach to policy making. In: Political Economy of Tax Reform: Six Case Studies, pp. 23-40. Ottawa: Economic Council of Canada, Discussion Paper No. 290.
- Hartle, D.G. (1988). The Expenditure Budget Process of the Government of Canada: A Public Choice-Rent-Seeking Perspective. Toronto: Canadian Tax Foundation, Canadian Tax Paper No. 81.
- Hay, J. (Nov. 23, 1981). Budget '81: The gathering storm. MacLean's, pp. 34-35.
- Hettich, W. (1979). A theory of partial tax reform. Canadian Journal of Economics, XI (4 Nov.), pp. 692-712.
- Hettich, W. and Winer, S. (1984). Blueprints and Pathways: The Shifting Foundations of Tax Reform. Ottawa: Economic Council of Canada, Discussion Paper No. 268.
- Hettich, W. and Winer, S. (1985). Blueprints and pathways: The shifting foundations of tax reform. National Tax Journal, XXXVIII (4 Dec.), pp. 423-445.
- Islam, N. and Ahmed, S.A. (1984). Business influence on government: A comparison of public and private sector perceptions. Canadian Public Administration, 27 (1 Spring), pp. 87-101.
- Joint Committee on Taxation of the Canadian Bar Association and the Canadian Institute of Chartered Accountants. (1978). Recommendations on the Income Tax Act, 1977.
- Joint Committee on Taxation of the Canadian Bar Association and the Canadian Institute of Chartered Accountants. (1981). Recommendations on the Income Tax Act, 1980/1981.

- Joint Committee on Taxation of the Canadian Bar Association and the Canadian Institute of Chartered Accountants. (1983). Recommendations on the Income Tax Act, 1983.
- Kemball-Cook, R.B. (1972). The Organization Gap. London: George Allen and Unwin Ltd.
- Kernaghan, K. (1985). Pressure groups and public servants in Canada. In: Public Administration in Canada: Selected Readings. 5th. ed. (K. Kernaghan, ed.), pp. 308-323. Toronto: Methuen Publications.
- Kernaghan, K. and Seigel, D. (1987). Public Administration in Canada. Toronto: Methuen Publications.
- Kerr, W. (Sept. 24, 1980). Independent businesses told to shop for best SBDB rate. Globe and Mail, p. B2.
- Krishna, V. (1978). Perspectives on tax policy. In: Essays on Canadian Taxation (B.G. Hanson, V. Krishna and J.A. Rendall, eds.), pp. 1-20. Toronto: Richard De Boo Limited.
- Krishna, V. (1983). The Taxation of Capital Gains. Toronto: Butterworths.
- Languedoc, C. (Feb. 22, 1986). Success of lobby groups difficult to measure. Financial Post, p. 46.
- LeMay, T. (June 18, 1982). Three factors define small business. Globe and Mail, p. R8.
- Lepore, G. (1976). Effluent charges and pollution control: A case study. Canadian Public Policy, II (3 Summer), pp. 482-491.
- Lindquist, E.A. (1985). Consultation and Budget Secrecy: Reforming the Process of Creating Revenue Budgets in the Canadian Federal Government. Ottawa: Conference Board of Canada, Study No. 86.
- Litvak, I.A. (1982). National trade associations: Business - government intermediaries. Business Quarterly, 47 (3 Oct.), pp. 34-42.
- MacGregor, D. (Mar. 15, 1982). MacEachen's campaign draws fire. Financial Times of Canada, p. 4.
- MacNaughton, B.D. and Winn, C.J. (1981). Economic policy and electoral self interest: The allocations of the Department of Regional Economic Expansion. Canadian Public Policy, VII (2 Spring), pp. 318-327.
- MacRae, C.D. (1977). A political model of the business cycle. Journal of Political Economy, 85 (2), pp. 239-263.

- Mansfield, E. and Switzer, L. (1985). How effective are Canada's direct tax incentives for R and D? Canadian Public Policy, XI (2 June), pp. 241-246.
- Marketing. (Dec. 7, 1981). CFIB plans push to put budget on hold. p. 16.
- Maslove, A.M. (1989). Tax Reform in Canada: The Process and Impact. Halifax: Institute for Research on Public Policy.
- McFetridge, D.G. and Warda, J.P. (1983). Canadian R & D Incentives: Their Adequacy and Impact. Toronto: Canadian Tax Foundation, Canadian Tax Paper No. 70.
- McQuaig, L. (1987). Behind Closed Doors. Markham, Ontario: Penguin Books Canada Ltd.
- McQueen, R. (Feb. 22, 1982). Time to bite the Bulloch. MacLean's, p. 44.
- Minarik, J.J. (1985). Making Tax Choices. Washington: The Urban Institute Press.
- Mintz, J. and Whalley, J. eds. (1989). The Economic Impacts of Tax Reform. Toronto: Canadian Tax Foundation, Canadian Tax Paper No. 84.
- Mueller, D.C. (1979). Public Choice. Cambridge: Cambridge University Press.
- Murray, V.V. and McMillan, C.J. (1983). Business-government relations in Canada: A conceptual map. Canadian Public Administration, 26 (4 Winter), pp. 591-609.
- Muzondo, T.R. (1979). The corporation income tax and depreciation policy in the short run. Canadian Journal of Economics, XII (1 Feb.), pp. 15-28.
- Myers, P. (1982a). Does he not yet understand his own budget? Executive, 24 (6 June), pp. 30-35.
- Myers, P. (1982b). News media helps perpetuate charade. Executive, 24 (7 July), pp. 38-42.
- Niskanen Jr., W.A. (1971). Bureaucracy and Representative Government. Chicago: Aldine Atherton, Inc.
- Nordhaus, W.D. (1975). The political business cycle. Review of Economic Studies, XLII, pp. 169-190.
- Olson, M. (1965). The Logic of Collective Action. Cambridge, Mass.: Harvard University Press.
- Olson, M. (1982). The Rise and Decline of Nations. New Haven, Conn.: Yale University Press.

- Ostry, B. (1986). Making deals: The public official as politician. Canadian Public Administration, 29 (4 Winter), pp. 674-680.
- Pal, L.A. (1987). Public Policy Analysis: An Introduction. Toronto: Methuen Publications.
- Paltiel, K.Z. (1982). The changing environment and role of special interest groups. Canadian Public Administration, 25 (2 Summer), pp. 198-210.
- Partridge, J. (1982). Slugging it out for the little guy. Canadian Business, 55 (2 Feb.), pp. 30-37, 91-95.
- Peacock, A. (1978). The economics of bureaucracy: An inside view. In: The Economics of Politics, pp. 117-128. London: Institute of Economic Affairs, # 18.
- Penner, R. (1988). On the budget process. Contemporary Policy Issues, VI (4 Oct.), pp. 32-36.
- Perry, J. H. (1984). Taxation in Canada. 4th. ed. Toronto: Canadian Tax Foundation, Canadian Tax Paper No. 74.
- Peterson, R. (1977). Small Business: Building A Balanced Economy. Erin, Ont.: Press Porcépic Ltd.
- Pross, A.P. (1975a). Pressure groups: Adaptive instruments of political communication. In: Pressure Group Behaviour in Canadian Politics (A.P. Pross, ed.), pp. 1-26. Toronto: McGraw-Hill Ryerson Limited.
- Pross, A.P. (1975b). Canadian pressure groups in the 1970s: Their role and their relations with the public service. Canadian Public Administration, 18 (1 Spring), pp. 121-135.
- Pross, A.P. (1982). Governing under pressure: The special interest groups - summary of discussion. Canadian Public Administration, 25 (2 Summer), pp. 170-182.
- Report of the Progressive Conservative Task Force on Revenue Canada. Reprinted in Canadian Tax Reports as Special Report No. 631. Don Mills, Ont.: CCH Canadian Limited, April 12, 1984.
- Report of the Standing Committee on Finance and Economic Affairs. (1987). Don Mills, Ont.: Richard De Boo Publishers.
- Report of the Standing Senate Committee on Banking, Trade and Commerce. (1987). Don Mills, Ont.: Richard De Boo Publishers.

- Robinson, A. (1989). Taxation and the family. In: Fiscal Policy Essays in Honour of Cedric Sandford (D. Collard, ed.), pp. 55-66. Aldershot: Gower Publishing Company Limited.
- Robinson, A. and Sandford, C. (1983). Tax Policy-Making in the United Kingdom. London: Heinemann Educational Books Ltd.
- Rowley, C.K. (1978). Market 'failure' and government 'failure'. In: The Economics of Politics, pp. 29-43. London: Institute of Economic Affairs, # 18.
- Russell, R. (Feb. 12, 1982). Implementation of budget changed rules - Bulloch. Halifax Chronicle-Herald.
- Salgo, K. (1989). Knowing how to work a lobby. CA Magazine, 122 (5 May), pp. 38-46.
- Salyzyn, V. (1981). Canadian Income Tax Policy: An Economic Evaluation. 2nd. ed. Don Mills, Ont.: CCH Canadian Limited.
- Salyzyn, V. (1985). The Economic Analysis of Taxes. Calgary: Detselig Enterprises Limited.
- Sandford, C.T. (1966). Taxation. London: Institute of Economic Affairs Limited, Key Discussion Book 4.
- Sandford, C.T. (1971). Realistic Tax Reform. London: Chatto & Windus Ltd.
- Sandford, C. (1979). Techniques: Master or servant. In: Control of Public Expenditure (C. Sandford, ed.), pp. 3-11. Bath: Bath University, Centre for Fiscal Studies, Occasional Paper No. 14.
- Sandford, C. (1981). Economic aspects of compliance costs. In: The Political Economy of Taxation (A. Peacock and F. Forte, eds.), pp. 163-173. Oxford: Basil Blackwell.
- Sandford, C. (1984). Economics of Public Finance. 3rd. ed. Oxford: Pergamon Press.
- Sandford, C. (1987). Death duties: Taxing estates or inheritances. Fiscal Studies, 8 (4 Nov.), pp. 15-23.
- Sandford, C. and Robinson, A. (1983). Breaking the tax-policy mould. Accountancy, 94 (1082 Oct.), pp. 118-126.
- Sandford, C.T., Willis, J.R.M. and Ironside, D. J. (1975). An Annual Wealth Tax. London: Heinemann Educational Books Ltd.

- Sarpkaya, S. (1988). Lobbying in Canada - Ways and Means. Don Mills, Ont.: CCH Canadian Limited.
- Saumier, A. (1983). Business lobbying. Canadian Public Administration, 26 (1 Spring), pp. 73-79.
- Sawatsky, J. (1987).. The Insiders: Government, Business, and the Lobbyists. Toronto: McClelland and Stewart.
- Schreiner, J. (Jan. 3, 1970). How a teacher-tailor starts a tax revolt. Globe and Mail, pp. 1, 4.
- Schreiner, J. (Aug. 7, 1971). Can small business raise political hell? Financial Post.
- Silver, S. (1985). A new direction in tax policy. Proceedings of the 1985 Atlantic Provinces Tax Seminar. Halifax: Saint Mary's University, October 4-5.
- Silversides, A. (Nov. 19, 1981). CFIB plans to oppose budget implementation. Globe and Mail, p. B15.
- Silversides, A. (June 18, 1982). Teamwork is operating mode of federation. Globe and Mail, p. R8.
- Simons, H.C. (1938). Personal Income Taxation. Chicago: University of Chicago Press.
- Smith, K. (Feb. 6, 1984). Hard-charging Bulloch leads quiet personal life. Halifax Chronicle-Herald.
- Smith, R.S. (1979). Tax Expenditures: An Examination of Tax Incentives and Tax Preferences in the Canadian Federal Income Tax System. Toronto: Canadian Tax Foundation, Canadian Tax Paper No. 61.
- Spindler, Z. and Walker, M. (1988). Canadian tax reform as public choice. Contemporary Policy Issues, VI (4 Oct.), pp. 70-84.
- Sproule-Jones, M. (1983). Institutions, constitutions, and public policies: A public-choice overview. In: The Politics of Canadian Public Policy (M.M. Atkinson and M.A. Chandler, eds.), pp. 127-150. Toronto: University of Toronto Press.
- Stanbury, W.T. (1986). Business-Government Relations in Canada. Toronto: Methuen Publications.
- Star, S. (1975). In search of a rational immigration policy. Canadian Public Policy, I (3 Summer), pp. 328-342.

- Stiglitz, J.E. (1988). Public choice. In: Economics of the Public Sector. 2nd. ed., pp. 145-176. New York: W.W. Norton & Company, Inc.
- Strick, J.C. (1985). The Canadian Budgetary Process: Proposals for Improvement. Vancouver: Canadian Certified General Accountant's Research Foundation, Study Paper No. 7.
- Tax Legislative Process Committee. (1978). The tax legislative process. Canadian Tax Journal, XXVI (2 March-April), pp. 157-182.
- Thirsk, W.R. and Whalley, J. eds. (1982). Tax Policy Options in the 1980s. Toronto: Canadian Tax Foundation, Canadian Tax Paper No. 66.
- Thompson, J.D. (1967). Organizations in Action. New York: McGraw-Hill Book Company.
- Thompson, F. and Stanbury, W.T. (1979). The Political Economy of Interest Groups in the Legislative Process of Canada. Montreal: Institute For Research on Public Policy, Occasional Paper #9.
- Thompson, F. and Stanbury, W.T. (1984). Looking out for no. 1: Incumbency and interest group politics. Canadian Public Policy, X (2 June), pp. 239-244.
- Tories mount Revenue probe. (Feb. 6, 1984). Ottawa Letter, XVI (58), p. 477.
- Trebilcock, M. J., Hartle, D.G., Prichard, J.R.S. and Dewees, D.N. (1982). The Choice of Governing Instrument. Ottawa: Economic Council of Canada.
- Tulloch, G. (1988). Rent seeking and tax reform. Contemporary Policy Issues, VI (4 Oct.), pp. 37-47.
- Tupper, A. (1978). Public enterprise as social welfare: The case of the Cape Breton Development Corporation. Canadian Public Policy, IV (4 Autumn), pp. 530-546.
- Van Loon, R. (1979). Reforming welfare in Canada. Public Policy, XXVII (4 Fall), pp. 469-504.
- Van Loon, R.J. and Whittington, M.S. (1981). The Canadian Political System. 3rd. ed. Toronto: McGraw-Hill Ryerson Limited.
- Wade, L.L. (1975). The public choice approach to policy analysis. In: Policy Studies and the Social Sciences (S.S Nagel, ed.), pp. 75-88. Lexington, Mass.: D.C. Heath and Company.

- Wagner, R.E. (1984). Boom and bust: The political economy of economic disorder. In: *The Theory of Public Choice - II* (J. M. Buchanan and R. D. Tollison, eds.), pp. 238-272. Ann Arbor: University of Michigan Press.
- Weyman, C. D. (1985). A new direction in tax policy? Proceedings of the 1985 Atlantic Provinces Tax Seminar. Halifax: Saint Mary's University, October 4-5.
- Whalen, H. (1982). The rewards and perils of polling. In: *Politics: Canada*. 5th. ed. (Paul W. Fox, ed.), pp. 230-252. Toronto: McGraw-Hill Ryerson Limited.
- Wildavsky, A. (1974). *The Politics of the Budgetary Process*. 2nd. ed. Boston: Little, Brown and Company.
- Wirick, R.G. (1982). Prospects for the world petroleum market and implications for Canadian policy. Canadian Public Policy, VIII (4 Autumn), pp. 534-553.
- Wise, R.M. (1983). Fair market value determinations - A few more requirements. Canadian Tax Journal, 31 (3 May-June), pp. 337-352.
- Woodside, K. (1979). Tax incentives vs. subsidies: Political considerations in governmental choice. Canadian Public Policy, V (2 Spring), pp. 248-256.
- Woodside, K. (1983). The political economy of policy instruments: Tax expenditures and subsidies in Canada. In: *The Politics of Canadian Public Policy* (M.M. Atkinson and M.A. Chandler, eds.), pp. 173-197. Toronto: University of Toronto Press.
- Yin, R.K. (1984). *Case Study Research: Design and Methods*. Beverly Hills: Sage Publications, Inc.
- Young, C.F.L. (1987). The attribution rules: Their uncertain future in the light of current problems. Canadian Tax Journal, 35 (2 March-April), pp. 275-313.
- Young, R. A. (1983). Business and budgeting: Recent proposals for reforming the revenue budgetary process. Canadian Public Policy, IX (3 Sept.), pp. 347-361.

**B. DEPARTMENT OF FINANCE DOCUMENTS REVIEWED FOR THIS
DISSERTATION**

May 8, 1972	Budget Speech
February 19, 1973	Budget Speech
May 6, 1974	Budget Speech
November 18, 1974	Budget Speech
June 23, 1975	Budget Speech
May 25, 1976	Budget Speech
March 31, 1977	Budget Speech
April 10, 1978	Budget Speech
November 16, 1978	Budget Speech
December 11, 1979	Budget Speech
April 21, 1980	Ways and Means Motion To Amend the Income Tax Act
October 28, 1980	The Budget
November 12, 1981	Budget Speech Fiscal Arrangements in the Eighties - Proposals of the Government of Canada Economic Development for Canada in the 1980s The Current Economic Situation and Prospects for the Canadian Economy in the Short and Medium Term The Budget in More Detail Budget Papers
December 18, 1981	Notes on Transitional Arrangements and Adjustments Relating to Tax Measures Announced November 12, 1981.
April 21, 1982	The Budget Process - A Paper on Budget Secrecy and Proposals for Broader Consultations
June 28, 1982	The Budget Budget Papers Inflation and the Taxation of Personal Investment Income Notice of Ways and Means Motions to Amend the Income Tax Act and the Income Tax Application Rules, 1971

April 19, 1983	Budget Speech Budget Papers Research and Development Tax Policies The Federal Deficit in Perspective The Economic Outlook for Canada The Fiscal Plan The Indexed Security Investment Plan
November 25, 1983	Explanatory Notes to a Notice of Ways and Means Motions Relating to Income Tax
February 15, 1984	The Budget Speech Improved Security for Homeowners Gain Sharing for a Stronger Economy Action Plan for Pension Reform Budget Papers Building Better Pensions For Canadians The Canadian Economy in Recovery The Fiscal Plan Simplifying Taxes For Small Business
November 8, 1984	A New Direction for Canada Economic and Fiscal Statement Supplementary Information
May 23, 1985	The Budget Speech A Minimum Tax for Canada New Management Initiatives Executive Summary - A Minimum Tax for Canada A Corporate Loss Transfer System for Canada The Fiscal Plan The Corporate Income Tax System - A Direction for Change Canada's Economic Prospects, 1985-1990 The Canadian Budgetary Process - Proposals for Improvement Budget Papers
February 26, 1986	The Budget Speech Budget Papers Towards A Sustained Expansion: Canada's Economic Prospects, 1986-1991 The Fiscal Plan
October 23, 1986	Guidelines for Tax Reform

February 18, 1987 The Budget Speech
 Budget Papers
 Agenda for Economic Renewal:
 Principles and Progress

June 18, 1987 Tax Reform 1987
 Economic and Fiscal Outlook
 Income Tax Reform
 Sales Tax Reform
 Tax Reform 1987 - The Speech

December 16, 1987 Tax Reform 1987
 Tax Treatment of Farm Losses
 Notice of Ways and Means Motion to
 Amend the Income Tax Act
 Supplementary Information Relating
 to Tax Reform Measures
 Tax Reform 1987: A Summary for
 Taxpayers
 Draft Income Tax Regulations,
 Legislation and Explanatory Notes

February 10, 1988 The Budget Speech
 Budget Papers
 Canada's Economic Prospects: Looking
 Ahead to the 1990s
 The Fiscal Plan
 Sales Tax: Measure Relating to the
 Treatment of Marketing and
 Distribution Costs - Technical
 Notes

March 28, 1988 Saving for Retirement: A Guide to
 the Tax Legislation
 Draft Amendments to the Income Tax
 Act and Income Tax Regulations
 Relating to Saving for Retirement
 Explanatory Notes to Proposed
 Legislation Relating to Saving for
 Retirement

**C. CANADIAN FEDERATION OF INDEPENDENT BUSINESS DOCUMENTS
REVIEWED FOR THIS DISSERTATION**

1. Pre-Budget and Related Tax Briefs

Proposed Amendments to Former Bill C-37 Relating to the Small Business Deduction. August 1979.

A Pre-Budget Submission to the Honourable Allan J. MacEachen, Minister of Finance, and the Honourable Charles LaPointe, Minister of State for Small Business. October 9, 1980.

Pre-Budget Submission to the Honourable Alan J. MacEachen. September 14, 1981.

Federal Pre-Budget Submission. January 13, 1983.

A Full-Employment Future. Submission to the Royal Commission on the Economic Union and Development Prospects for Canada. December 1, 1983.

Submission to the Honourable Marc Lalonde on the Income Tax Act and Revenue Canada. March 20, 1984.

Response to "A New Direction for Canada". Pre-Budget Submission to the Honourable Michael Wilson. January 30, 1985.

CFIB Pre-Budget Submission to the Honourable Michael Wilson, Minister of Finance. November 19, 1985.

CFIB Pre-Budget Submission to the Honourable Michael Wilson, Minister of Finance. December 10, 1986.

CFIB Submission to the Standing Committee of the House of Commons on Finance and Economic Affairs Concerning Tax Reform. September 1, 1987.

CFIB Pre-Budget Submission to the Honourable Michael Wilson, Minister of Finance. December 9, 1987.

2. CFIB Response to the 1981 Budget

Budget 1981: What It Means For Small Business. December 18, 1981.

Federal Budget: Report No.2. April, 1982.

3. Selected CFIB Surveys

CFIB Survey of Business Conditions: THE HARD FACTS. October 1983.

CFIB Survey of Business Conditions: THE HARD FACTS. May 1984.

Business Formations. July 31, 1984.

1985 Banking Survey. December 11, 1985.

National Business Watch, Second Quarter, 1986. September 25, 1986

4. Non-Tax Policy Papers

Submission to the Honourable Flora MacDonald, Minister, Employment and Immigration, on Skill Shortages, Unemployment Insurance and Labour Market Adjustment. November 8, 1984.

Guidelines for the Development of Small Business in Canada. February 25, 1985.

Independent Business and Liability Insurance: The Views of CFIB Members on the Impact of Recent Trends in the Liability Insurance Industry. October 29, 1986.

5. Speeches

A Presentation to the National Pension Conference. John Bulloch. Ottawa. March 31, 1981.

Address to the 11th International Small Business Congress. Richard A. Wietfeldt. Amsterdam. October 24-26, 1984.

Strengthening the Entrepreneurial Culture in Canada. John Bulloch. 30th Annual World Conference of the International Council for Small Business. Montreal. June 18, 1985.

The Wilson Budget: A Dose of Salts. An Address by John Bulloch to the Edmonton Rotary Club. Edmonton, Alberta. August 1, 1985.

6. Summer Reports

Special Summer Report, 1973
Special Summer Report, 1974
Special Summer Report, 1975
Special Summer Report, 1976
Summer Report, 1977
Summer Report, 1978
Summer Report, 1979
Summer 1980
Summer 1981

7. Action Reports

Action Report, 1975
Action Report, 1977
Action Report, 1979
Action Report, 1981
Action Report, 1983
Action Report, 1984
Action Report, 1985
Action Report, 1986
Action Report, 1987
Action Report, 1989

8. Newspaper Articles Authored By John Bulloch

The cards are stacked. Financial Post, April 7, 1971.

'Government policies abuse Canada's small businesses'.
Financial Post, Nov. 16, 1974, p. C8.

A strategy for revitalizing our secondary manufacturing.
Financial Post, June 28, 1975, p. C8.

'Big is not always better'. Financial Post, Sept. 13, 1975,
p. 7.

'Small is beautiful - and more efficient'. Financial Post,
Dec. 18, 1976, p. 30.

Otherwise the business will die when he does. Financial
Post, Dec. 10, 1977, p. 7.

Report should have dealt with concentration of power.
Financial Post, May 27, 1978.

Policy guidelines to help make your venture work. Financial
Post, Nov. 24, 1984, p. 53.

9. Sundry

What If There Were No Small Businessmen. (Undated)

Small Business ... The Soul of Your Community. (1979)

A Decade of Action for Independent Business. (Undated)

D. CANADIAN SPECIAL INTEREST GROUPS

The following special interest groups furnished copies of annual reports, briefs, correspondence with the Department, newsletters, reports, and/or documents relating to the objectives, mission, by-laws, or constitution of the organization

Atlantic Provinces Chamber of Commerce
Business Council on National Issues
Canadian Advisory Council on the Status of Women
Canadian Association of Family Enterprises
Canadian Automobile Association
Canadian Bankers' Association
Canadian Conference of Catholic Bishops
Canadian Construction Association
Canadian Council of the Blind
Canadian Federation of Agriculture
Canadian Institute of Public Real Estate Companies
Canadian Labour Congress
Canadian Manufacturers' Association
Canadian National Institute for the Blind
Canadian Organization of Small Business
Canadian Union of Public Employees
C. D. Howe Institute
Fraser Institute
Institute for Public Policy
Insurance Bureau of Canada
Life Underwriters Association of Canada
Mining Association of Canada
National Anti-Poverty Association
Retail Council of Canada
Tourism Industry Association of Canada
Trust Companies Association of Canada
United Church of Canada
United Small Business of Nova Scotia

E. INTERVIEWS

1. Department of Finance

Mr. R.A. Short, General Director, Tax Policy and Legislation Branch

Mr. David Dodge, Senior Assistant Deputy Minister

Mr. Len Farber, Director, Legislation Division

Mr. David Holland, Director, Corporate and Resource Tax Analysis

Mr. Morley English, Policy Officer, Corporate and Resource Tax Analysis

2. Canadian Federation of Independent Business

Mr. Peter O'Brien, Atlantic Provinces Director of Provincial Affairs

Mr. William Hanlon, District Manager, Province of Nova Scotia

3. Government of Nova Scotia

Ms. Ann Jenaga, Deputy Minister, Department of Small Business Development

4. Statistics Canada

Mr. John Scanlon

F. JOURNAL, NEWSPAPER AND BUSINESS PERIODICAL ARTICLES NOT REFERRED TO IN THE TEXT

This dissertation has made frequent reference to the media coverage attained by CFIB. The following list notes the journal, newspaper and business periodical articles reviewed for this dissertation which were not specifically referenced in the text.

1. Signed Articles

Abbass, D. CFIB opposes proposed value added tax. Halifax Chronicle-Herald, Nov. 20, 1985.

Anderson, M. Federation is off base on taxes campaign. Calgary Herald, Aug. 8, 1986, p. A8.

Anderson, R. Ottawa's leadership makes CFIB gloomy. Globe and Mail, Sept. 15, 1981, p. B2.

- Austen, I. The Tory-Business honeymoon. MacLean's, Nov. 12, 1984, pp. 48-49.
- Barnes, A. Tax credits suggested to aid economic problems. Globe and Mail, Sept. 20, 1977, p. B9.
- Barnes, A. Financing found a major concern in small business. Globe and Mail, Aug. 18, 1979, p. B14.
- Barnes, A. GNP pace under 3% is predicted. Globe and Mail, Sept. 6, 1979.
- Barnes, A. Independent business group against personal tax cut. Globe and Mail, Sept. 6, 1979.
- Bower, A. Brace for selective tax hits. Financial Post, Oct. 18, 1980, pp. 1-2.
- Catherwood, R. CFIB to monitor the monitors. Financial Post, Oct. 18, 1975.
- Cheveldayoff, W. CFIB wants small business favored. Globe and Mail, Nov. 1, 1978, p. B16.
- French, C. Brief urges tax incentive for investors. Globe and Mail, Sept. 15, 1978.
- Gooding, W. Small business flexes its muscle. Financial Post, Apr. 5, 1980, p. S3.
- Gooding, W. Stray shots disrupt small business. Financial Post, Nov. 21, 1981, p. 4.
- Gooding, W. and Horwitch, S. Bonds give boost to small business. Financial Post, Dec. 15, 1979.
- Harrison, F. Nobody's business in Ottawa. Financial Post, Oct. 18, 1980, pp. 1-2.
- Kieran, B. Budget basher is on Bennett 'wavelength'. Vancouver Sun, Mar. 24, 1982.
- Laver, R. A \$10-million shopping list. MacLean's, Apr. 30, 1984, p. 27.
- MacDonald, D. Ottawa must talk to businessmen. Halifax Chronicle-Herald, Feb. 12, 1982.
- Partridge, J. 'Don't skin beaver,' is cry as Bulloch battles payroll tax. Financial Post, Jan. 19, 1974.
- Pitts, G. Unease over index proposal. Financial Post, Sept. 11, 1982.
- Riddell, B. Small business hits hard at frustrating tax rules. Financial Post, Mar. 27, 1976.

Riddell, B. Employment credit sought on taxes. Financial Post, Sept. 24, 1978, p. 2.

Riddell, B. CFIB figures it this way. Financial Post, Sept. 24, 1978, p. B2.

Riddell, B. Small business group fights back in Ottawa. Financial Post, Dec. 16, 1978, p. 10.

Russell, R. 'Budget example of incompetence.' Halifax Chronicle-Herald, Feb. 12, 1982.

Salter, M. New rules may be coming for employee profit sharing plans. Financial Post, Dec. 10, 1983, p. 14.

Silversides, A. CFIB head warns tax change would harm business. Globe and Mail, Jan. 12, 1982, p. B1.

Silversides, A. TSE, CFIB attack federal tax plan to cover inflation. Globe and Mail, Sept. 3, 1982.

Silversides, A. Royal Bank gets top CFIB ranking. Globe and Mail, Dec. 17, 1982, p. B1.

Simpson, J. Federation joins in call for industrial policy to halt the decline of manufacturing sector. Globe and Mail, Feb. 3, 1978, p. B12.

Sinclair, C. Bulloch pressures Bryce, pulls brief, alerts Trudeau. Financial Times of Canada, May 3, 1976, p. 2.

Tefft, M. Small business lauds a minister 'in touch with reality'. Financial Post, Nov. 17, 1984, p. 6.

Worth, R. Blue ribbon group will make the case for business. Financial Post, Apr. 30, 1977.

2. Unsigned Articles

Channelling anger for small business. Executive (1974), 16 (3 Mar.), p. 31.

Businessmen attack government spending. Northern Minor, Oct. 30, 1975, p. 4.

Wake up Canada rooster crows again! Globe and Mail, Jan. 7, 1976, p. B4.

Ad opposition. Financial Times of Canada, Oct. 11, 1976, p. 5.

Governments called source of instability. Globe and Mail, Dec. 7, 1976, p. B2.

What small business group wants. Financial Post, Jan. 8, 1977.

Controls? Hooray! Financial Times of Canada, Jan. 24, 1977, p. 13.

Bulloch claims budget hurting small business. Globe and Mail, Dec. 13, 1978.

End to income tax indexation opposed by business federation. Globe and Mail, Oct. 10, 1980.

Getting government's ear. Canada & the World, February 1981, p. 11.

Small business promises fight. Financial Post, Dec. 5, 1981.

CFIB calls promotion of budget blatant propaganda by Ottawa. Globe and Mail, Dec. 23, 1981, p. B4.

Rates 'severely hurt' small business. Halifax Chronicle-Herald, Feb. 12, 1982.

Hold down deficit, says CFIB. Halifax Chronicle-Herald, Feb. 9, 1983.

Businessmen, Ottawa - It looks like true love. Calgary Herald, Feb. 10, 1983, p. E7.

Bulloch calls for strong economic medicine. Halifax Chronicle-Herald, Aug. 2, 1985.

3. Post-budget Journal Articles

Bain, G. (1982). Going for broke on capital gains. Report on Business Magazine, (Feb.), pp. 23-25.

Comeau, R.L. (1979). The budget: Two views. Canadian Public Policy, V (1 Winter), pp. 102-105.

Grant, J. and Ip, I. (1983). The federal budget and medium-term economic strategy. Canadian Public Policy, IX (3 Summer), pp. 383-389.

Maxwell, J. (1976). The 1976 budgets: A shift toward restraint. Canadian Public Policy, II (4 Autumn), pp. 620-626.

McCracken, M.C. and Gunther, P.E. (1982). The November budget: A turning point? Canadian Public Policy, VIII (1 Winter), pp. 114-121.

- Myers, P. (1982). Behind the bland facade: Deception and misrepresentation. Executive, 24 (8/9 Aug.- Sept.), pp. 77-81.
- Myers, P. (1982). Hurtling to the edge in Ottawa. Executive, 24 (10 Oct.), pp. 22-25.
- Robinson, A.J. (1982). Tax expenditures and the MacEachen budget. Canadian Public Policy, VIII (2 Spring), pp. 248-252.
- Scarfe, B.L. (1981). The federal budget and energy program, October 28th, 1980: A review. Canadian Public Policy, VII (1 Winter), pp. 1-14.
- Schaafsma, J. (1980). Was the 1979 federal budget deficit too large? Canadian Public Policy, VI (3 Summer), pp. 556-559.
- Sheikh, M.A. and Grady, P. (1981). Was the 1979 federal budget deficit too large? A comment. Canadian Public Policy, VII (4 Autumn), pp. 617-621.
- Walker, M.A. (1979). The budget: Two views. Canadian Public Policy, V (1 Winter), pp. 105-110.
- Wilson, T.A. and Dungan, D.P. (1983). Medium-term fiscal planning for recovery. Canadian Public Policy, IX (3 Summer), pp. 390-397.
- Wilson, T.A. and MacGregor, M.E. (1985). The 1985 federal budget: Macroeconomic and fiscal effects. Canadian Public Policy, XI (3 Sept.), pp. 602-616.

F. SOURCES OF GOVERNMENT STATISTICS

1. Small Business in Canada: A Statistical Profile, 1981-1986. Statistics Canada, Cat. No. FG CS 61-231 and 61-521.
2. Business Microdata Integration and Analysis. Statistics Canada. July 3, 1987.
3. Corporation Financial Statistics. Statistics Canada, Cat. No. FG CS 61-208, 1978-1987.
4. Canadian World Almanac and Book of Facts, 1991. (1990). Toronto: Global Press.