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# **Forty-Sixth Annual Report**

*For the Year Ending  
December 31, 1991*

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Canadian Tax Foundation  
L'Association Canadienne  
d'Études Fiscales



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*For the Year Ending  
December 31, 1991*



Canadian Tax Foundation  
L'Association Canadienne  
d'Études Fiscales

One Queen Street East, Suite 1800, Toronto, Canada M5C 2Y2



**CANADIAN TAX FOUNDATION**  
**L'Association Canadienne d'Études Fiscales**

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Elected April 14, 1992

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\* J.M. Godfrey, QC, Toronto  
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W.E.P. DeRoche, QC (deceased)  
\* D.J. Kelsey, FCA, Vancouver

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## PAST CHAIRS (cont'd)

- R.H.E. Walker, QC (deceased)
- \* Kerr Gibson, FCA, Toronto
  - \* J.H.C. Clarry, QC, Toronto
  - \* Jacques Raymond, CA, Montreal
  - \* G.T. Tamaki, QC, Toronto
  - \* W.E. Goodlet, FCA, Toronto
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  - \* Hon. J.C. Couture, Ottawa
  - \* G.W. Riehl, FCA, Toronto
  - \* J.S. Palmer, QC, Calgary
  - \* H.L. Doane, FCA, Halifax
  - \* R.B. Goodwin, Winnipeg
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  - \* P.N. Thorsteinsson, QC, Vancouver
  - \* André Lesage, FCA, Montreal
  - \* R.F. Lindsay, QC, Toronto





# CANADIAN TAX FOUNDATION

## STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 1991 AND 1990 (IN THOUSANDS OF DOLLARS)

	Operating Fund		Research Endowment Fund (note 7)		Total	
	1991	1990	1991	1990	1991	1990
<b>ASSETS</b>						
Current assets						
Cash and marketable securities	\$1,731	\$1,975	\$ 372	\$2,836	\$2,103	\$4,811
Accrued interest and accounts receivable	158	357	—	—	158	357
	<u>1,889</u>	<u>2,332</u>	<u>372</u>	<u>2,836</u>	<u>2,261</u>	<u>5,168</u>
Fixed assets (note 3)	187	172	—	—	187	172
Provincial and bank mortgage bonds	—	—	4,107	1,475	4,107	1,475
	<u>2,076</u>	<u>2,504</u>	<u>4,479</u>	<u>4,311</u>	<u>6,555</u>	<u>6,815</u>
<b>LIABILITIES</b>						
Current liabilities						
Accounts payable and accrued liabilities	356	546	—	—	356	546
Deferred revenue — subscriptions	707	679	—	—	707	679
	<u>1,063</u>	<u>1,225</u>	<u>—</u>	<u>—</u>	<u>1,063</u>	<u>1,225</u>
<b>FUND BALANCES</b>						
Fund balances	1,013	1,279	4,479	4,311	5,492	5,590
	<u>\$2,076</u>	<u>\$2,504</u>	<u>\$4,479</u>	<u>\$4,311</u>	<u>\$6,555</u>	<u>\$6,815</u>

Approved on behalf of the Board of Governors:

Robert D. Brown, FCA  
*Chair*

Edwin C. Harris, QC  
*Vice-Chair*

# CANADIAN TAX FOUNDATION

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES

YEARS ENDED DECEMBER 31, 1991 AND 1990

(IN THOUSANDS OF DOLLARS)

	Operating Fund		Research Endowment Fund (note 7)		Total	
	1991	1990	1991	1990	1991	1990
<b>REVENUES</b>						
Subscriptions						
Individual	\$1,112	\$1,023	\$ -	\$ -	\$1,112	\$1,023
Corporate	315	332	-	-	315	332
	<u>1,427</u>	<u>1,355</u>	<u>-</u>	<u>-</u>	<u>1,427</u>	<u>1,355</u>
Conference revenue	1,381	1,468	-	-	1,381	1,468
Investment income	187	204	462	481	649	685
Publication sales	96	101	-	-	96	101
Grant from International Fiscal Association	<u>5</u>	<u>5</u>	<u>-</u>	<u>-</u>	<u>5</u>	<u>5</u>
	<u>3,096</u>	<u>3,133</u>	<u>462</u>	<u>481</u>	<u>3,558</u>	<u>3,614</u>
<b>EXPENSES</b>						
Non-refundable GST on purchases	69	-	-	-	69	-
Conference expenses	837	977	-	-	837	977
Research salaries	125	121	-	-	125	121
Rent and moving expenses	509	378	-	-	509	378
Publications	755	702	294	218	1,049	920
Administration salaries	184	172	-	-	184	172
Depreciation	63	61	-	-	63	61
Employee benefits	178	161	-	-	178	161
Toronto office expense	263	289	-	-	263	289
Montreal office expense	111	103	-	-	111	103
Corporate expenses	77	58	-	-	77	58
Library services	<u>191</u>	<u>184</u>	<u>-</u>	<u>-</u>	<u>191</u>	<u>184</u>
	<u>3,362</u>	<u>3,206</u>	<u>294</u>	<u>218</u>	<u>3,656</u>	<u>3,424</u>
Excess (deficiency) of revenues over expenses for the year	(266)	(73)	168	263	(98)	190
<b>Fund balances</b>						
— at beginning of year	1,279	1,602	4,311	3,798	5,590	5,400
Transfer between funds	<u>-</u>	<u>(250)</u>	<u>-</u>	<u>250</u>	<u>-</u>	<u>-</u>
<b>Fund balances</b>						
— at end of year	<u>\$1,013</u>	<u>\$1,279</u>	<u>\$4,479</u>	<u>\$4,311</u>	<u>\$5,492</u>	<u>\$5,590</u>

# CANADIAN TAX FOUNDATION

## STATEMENT OF CHANGES IN FINANCIAL POSITION YEARS ENDED DECEMBER 31, 1991 AND 1990 (IN THOUSANDS OF DOLLARS)

	1991	1990
Cash provided by (used for)		
Operating activities		
Excess (deficiency) of revenues over expenses for the year	\$ (98)	\$ 190
Add back item not requiring a current cash outlay		
Depreciation	63	61
	(35)	251
Changes in the following operational balances		
Accrued interest and accounts receivable	199	(119)
Accounts payable and accrued liabilities	(190)	83
Deferred revenue – subscriptions	28	32
	2	247
Investing activities		
Acquisition of fixed assets	(78)	42
Investment in provincial and bank mortgage bonds	(2,632)	2
	(2,710)	44
Increase (decrease) in cash and marketable securities	(2,708)	203
Cash and marketable securities – at beginning of year	4,811	4,608
– at end of year	<u>\$2,103</u>	<u>\$4,811</u>

## NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 1991 AND 1990 (IN THOUSANDS OF DOLLARS)

### 1. PURPOSE OF THE ORGANIZATION

The Canadian Tax Foundation is a tax education and research organization whose role is:

- to provide a proper forum for the discussion of all manner of problems arising under tax law;
- to study, or sponsor and organize the study of, tax problems;
- to make available to its members and to bring to the attention of the taxing authorities concerned the results of such discussion and study; but
- to maintain neutrality on tax policy issues except for modifications of tax laws that do not provide technically sound means of carrying out government policy decisions.

The Foundation is incorporated under the Companies Act of Ontario as a non-profit organization without share capital. It is a registered charity within the meaning of the *Income Tax Act* (Canada) and is exempt from income taxes.

# CANADIAN TAX FOUNDATION

(IN THOUSANDS OF DOLLARS)

## 2. SIGNIFICANT ACCOUNTING POLICIES

### Investments

Term deposits, bankers' acceptances, Government of Canada treasury bills, and provincial and bank bonds are recorded at cost which approximates market value.

### Fixed Assets

Fixed assets are recorded at cost. Depreciation and amortization are provided over the estimated useful lives of the assets at the following annual rates on a straight-line basis.

Computers and equipment — 20%

Furniture and office equipment — 10%

Library books and publications are stated at a nominal value of \$1.

### Deferred Revenue

Subscription revenue applicable to future periods is recorded in the accounts as deferred revenue.

### Fund Accounting

The Foundation maintains its accounts in accordance with the principles of fund accounting. Resources are classified for accounting and reporting purposes into funds according to the activity or objective specified.

The operating fund accounts for the Foundation's operating activities.

The research endowment fund accounts for the Foundation's research activities. Any shortfall in the revenue generated by the research endowment fund necessary to defray the current year's expenditure on research projects is funded by the operating fund. There were no shortfalls in 1991 or 1990.

## 3. FIXED ASSETS

	-----1991-----		---1990---	
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Computers and equipment	\$306	\$210	\$ 96	\$139
Furniture and office equipment	225	135	90	32
Library books and publications	1	—	1	1
	<u>\$532</u>	<u>\$345</u>	<u>\$187</u>	<u>\$172</u>

## 4. PENSION PLAN

The Foundation maintains a trustee contributory defined benefit pension plan which covers substantially all of its employees. The plan provides for benefits on a career-average earnings basis with periodic upgrades.

The most recent actuarial valuation report was prepared as of January 1, 1989 based on projection of employees' compensation levels to the time of retirement. This report was used as a base to extrapolate data to December 31, 1991. The present value of the accrued pension benefits and the net assets available to provide for these benefits, at market value, as at December 31, 1991 and 1990 are as follows:

# CANADIAN TAX FOUNDATION

(IN THOUSANDS OF DOLLARS)

## 4. PENSION PLAN (continued)

	1991	1990
Pension fund assets	\$1,224	\$1,119
Accrued pension benefits	<u>1,288</u>	<u>1,232</u>
Estimated deficit	<u>\$ (64)</u>	<u>\$ (113)</u>

The employee pension costs of \$79 (1990 — \$72) includes \$42 (1990 — \$42) in respect of past service payments.

## 5. LEASE COMMITMENT

The Foundation has commitments under operating leases for office space. The basic annual rent for the first five years will be \$367 plus an amount representing property tax and operating costs. This lease expires in the year 2001.

## 6. PUBLICATION COMMITMENTS

At December 31, 1991 the Foundation has commitments of approximately \$1,097 for the future production of various publications and tax papers.

## 7. RESEARCH ENDOWMENT FUNDS

Research Endowment Funds are represented by:

	Board- Designated		Donor- Designated		Total	
	1991	1990	1991	1990	1991	1990
Revenues						
Investment income	\$ 460	\$ 479	\$ 2	\$ 2	\$ 462	\$ 481
Expenses						
Publications	<u>294</u>	<u>218</u>	<u>—</u>	<u>—</u>	<u>294</u>	<u>218</u>
Excess of revenues over expenses	166	261	2	2	168	263
Fund balances — at beginning of year	4,299	3,788	12	10	4,311	3,798
Transfer from operating fund	<u>—</u>	<u>250</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>250</u>
Fund balances — at end of year	<u>\$4,465</u>	<u>\$4,299</u>	<u>\$ 14</u>	<u>\$ 12</u>	<u>\$4,479</u>	<u>\$4,311</u>



# CANADIAN TAX FOUNDATION

## AUDITORS' REPORT

TO THE BOARD OF GOVERNORS AND MEMBERS,  
CANADIAN TAX FOUNDATION/L'ASSOCIATION CANADIENNE  
D'ÉTUDES FISCALES

We have audited the statements of financial position of the Canadian Tax Foundation as at December 31, 1991 and 1990 and the statements of revenues, expenses, changes in fund balances and changes in financial position for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Foundation as at December 31, 1991 and 1990 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.

Toronto, Ontario  
January 23, 1992

CLARKE HENNING & CO.  
CHARTERED ACCOUNTANTS

**REPORT OF THE CHAIR  
TO THE FORTY-SIXTH ANNUAL MEETING OF THE  
CANADIAN TAX FOUNDATION,  
APRIL 14, 1992**

It is my privilege to present the report of the chair to the forty-sixth annual meeting. Events of the past year involved both good news and bad news for the foundation. Good news as regards the foundation's ambitious research program, the successful conferences that were held from coast to coast, and the numerous and varied publications that were issued. Bad news—or at least not the best of news—in the financial results of the year's operations. The lingering recession that has beset the nation has not left the foundation untouched.

I propose to discuss certain of our activities and Douglas Sherbaniuk will comment on others in his report.

**Membership and Finance**

The foundation relies today, as it has since its inception, on individual and corporate memberships as a major source of income. It is therefore a matter of regret to have to record slight decreases in both categories for the second consecutive year. The primary explanation for the decline is, of course, the prolonged recession that has adversely affected all sectors of the economy. At December 31, 1991, there were 8,157 individual members and 291 corporate subscribers. If we add to the latter number 209 corporations represented indirectly through two association memberships on their behalf, we now have a total of 500 corporate supporters.

We hope that the downward trend in membership affairs will reverse itself once the recession loosens its grip on the economy, but we are also concerned that there may be longer term trends that could mean greater difficulties in expanding and maintaining our membership and conference attendance. I will return to this topic at the end of my report.

Members recently received copies of our audited financial statements setting out full details of the foundation's financial position for 1991. Let me elaborate on a few aspects of the story the figures tell. On the income side,



subscription revenues increased by \$72,000 to a total of \$1.4 million. The gain was attributable primarily to a modest increase in the individual membership fees and the minimum corporate subscription. Also, 30 corporate members voluntarily increased their contributions to the foundation by over \$5,000. It is a pleasant duty to express the foundation's appreciation to these members and other corporate supporters, whose names are listed at the end of this report.

Conferences and investments have generated income that is indispensable in sustaining the foundation's activities. Although there was a falling off in conference registrations in 1991, expenses also declined and the result was net revenue of \$544,000, reflecting an increase of \$53,000 over the previous year. On the other hand, total investment income fell by \$36,000 by reason of the steady decline in interest rates, which, however beneficial to the country's economy, put downward pressure on our interest income. The foundation's investments, which amounted to \$6 million at the year-end, are under the supervision of the investment committee, to whom we express our thanks for their services. Revenue from publication sales remained nearly flat at \$96,000.

Commencing in 1992, the financial statements will record a new revenue source. In keeping with the practice that has been followed by many publishers for years, we will charge a fee for granting permission to reprint foundation articles or papers or prepare offprints in order to recover some of our costs. Also, the *Canadian Tax Journal/Revue fiscale canadienne* will carry advertising. Largely because of the efforts of Pat Hillmer, the foundation's secretary, several publishers and professional firms have expressed considerable interest in making their services known through the pages of the *Journal/Revue*.

We express our gratitude to the Canadian branch of the International Fiscal Association for its contribution of \$5,000 for the fifth consecutive year. The funds are earmarked for the acquisition of international tax materials for the library.

Operating expenditures rose by some \$156,000, the main increases being for moving expenses, for the increased rent of our new premises, and for the goods and services tax, a portion of which is unrecoverable to the foundation. (We are making representations on this point.) The year ended with an excess of expenditure over revenue of \$266,000 in the operating fund, compared with \$73,000 in the previous year.

In the board-designated research endowment fund, which is intended to produce the revenue necessary to support our program of commissioned research projects, delays in the completion of a number of studies resulted in a favourable balance of \$166,000. We are likely to incur in 1992 many of the expenses that were anticipated in 1991. Moreover, as the financial statements make clear, the foundation has commitments of \$1.1 million for the completion of several projects.

Indications are that, in the current year as in the previous two years, there will be an excess of expenditure over revenue in the operating fund. Reversing this trend will be a matter of priority for the board of governors. In today's economic environment, funding does not come easily. It requires considerable planning and patience as well as a sense of timing and a little bit of luck.

The foundation has not in the past undertaken a concerted campaign for capital funds, in which contributions would be solicited from the members of the foundation and from others. But our members and friends are encouraged to include in their wills provisions for bequests to the foundation. Also, gifts to the endowment fund will be heartily appreciated and will contribute to assuring the foundation's future stability and effectiveness. In the year ahead we will begin to explore other new sources of funds for the foundation.

## Conferences

Over the years, the foundation has reached out to the tax community through a range of vehicles, including numerous publications, occasional representations to government, and its conference programs. Conferences provide a forum for a continuing exchange of ideas on significant tax and expenditure issues among leaders in the professions, corporate officers, government officials, and academics. The purpose is to foster greater understanding of the tax system and contribute to enlightened tax policy making.

The 1991 conference program was well received. Evaluations turned in by registrants were overwhelmingly favourable. Our conference programs are clearly the best regarded of any in the tax profession. We shall, of course, continue to strive for improvement. Last year, the conference program engaged some 234 participants and attracted a total attendance of nearly 3,000 persons.

At the annual conference in Toronto, the opening plenary session was devoted to a subject that has been relatively unexplored in Canada, that of

competitiveness and the tax system. At a time when the global economic environment is changing in profound ways, the impact of taxation on competitiveness is a matter of topical and mounting concern to Canadian businesses. At other plenary, panel, and round table sessions, a wide variety of current issues were analyzed and explained by some of the most able experts in Canada. We were gratified to have visitors from abroad as well as a number of government officials take part in the program.

It has been a longstanding tradition of the foundation to have the minister of finance participate in the first annual conference following his appointment. In keeping with this tradition, we were delighted to have as our guest of honour and banquet speaker the newly appointed minister of finance and deputy prime minister, the Honourable Donald Mazankowski. It was also our privilege to have the minister of national revenue, the Honourable Otto Jelinek, address the conference.

The theme of the Corporate Management Tax Conference, the 28th in this series of meetings that is targeted at audiences derived largely from our corporate members and their professional advisers, was "Tax Planning for Executive and Employee Compensation and Retirement." The volume of proceedings constitutes a valuable addition to members' tax libraries.

During this time of budget constraints, the foundation's regional conference program enables members to keep current on new developments without incurring the cost of long-distance travel and long absences from the office. In May, the 16th annual Prairie Provinces Tax Conference was convened in Edmonton; in September, the British Columbia Tax Conference in Vancouver and the Atlantic Provinces Tax Conference in Halifax, under the joint sponsorship of St. Mary's University; and in October, the Ontario Tax Conference, which, once again, focused on topics of interest to small and medium-sized firms.

Our French-language conferences included two half-day sessions, the Séminaires techniques, held in January and March; the Journées d'études fiscales in June; and the Colloque sur la gestion fiscale in September.

A special conference on "Taxation to 2000 and Beyond" was held in January. Its purpose was to identify major issues in tax policy that will emerge during the decade of the nineties and into the next century. The proceedings will be published in the near future and sent to members who have submitted a request card.



The 1992 conference program is well under way. The Séminaires techniques were held in Montreal in February and March. Two events are scheduled for May: the Prairie Provinces Tax Conference in Winnipeg and the Journées d'études fiscales in Montreal. The Corporate Management Tax Conference, to be held in Toronto in June, will have as its theme, "Income Tax and GST Considerations in Corporate Financing." In September, the Colloque will be held in Montreal and the Atlantic Provinces Tax Conference in Halifax, under the co-sponsorship of Dalhousie University. The Ontario Tax Conference is scheduled for October in Toronto. Because of the recessionary times, the locus of the annual conference has been changed from Vancouver to Toronto, where the foundation's individual and corporate members are concentrated. The dates are November 23-25.

### **Premises**

That the foundation was literally on the move last year is attested to by the relocation of both our Toronto and Montreal offices. In March we moved to new and somewhat larger premises at One Queen Street East in Toronto, which will be our home for the next decade. Occupancy for the past year has convinced us that they will meet our needs admirably, accommodating library expansion and additional staff and support services. The offices are wired for high technology equipment and a specially reinforced floor was prepared for the library. The premises are centrally located and adjacent to subway and streetcar stops, and so are conveniently accessible by visitors and staff.

### **Quebec Office**

The foundation's office in Montreal, which was opened in July 1987, was relocated in August to premises at 2020 University Avenue. There is now ample space for staff offices, a meeting room, office equipment, and a complete collection of foundation publications.

Madame Louise Lapalme, the regional director of the Quebec office, and her assistant, Danielle Cousineau, assisted by governors and longtime friends of the foundation, had a busy year. The focus of activity was on the organization and presentation of the conferences and seminars that I mentioned in my comments earlier. Other functions include visiting universities to inform students about the foundation, responding to requests for assistance on tax questions, securing manuscripts for publication in the *Canadian Tax Journal/Revue fiscale canadienne*, selling conference papers and other publications, and soliciting memberships.

## **Library**

While most foundation members know us best through our publications and conferences, some make more direct use of our facilities, particularly the library. The 28,000 volumes in our collection of tax and public finance material is one of the most extensive in the country and is being used with increasing frequency by tax practitioners, university students, and scholars from other institutions.

Although the library was closed for three weeks in preparation for the move to our new premises, reference inquiries were up slightly to 4,600 last year. Ron MacLeod, the librarian, and Carol Mohammed, the assistant librarian, not only respond to such inquiries but also look after the multifarious duties involved in operating a large specialized library.

They were glad to assist the Revenue Canada Taxation Committee for Library Services in setting up a basic plan for developing a collection of materials for several new libraries that they are opening in regional offices. The staff were asked for similar assistance by the Ontario Fair Tax Commission; the Ontario Ministry of Treasury and Economics, Tax Policy Branch; and the British Columbia Tax Policy Branch.

## **Other Matters**

The foundation has always welcomed the participation of Revenue Canada officials in foundation activities. In what we believe is a novel arrangement, the foundation has agreed with Revenue Canada, Taxation for the secondment of an official, Rob Weil, CA, to the foundation for one year for the purpose of preparing a study on the tax treatment of deferred income plans. Mr. Weil joined us last October.

We were pleased to have as visitors to the foundation last year the students enrolled in the Harvard Law School International Tax Program, who spent the day with us. Professor Wayne Thirsk, of the Department of Economics at the University of Waterloo, and a former employee of the International Monetary Fund, addressed the group. Other guests included Rick Krever, Professor of Law at Monash University, who was with us for several months last fall; Victor A. Prosser, FCA, of the Australian Tax Research Foundation, and formerly executive director of the Institute of Chartered Accountants of Australia; P.J.H. Jenkin, QC, of Wellington, New Zealand, a former employee of the foundation; and Professor Taewon Kwack, of the College of Commerce, Sogang University, Korea.

## Board of Governors

If I might speak for a moment about the board, the following members will be retiring this year:

Michael L. Bishop, CA, Saint John  
Kevin R. Dean, FCA, St. John's  
Henri-Louis Fortin, Quebec  
F. Patrick Kirby, Edmonton  
Serena H. Kraayeveld, FCA, Winnipeg  
Robert F. Lindsay, QC, Toronto  
Alain Paris, FCA, Laval  
André Tremblay, CA, Quebec

This is the only occasion for expressing our appreciation for their interest, helpful cooperation, and strong support in advancing the affairs of the foundation during their term of office. We are indebted to them all. In accordance with the procedure that we have followed for several years, I take pleasure in awarding to each of them a certificate recording the gratitude of the foundation.

May I address a special word of tribute to Robert Lindsay, QC, who retires as past chair. Bob has long been well known to foundation members through his many papers and articles that date back to 1973. As one would have expected, during his seven years on the board, he provided invaluable guidance and wise counsel in the conduct of our affairs, and his judgment on policy issues was always particularly appreciated. We welcome him to membership on the advisory committee of past chairs.

In a few moments, you will be asked to elect a new board of governors. Included with the notice of meeting, you received a list of nominees named by the nominating committee, which, pursuant to our bylaws, is made up of the presidents of the Canadian Bar Association and the Canadian Institute of Chartered Accountants and the chair of the foundation. The nominees who are not at present governors are the following:

Guy Fortin, Montreal  
Jean Gauthier, CA, Montreal  
Pierre Gill, CA, Montreal  
William J. Kai, CA, Saint John  
Richard B. Kuzyk, Edmonton  
Stephen R. Richardson, Toronto



Carol L. Stockwell, CA, Winnipeg  
Kevin G. Sullivan, CA, St. John's

I extend to them a cordial welcome.

Mr. Fortin is returning to the board, having served previously from 1985 to 1988.

This report would be incomplete without acknowledging the contributions of the many who make the foundation's efforts a reality—the authors, speakers, members of conference planning committees, and others. To them we owe much and express our profound appreciation.

Douglas Sherbaniuk will express the foundation's appreciation for our hardworking and helpful staff, but it falls to me to record both a general and a personal word of thanks to Doug himself. This coming year, Doug Sherbaniuk will mark his 25th anniversary with the Canadian Tax Foundation, and in a very real sense he has been and is the foundation, providing the stamp of thoroughness, quality, and imagination to all foundation activities. While Doug has been with us for a long time, he has the capacity to look at issues and operations with imagination, as can be shown by innovations in our conference programs, publications, and operations. As always, we record a special word of thanks to Douglas Sherbaniuk.

As retiring chair, I wish to thank to my fellow officers and governors for their active support and cooperation during my term of office, with a particular word of thanks to Ed Harris and the rest of the executive committee. I am sure that I speak also for my colleagues on the retiring board in extending my best wishes and warmest welcome to the incoming board for the ensuing year.

Before I conclude my address, I would like to mention two further matters—the succession planning for our executive director and the future of the foundation itself.

While, as I mentioned, Douglas Sherbaniuk has been an integral part of the foundation for many years, he will in due course reach retirement age, although not until 1994. However, it is important that the foundation address the issue of his replacement at an early date, given the difficulty of locating a suitable candidate and the inevitable transitional time that is required for a new person to be involved in foundation affairs. A search committee of the executive committee has been at work dealing with this issue over the last few



months, and will be putting a proposal to the board of governors at our subsequent meeting. The foundation will make an announcement in due course as to the successor.

With respect to the second issue—the future of the foundation itself—the Canadian Tax Foundation has achieved remarkable success over its life, and clearly plays a pre-eminent role in the Canadian tax professional community and the consideration of tax policy. It has been relatively more successful than its counterparts in other developed countries, thanks in good part to the foresight of our founders and the cooperation of the legal and accounting professions. Over its history, the foundation has shown strong growth and development, building a research program of major dimensions, supporting a wide range of publications on tax and tax policy issues, and hosting the leading conferences in the taxation field. Over this period, it has built up not only an outstanding reputation but also substantial reserves, which, through the foresight of Doug Sherbaniuk, provide the foundation's activities with significant stability and continuity.

But no set of programs can continue with the same effectiveness forever. The world changes, and the foundation must change with it. We are already seeing signs of change in our activities and programs. Although interest in tax matters is certainly not receding, it is flowing on more and more specialized paths, which makes the task of communication more difficult. The ever-increasing complexity of our tax environment makes it more difficult for the generalist or less than full-time professional to obtain immediate benefit from many of our programs; it creates a multitude of constituencies that the foundation will have difficulty in serving equally.

The foundation is not the only professional organization facing such changes. Several have found that attendance at conferences has fallen and that it is harder to sustain interest in general membership categories.

The foundation's executive committee has recognized these challenges in the foundation's future, and has established a long-range planning committee to review the changes in our tax environment and the changes that we must seek to bring about in the foundation to ensure the continuing relevance and success of its activities. Later today, the board of governors will be considering, in discussion groups, some of the questions that we must address. Over the next year, the long-range planning committee, with the active involvement of our board and with welcome input from any member of the foundation, will be developing a plan for the foundation, a plan that will confirm the foundation's important role in the future as well as in the past.

I now move, seconded by Edwin C. Harris, QC, the following resolution—namely, that this report of the foundation for the fiscal year ending December 31, 1991, and the financial statements of the foundation as of the same date as submitted to this meeting be, and they are hereby, approved and adopted.

Robert D. Brown, FCA  
Chair  
April 14, 1992

**REPORT OF THE DIRECTOR  
TO THE FORTY-SIXTH ANNUAL MEETING OF THE  
CANADIAN TAX FOUNDATION**

**APRIL 14, 1992**

Let me continue the review of our affairs that was begun by the chair, particularly our research and publications program. I should like to make a few general comments about each of these important activities and then outline briefly the studies that were completed or under way during the past year so as to provide you with a composite snapshot of the wide variety of interests encompassed in our research and publications.

**Research**

The foundation's research is predicated on the belief that it is important that the nation's tax system be widely understood, by tax professionals (such as our members) and the general public, and that a careful analysis and examination of issues be available to invigorate public discourse and to have an impact on tax policy initiatives to help shape a better tax system.

Our research not only addresses current problems but also anticipates the public finance issues of the future, long before they become headlines.

The continuing challenge is to target limited resources both human and financial on areas where we can make the greatest contribution. Some of the studies have as their audience tax practitioners and corporate tax officers; and other studies, government officials, academics, and university students.

To undertake research projects, we endeavour to mobilize the ablest talent available to examine tax and expenditure issues through the prisms of law, accounting, economics, and political science. The results of the research appear in the pages of the *Journal/Revue*, conference papers, and book-length monographs.

In selecting studies, we consult continually with the professions, the business community, government officials, and university personnel.

The foundation fills a special niche in the realm of public affairs as the sole independent, private, non-partisan organization devoted to the study, year in and year out, of Canadian taxation and public spending.



Its role is perhaps more important today than ever in the light of the effect that hard times have had on research organizations, including a number that, on occasion, undertook projects in the field of public finance. Such institutions may not be an endangered species but certainly their ranks have been thinned in recent years. Among the casualties are the Bureau of Municipal Research, which closed its doors during the 1981-82 recession for lack of funds after over 40 years of operation; the Institute of Local Government at Queen's University, which stated in a terse announcement in 1983 that after nearly 40 years of continuous operation, "... dwindling resources and a lack of external financial support made the decision to close the institute inevitable"; the Ontario Economic Council, which had relied on provincial funding and was disbanded (as the treasurer put it) with a stroke of a pen in the 1985 Ontario budget; and, of course, the Economic Council of Canada, which has suffered a similar fate under the 1992 federal budget.

With fewer participants in the field, the greater is the need for the foundation to continue—indeed to expand—the scope of its research activities.

## **Publications**

As for the publications program, it is our view that publication is an essential part of the research process. If new information generated through research and analysis is to be of maximum use, it must be widely disseminated—to policy makers, practitioners, and the general public. It will be of interest to our members to know that foundation publications are now going to some 38 foreign countries, and that our mailing list contains nearly 9,000 names, among which are 550 libraries where, of course, our materials are available to the general public.

Last year, for the first time, a retail bookseller in Toronto, Federal Publications, commenced to stock certain foundation publications, including *The National Finances* and J.H. Perry's classic, *A Fiscal History of Canada*.

Although time does not permit extended comment on our publications and research projects, a few words on each will provide you with an overview of the activities that occurred under the auspices of the foundation this past year.

The *Canadian Tax Journal/Revue fiscale canadienne*, now in its 40th year, is perhaps the best known of our publications and is widely read and frequently quoted. Its contents include not only articles on a wide variety of subjects in the field of taxation and public expenditure, but also nine features,

which have established themselves as essential reading for all who are interested in the respective subjects they deal with.

To broaden the appeal of the *Journal/Revue* to those readers who prefer to conduct their affairs in French, we have in recent years included in virtually every issue of the *Journal/Revue* an original substantial article in French. Also, each *Journal/Revue* contains a French version of the popular feature Personal Tax Planning.

As members may know, articles in English that are submitted to the *Journal/Revue* have, for many years, been reviewed by one or more outside referees in private practice, the universities, or the business community to ensure that the high standards we have set for our publications are met. Accepted articles are subject to careful editing. We have established a similar process in Quebec: an editorial committee that reviews French-language material and an editor, Louise Préfontaine, who applies her skills in improving manuscripts accepted for publication.

Responsibility for the preparation of one of the features in the *Journal/Revue* will undergo a change, commencing with the first issue in 1992. The assumption of new duties in his firm has caused Kevin Dancey, CA, of Coopers & Lybrand, to relinquish his position as co-editor (with Douglas S. Ewens) of the feature The Taxation of Corporation Reorganizations. We express our deep appreciation to him and welcome his successor, Robert J. Spindler, CA, also of Coopers & Lybrand, who is no stranger to our readers.

A longstanding feature in the *Journal/Revue* is Checklist, which has been published without interruptions since 1968 under the editorship of Millie Goodman. The final Checklist was contained in issue no. 6 of the 1991 *Journal/Revue*. There are a number of reasons for discontinuing it. For one thing, Millie Goodman retired from the staff at the end of January, after nearly 26 years of devoted service. For another, the feature has been overtaken by events. Advanced technology and on-line services have made electronic access to tax developments available on a daily basis. Checklist was thus serving more as a historical record of tax events than a vehicle for informing readers of current developments.

Another new aspect of the *Journal/Revue*, to which the chair adverted in his remarks, is the inclusion of advertising, which appeared for the first time in issue no. 6 of the 1991 *Journal/Revue*. Over the years, we had received inquiries from a number of firms who wished to make their services or products known to our readers. They can now do so.

The 37th consecutive edition of *The National Finances*, the foundation's annual statistical analysis of the federal government's revenues and expenditures, was distributed to members in February. Copies were also sent to all members of the House of Commons shortly after they resumed sitting in the hope that they would find this compendium of information to be of assistance as they face the difficult task of coping with the federal deficit through tax measures and expenditure restraint.

This year's volume has been extensively revised. Some non-essential details have been omitted and a new overview chapter summarizes the contents of the book by presenting a brief sketch of federal tax and spending activities so that the casual reader can appreciate, in general terms, how the federal government raises money and where and why the money is spent. From that brief summary, the reader can turn to individual chapters for information on areas of particular interest.

We have been given to understand that *The National Finances* is widely used by government officials and university professors and frequently cited and quoted in public finance literature.

The 15th edition of our biennial companion publication, *Provincial and Municipal Finances*, will be published next month. With a view to keeping readers informed in a timely way on current provincial budgets last year, the research staff prepared an article for the *Journal/Revue* that dealt with all 10 provincial budgets for 1991.

Other regular foundation publications that appeared during the year under review include the reports of the proceedings of the Corporate Management Tax Conference and the annual conference, and *1990 Tax Developments*, our annual compilation of tax developments in Canada as reported in the *Journal/Revue* feature Checklist. The purpose of the latter is to bring together in one place for convenient reference information on federal and provincial budgets, amendments to the regulations, and non-budgetary tax changes. With the termination of Checklist there will, of course, be no further issues in the tax developments series.

To make the wealth of information contained in the foundation's extensive literature readily accessible and therefore more useful, the foundation has adopted the practice of issuing annual indexes and, every five years, consolidating them. The most recent five-year cumulative index was issued last month, covering material issued from 1986 to 1990. Preparation of this publication, which runs to nearly 1,000 pages, was a formidable task, taking over 2,200 hours to produce. The editors included the contents of the regional



conference volumes, which had been omitted from the annual supplements. The index is distributed without charge to all individual and corporate supporters as part of their membership entitlements.

Three monographs have been issued during the past year. The first is Brian J. Arnold's *Tax Discrimination Against Aliens, Non-Residents, and Foreign Activities*. Canada's income tax system contains many provisions that treat aliens, non-residents, and foreign activities less favourably than nationals, residents, and domestic activities. Such tax discrimination is not unique to Canada. This study identifies and analyzes the discriminatory provisions in the Canadian income tax system, examines the legal protection that is available against such tax discrimination, and compares the Canadian tax system with the tax systems of four other countries—Australia, New Zealand, the United Kingdom, and the United States.

The two-volume report of the proceedings of the foundation's conference on provincial finances was published last spring. The operations of provincial and local governments account for one-half of our government revenues and expenditures and have a more immediate and direct impact on the average Canadian than those of the federal government, providing, as they do, health care, education, social assistance, transportation, police and fire protection, and many more services. The papers contained in the report are intended to enhance our understanding of provincial revenues and expenditures and intergovernmental fiscal relations, and to encourage further study of this important area.

Finally, Harry Kitchen's study, *Property Taxation in Canada*, was published last month. Not only is the property tax a major fiscal resource for local governments, it also has a significance beyond the revenue yield, influencing the use of land, the competition for industry, the development of communities, and the maintenance and construction of housing and business facilities. Professor Kitchen's study is the first comprehensive analysis of property taxation in Canada.

Four other studies have been completed and are at various stages in the publication process. *Fiscal Policy in Canada: An Appraisal*, by Thomas A. Wilson and Peter Dungan, presents a systematic analysis of fiscal policy in Canada over the past decade and its effects on inflation, savings, and investment and on the rate of potential economic growth. The book examines fiscal policy and the great recession of 1981-82, the recovery in 1983-84, the western accord and corporate tax reform, the 1987 income tax reforms, the effect of sales tax reform, and the anticipatory effects of fiscal policy.



The collection of papers presented at a conference held by the foundation in 1991, entitled "Taxation to 2000 and Beyond," examines a variety of issues that tax policy will have to address as Canada prepares to take its place in the integrated world economy of the 21st century. Among the subjects dealt with are the potential role of tax policy and pollution control; the use of tax mechanisms to regulate social and economic behaviour; the future of social insurance taxes in an aging society; the tax treatment of the family; the impact of the tax system on the structure of Canadian industry; the tax treatment of the service sector; and trends in international taxation.

Robin Boadway and Paul Hobson recently completed their study entitled *Intergovernmental Fiscal Relations in Canada*, which is a revision and extension of one of the early volumes in the foundation's series on financing Canadian federation. New features that are covered include an analysis of conditional and unconditional grants, transfers from provincial to municipal governments, the use of the federal spending power, the Meech Lake accord, and the tax collection agreements, with special attention to the implications of a national sales tax.

*Financing the Canadian Federation, 1867 to 1991* is the title of the study that David Perry completed this month. It is a historical review of highlights in the financing of our federal system and will enlighten readers about the evolution of tax sharing, equalization, and conditional grants and shared-cost programs. An extensive statistical appendix provides information on the payments to the provinces under the various arrangements.

Several projects are currently underway.

One of the most popular books ever published by the foundation was *Taxation of Private Corporations and Their Shareholders*, by Howard J. Kellough and Peter E. McQuillan, which was issued in 1983. Since then, myriad tax changes have made the book badly out of date. The authors, with the assistance of several members of their respective firms, have made good progress with a second edition, which we shall make every effort to publish this year.

Ernest J. Smith is preparing a detailed examination of the history of the federal-provincial tax collection agreements, which commenced in 1962. The agreements, you will recall, were the subject of a federal discussion paper that was issued last year. It was reviewed by a committee chaired by R.D. Brown; whose report was completed last month.

A subject of widespread interest to the members of the Canadian business community and their professional advisers is the tax treatment of interest, both the income side and the deduction side. There has been very little research and writing from a tax policy perspective on this important feature of the income tax. The publication by the Department of Finance last December of draft legislation concerning the deductibility of interest expense incurred for certain purposes has focused attention on the tax treatment of financing costs. The foundation's study will contribute to the public debate by illuminating the issues and the alternative policy choices and their consequences. Brian J. Arnold is the principal researcher. Because of their timeliness, certain chapters from the study have been published in the *Journal/Revue*.

François Vaillancourt is proceeding with his study of the financing of workers' compensation boards in Canada. Their financial significance is impressive: in 1991 they collected nearly \$6 billion in premiums from employers. This study will outline the economic issues facing workers' compensation boards—the determination of costs, the financing of the boards through premiums, and the liabilities—and will make policy recommendations.

The relative importance of wealth taxes in Canada has been on a decline since the 1970s, when the federal government withdrew from the death and gift tax field and was followed by the provinces. Property taxes as a share of gross domestic product and of total taxes declined substantially in the early 1970s and have remained relatively constant. Canada has no net wealth tax. The 1987 federal tax reform decreased taxes on income and increased taxes on consumption. A consumption tax, relative to an income tax, encourages wealth accumulation. Thus, current shifts in tax policy may lead to greater concentrations of wealth. Given these developments, it is timely to review the state of wealth taxation in Canada. Roger Smith has undertaken the project. The subject is also being addressed by the Ontario Fair Tax Commission, which has appointed a working group to inquire into the implications of a wealth tax and a death duty for Ontario.

During the decade of the 1980s, some of Canada's major public expenditure programs motivated a number of foundation studies—for example, unemployment insurance, social security, and health care. Another candidate for close examination is the financing of public education. Harry Kitchen and Douglas Auld are making good progress with their study of the taxation and expenditure aspects of financing elementary, secondary, and post-secondary education in Canada. It is an ambitious project that we do not expect to see completed for at least another year.

Apart from the foundation's *Provincial and Municipal Finances*, there is a dearth of information on provincial revenues and expenditures that is conveniently available. I mentioned earlier that the foundation had published last year the proceedings of a two-day conference on provincial finances which was convened for the purpose of providing a conspectus of recent developments and current issues in provincial financial affairs. The next step to be taken in this area is an extensive study of one province's spending and revenue over a protracted period of time. Paul Boothe, of the Department of Economics at the University of Alberta, has undertaken an examination of Alberta's revenues and expenditures during the past several decades.

The third edition of a book that has been especially well received by university students and professors, *Canadian Tax Policy*, is being prepared by Harry M. Kitchen and Robin W. Boadway. The project entails substantial rewriting and expansion to reflect the many important developments that have occurred since the second edition appeared in 1984.

Many Canadians rank environmental problems at the top of their list of concerns. The desire for better environmental protection has merged with the fiscal crisis that faces governments at all levels in North America to generate interest in environmental taxes as a possible solution to both problems. Nancy Olewiler is preparing a study on environmental taxation for the foundation. She will review environmental taxes used in the world, examine the environmental impact of the existing tax structure in Canada, consider potential environmental taxes for Canada, and conclude with suggested policy implications of environmental taxation.

A matter of widespread interest among tax practitioners is the taxation of non-retirement benefit plans for employees in Canada. It is the subject of a monograph that is being prepared for the foundation by R.D. Weil, CA, who has been seconded to the foundation by Revenue Canada for this purpose. The study will cover such subjects as taxation of employment income, employee benefit plan rules, plans to defer salary or wages, health and welfare plans, employment termination arrangements, and employee share agreement plans.

## Staff

The past year has brought changes to the foundation's research and administrative staff.

As I mentioned earlier, Millie Goodman retired at the end of January, after nearly 26 years of productive service. She was best known to foundation



members as the editor of the *Journal/Revue* feature Checklist. Her colleagues join in wishing her happiness in her retirement.

We welcomed to the research staff in mid-February Ted Cook, who was previously employed by the Ontario Department of Municipal Affairs and had been seconded to the Ontario Fair Tax Commission. His extensive knowledge of local government will be put to good use in the preparation of some of our financial handbooks.

Another departure from the staff is imminent. Pat Hunt, who came to us in 1979, will be retiring at the end of this month. She excelled in all of the many duties she undertook, especially that of receptionist. Pat earned the respect and affection of her colleagues, who will truly miss her.

Pat's successor, Laura Martin, joined us yesterday.

Other members of the staff need no introduction to you. The research team—David Perry, Mary Gurney, and Karin Treff—have had a busy and productive year. David has edited the *Journal/Revue* feature Fiscal Figures for nearly 24 years. Members of the media have come to rely on David with increasing frequency to assist them in understanding budgets, the national accounts, and other public finance materials.

Louise Lapalme, regional director of the Quebec office, and her assistant, Danielle Cousineau, have been fully occupied in attending to affairs in Quebec, as the chair mentioned.

To Norm Witherell, the foundation's treasurer, falls the responsibility for overseeing our membership affairs and providing efficient and prudent management of our finances.

Norma Forrester, manager of membership records, is his helpful assistant.

Pat Hillmer wears a number of hats in discharging her foundation duties. As conference secretary, she attends to the administrative aspects of our extensive conference programs, ably assisted by Marg Brown and Janis Daniel, whom members will have met at the registration desk at our conferences. Pat is also the corporate secretary of the foundation and, recently, was named the director of marketing, in which capacity, as the chair noted, she has initiated the advertising service in the *Journal/Revue*.

The foundation's editor is Laurel Amalia. Her efforts and those of the staff she supervises maintain the high quality of the foundation's publications. One

of her functions is helping to train new editors to meet her rigorous standards. Last year she helped to formulate and implement the foundation's new policy with respect to the granting of permission to reproduce foundation material. Much of her administrative burden is borne by Leesa Armstrong, her capable assistant.

The chair has commented on the activities of the librarian, Ron MacLeod, and the assistant librarian, Carol Mohammed, and their activities in 1991.

Bruce Clarke is the assistant to the treasurer and manager of the publications department.

The work of the secretarial staff—Vera Bradley, Astrid Elkins, and Pat Hunt—is indispensable to the success of our activities.

In conclusion, I must express my sincere appreciation on behalf of the staff for the interest and encouragement of the board of governors and of the members at large. On a more personal note, I want to say how much I have enjoyed a most cordial and congenial association with our chair, Bob Brown, and the other officers and governors. I welcome the incoming board of governors and assure them that the staff will do its utmost to ensure another successful year under their direction and guidance.

D.J. Sherbaniuk  
Director  
April 14, 1992

## CANADIAN TAX FOUNDATION CORPORATE MEMBERS\*

The foundation takes this opportunity to thank its corporate members for their continuing support. In addition to the companies listed below, more than 86 corporations give indirect support through membership in an association that subscribes to the foundation.

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\*Every effort has been taken to ensure the accuracy of company names.



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General Motors of Canada Limited	ON	Kronos Canada Inc.	PQ
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Goodyear Canada Inc.	ON	Lafarge Canada Inc.	PQ
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Maritime Telegraph & Telephone Company Limited	NS	Prentice-Hall Canada Inc.	ON
Markborough Properties Inc.	ON	Procor Limited	ON
McCain Foods Limited	NB	Procter & Gamble Inc.	ON
McDonnell Douglas Canada Ltd.	ON	PWA Corporation	AB
MDS Health Group Limited	ON	QIT-Fer et Titane Inc.	PQ
Merck Frosst Canada Inc.	PQ	Rayrock Yellowknife Resources Inc.	ON
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Moore Corporation Limited	ON	Rockwell International of Canada Ltd.	ON
Mutual of Omaha Insurance Company	ON	Rothmans Benson & Hedges Inc.	ON
Nabisco Brands Ltd.	ON	Royal Bank of Canada	PQ
National Energy Board	ON	Royal LePage Limited	ON
National Sea Products Limited	NS	Royal Trust Corporation of Canada Limited	ON
National Silicates Limited	ON	St. Marys Cement Corporation	ON
National Trust Company	ON	Saskatchewan Wheat Pool	SK
Nation's Capital Television	ON	Scepter Manufacturing Company Limited	ON
Navistar International Corporation Canada	ON	Scotia Investments Limited	NS
Newfoundland Light & Power Company Limited	NF	ScotiaMcLeod Inc.	ON
Noranda Inc.	ON	Sears Canada Inc.	ON
Norcen Energy Resources Limited	AB	Shell Canada Limited	AB
Northern Telecom Limited	ON	Sherritt Gordon Limited	AB
Northstar Energy Corporation	AB	SNC Inc.	PQ
Nova Corporation of Alberta	AB	Société d'Assurance des C.P. Acadiennes	NB
Oshawa Group Limited, The	ON	Southam Inc.	ON
Outboard Marine Corporation of Canada Ltd.	ON	Spar Aerospace Limited	ON
Oxford Frozen Food Ltd.	NS	Starlaw Holdings Limited	ON
PanCanadian Petroleum Limited	AB	Steinberg Inc.	PQ
PCL Construction Group Inc.	AB	Stelco Inc.	ON
Pepsi-Cola Canada Ltd.	ON	Suncor Inc.	ON
Peter Kiewit Sons Co. Ltd.	NE	T. Eaton Company Limited, The	ON
		Teck Corporation	BC
		Telesat Canada	ON

Télesystème National Ltée	PQ	Union Gas Limited	ON
TELUS Corporation	AB	Uniroyal Goodrich Canada Inc.	ON
Thomson Corporation, The	ON	Unisys Canada Inc.	ON
Thomson Professional Publishing Canada	ON	United Grain Growers Limited	MB
Thornmark Capital Corporation	ON	Unitel Communications Inc.	ON
Toronto Dominion Bank	ON	Unocal Canada Limited	AB
Torstar Corporation	ON	VS Services Ltd.	ON
Toyota Motor Manufacturing Canada Inc.	ON	Warner-Lambert Canada Inc.	ON
Trans Mountain Pipe Line Company Ltd.	BC	WCI Canada Inc.	ON
TransAlta Utilities Corporation	AB	Westar Group Ltd.	BC
TransCanada PipeLines Ltd.	AB	Westcoast Energy Inc.	BC
Tridel Corporation	ON	Westcoast Petroleum Ltd.	AB
Trimac Limited	AB	Westinghouse Canada Inc.	ON
Trizec Corporation Ltd.	AB	Westmin Resources Limited	BC
Ultramar Canada Inc.	PQ	William M. Mercer Limited	ON
Unilever Canada Limited	ON	Woodbridge Company Limited	ON
		Xerox Canada Inc.	ON





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