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SMALL BUSINESS QUARTERLY

VOLUME 11, No. 1, May 2009

STRATEGIC ALLIANCES BETWEEN *Small and Large Firms*

It is well recognized that innovation is a driver of competitiveness and economic growth. In Canada, significant efforts have been undertaken to increase research and development (R&D) expenditures, yet Canada's commercialization record could be improved. Industry Canada has initiated a project to examine how linkages between small and large firms could serve to address this issue.

Small firms may be entrepreneurial and R&D intensive, but they often lack the capacity to bring innovations to market in a timely fashion. On the other hand, though many large firms are constantly searching for new lines of business, they are often not considered to be particularly entrepreneurial. However, they have developed significant resources, including marketing and distribution capabilities, which could assist small innovative companies. Consequently, there would seem to be an incentive for the companies to form a strategic alliance.

Strategic alliances are links formed between two or more independent companies that choose to carry out a joint project by coordinating the necessary skills and resources. Such inter-firm cooperative arrangements allow firms to temporarily seek resources from others for mutual benefit while preserving each partner's autonomy.

The range of specific cooperative agreements is very broad and can include start-up assistance agreements, licensing agreements, franchising, buyer–supplier relationships, outsourcing agreements, joint marketing agreements, and

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PERFORMANCE *Trends*

- **The number of payroll employees increased by 142 488 in the fourth quarter of 2008, which corresponds to an annual growth of 1.0 percent. During this period, the year-over-year contribution to employment growth from small businesses[1] was 16.3 percent, 5.4 percent from medium-sized businesses and 78.3 percent from large businesses.**
- **Industries in which small businesses recorded the greatest increase in employment were in the professional, scientific and technical services (13 557) and accommodation and food services (8794) sectors.**
- **Between 2000 and 2008, the number of self-employed workers in Canada rose by 1.2 percent per year from 2.4 to 2.6 million, while the number of employed workers went from 12.4 million to 14.5 million. The industry in which the self-employed were most prevalent was the professional, scientific and technical services sector at 15.1 percent.**
- **In the fourth quarter of 2008, there were 1788 business insolvency cases, with a total value of $3.9 billion, a 4.4-percent increase over the previous quarter. Included in the insolvency cases, there were 1480 bankruptcies and 308 proposals.**

[1] Small businesses are defined as having fewer than 100 employees, medium-sized businesses having 100 to 499 employees and large businesses having 500 or more employees.

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non-equity cooperation in research, development or production, and equity joint ventures.

International evidence on strategic alliances points to a number of trends. First, the importance of strategic alliances has been growing over several decades. Some estimates suggest an annual growth rate of 25 percent. Second, the proportion of these alliances that are joint ventures between the partners (whereby they put equity in to create a new company) has declined over the last three decades. Instead, strategic alliances tend to be more sharing arrangements, especially around R&D partnerships.

Studies suggest many reasons why strategic alliances are attractive for firms, such as reducing risk; using economies of specialization, scale and scope; capitalizing on complementary technologies; blocking competition; overcoming a government-mandated barrier and learning via interaction. More specific reasons for joining a strategic alliance include accelerating access to markets, reducing innovation costs, facilitating product development, accessing complementary resources and augmenting export capabilities.

As for alliances between small and large firms, small firms will participate in an R&D alliance because it will provide access to resources — particularly finance and a diversity of skills — along with an experienced management capability with well-established methods for penetrating markets and accumulating market share. In contrast, large firms generally have less flexibility in responding to market signals and lower innovation intensity than small high-growth firms. Hence, there is tremendous scope for collaboration between large firms and small and medium-sized firms that will allow for mutual help in overcoming internal and external constraints.

Strategic alliances may face significant management and operational challenges. Market conditions may change unexpectedly or partners may have different time horizons. In the case of alliances between small and large firms, the latter have significant leverage resulting from their superior financial resources. Many small firm partners in an R&D alliance will wish to protect their intellectual property and this can affect how much the partners cooperate.

Like many cooperative partnerships, a strategic alliance is a balancing act between preserving one's vital interests and creating greater value through joint activity. Nevertheless, several studies indicate that strategic alliances in R&D can lead to improved performance and provide access to much needed managerial capacity. However, studies also show that 55 percent of such alliances last less than three years, indicating that R&D alliances exist for specific purposes of definite duration.

These findings strongly suggest that a large and a small firm's entrepreneurial performance and commercialization success can potentially be enhanced by strategic alliances on R&D and learning between such firms.

As a result, Industry Canada is planning to conduct case studies of strategic alliances between small and large firms in the areas of R&D and learning over the coming months and to present the results of this research in a future report.

JOB *Creation*

According to the latest *Survey of Employment, Payrolls and Hours*[1] from Statistics Canada, the number of payroll employees increased by 142 488 in the fourth quarter of 2008 (Table 1). This increase corresponds to an annual growth of 1.0 percent, which is the lowest over the past five quarters. The year-over-year contribution to employment growth from small businesses was 16.3 percent in the fourth quarter of 2008 compared with 33.9 percent in the fourth quarter of 2007. The contribution to employment growth from medium-sized businesses has decreased from 14.0 percent in the fourth quarter of 2007 to 5.4 percent in the fourth quarter of 2008. Large firms contributed 78.3 percent to employment growth in the fourth quarter of 2008, a 26.2 percentage point increase compared with the fourth quarter of 2007. This larger increase among large businesses is due to a significant increase of

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employment in the public administration sector, which accounted for about a third of new employees in 2008.

In the fourth quarter of 2008, year-over-year employment growth was highest in the management of companies and enterprises sector at 7.6 percent, followed by the mining and oil and gas extraction (5.1 percent) and public administration (4.9 percent) sectors. Industries in which small businesses recorded the greatest increase in employment were in the professional, scientific and technical services (13 557) and accommodation and food services (8 794) sectors.

Table 1: Year-Over-Year Net Change[1] in Payroll Employment[2] by Industry, 4th Quarter 2008

	Change		% Contribution to Total Net Change (Number of Employees)								
Quarter	**%**	**Jobs**	**0–4**	**5–19**	**20–49**	**50–99**	***0–99***	**100–299**	**300–499**	***100–499***	**500+**
Q4 2007	2.6	366 758	-1.2	16.9	11.1	7.1	*33.9*	9.0	5.0	*14.0*	52.1
Q1 2008	2.1	298 728	4.4	14.3	11.2	10.2	*40.1*	4.4	5.3	*9.7*	50.2
Q2 2008	2.1	301 763	6.9	9.7	11.6	9.7	*37.9*	2.2	10.6	*12.7*	49.4
Q3 2008	1.6	232 081	2.8	1.9	11.0	11.4	*27.0*	-0.4	13.9	*13.6*	59.4
Q4 2008	1.0	142 488	-1.1	7.5	6.2	3.7	*16.3*	0.0	5.4	*5.4*	78.3
Industry			**Absolute Change (Jobs)**								
Forestry	-12.5	-6 597	-913	-868	-1 159	-571	*-3 511*	-389	-757	*-1 146*	-1 939
Mining and Oil and Gas Extraction	5.1	9 926	639	-317	-1 335	-374	*-1 387*	507	-612	*-105*	11 417
Utilities	-2.8	-3 536	-242	-151	-141	-161	*-695*	-1 132	685	*-447*	-2 394
Construction	2.7	22 302	10 774	-2 182	950	-1 480	*8 062*	390	1 524	*1 914*	12 327
Manufacturing	-6.6	-114 166	207	-4 391	-9 387	-12 338	*-25 909*	-23 681	-255	*-23 936*	-64 323
Wholesale Trade	-0.5	-3 937	-712	-2 742	-2 561	191	*-5 824*	-260	-4 150	*-4 410*	6 297
Retail Trade	1.6	30 285	-4 362	-336	1 227	4 893	*1 422*	3 541	3 053	*6 594*	22 269
Transportation and Warehousing	1.4	10 021	758	462	-1 343	301	*178*	-734	-525	*-1 259*	11 102
Information and Cultural Industries	-0.8	-2 587	-140	42	-1 127	-242	*-1 467*	2 857	-1 239	*1 618*	-2 734
Finance and Insurance	3.1	20 304	-1 500	763	-505	1 310	*68*	4 719	4	*4 723*	15 512
Real Estate and Rental and Leasing	-1.3	-3 394	-1 659	926	18	-201	*-916*	221	390	*611*	-3 089
Professional, Scientific and Technical Services	3.7	27 370	2 137	5 849	3 502	2 069	*13 557*	2 243	5 685	*7 928*	5 886
Management of Companies and Enterprises	7.6	8 617	666	887	170	2 002	*3 725*	2 018	1 740	*3 758*	1 132
Administrative and Support, Waste Management and Remediation Services	-1.9	-14 772	-1 641	3 218	2 456	4 303	*8 336*	-3 123	-3 182	*-6 305*	-16 801
Educational Services	2.1	25 608	-403	1 097	390	1 504	*2 588*	-917	1 045	*128*	22 892
Health Care and Social Assistance	3.7	56 015	803	1 880	5 989	-216	*8 456*	12 567	-1 393	*11 174*	36 384
Arts, Entertainment and Recreation	1.1	2 436	-775	274	390	-1 274	*-1 385*	732	-1 663	*-931*	4 753
Accommodation and Food Services	2.7	28 377	-2 529	343	8 142	2 838	*8 794*	-2 595	5 281	*2 686*	16 897
Other Services (excluding Public Administration)	0.6	3 239	-3 052	5 440	3 133	2 062	*7 583*	16	1 215	*1 231*	-5 577
Public Administration	4.9	46 978	325	495	36	722	*1 578*	3 082	784	*3 866*	41 534
Canada Total	**1.0**	**142 488**	**-1 620**	**10 689**	**8 847**	**5 338**	***23 254***	**61**	**7 632**	***7 693***	**111 542**

Source: Statistics Canada, *Survey of Employment, Payrolls and Hours*, March 2009.

[1] Year-over-year net change in payroll employment is calculated as the variation between the level of employment in a given quarter and the level in the same quarter a year before.

[2] *Survey of Employment, Payrolls and Hours* data exclude self-employed workers who are not on a payroll and employees in the following industries: agriculture, fishing and trapping, private household services, religious organizations and military personnel of defence services. The data breaking down employment by size of firm also exclude unclassified industries.

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The effects of the recession have become most evident in the fourth quarter of 2008. Compared with the fourth quarter of 2007, by the end of 2008 there were large declines in employment in the forestry (-12.5 percent), manufacturing (-6.6 percent) and utilities (-2.8 percent) sectors. The manufacturing sector experienced the greatest number of jobs lost at 114 166, of which almost 23 percent (25 909 employees) occurred among small businesses and just over 56 percent (64 323 employees) among large businesses.

[1] Figures differ from previous editions of the *Small Business Quarterly* due to changes in the methodology used for the *Survey of Employment, Payrolls and Hours*.

BUSINESS *Insolvencies*

In the fourth quarter of 2008, there were 1788 business insolvency cases (Table 2), which included 1480 bankruptcies and 308 proposals. These insolvency cases increased by 4.4 percent over the previous quarter, and had a total value of $3.9 billion. Over the last two quarters of 2008, the volume of bankruptcies grew by 4.7 percent, while proposals increased by 3.0 percent over the same period. However, on an annual basis, from the fourth quarter of 2007 to the fourth quarter of 2008, the number of bankruptcies declined by 1.8 percent, while the number of proposals fell by 1.0 percent, for a total decline in insolvencies of 1.7 percent year-over-year.

The annual decline represents the continuation of a long-running trend; the number of insolvency cases has been falling since reaching a peak of 4111 in the first quarter of 1996. The number of insolvencies for the fourth quarter of 2008 is the fourth lowest figure since 1996 (only the third quarters of 2006, 2007 and 2008 were lower). The decline is mainly due to a drop in the number of bankruptcies as the number of proposals has fluctuated between 300 and 500 since 1996.

However, the value of total liabilities has increased significantly since the last quarter of 2007. This is reflected by a significant increase in the average value of insolvencies from less than half a million in the fourth quarter of 2007 to $2.5 million in the last quarter of 2008. Recent figures indicate that total bankruptcy liabilities increased by 166.4 percent in the fourth quarter of 2008 from the previous quarter and 568.0 percent year-over-year respectively. It is worth noting that an unusual increase in liabilities was recorded in the fourth quarter of 2008. The increase was associated with high-valued bankruptcies in the information and cultural industries sector,

Table 2: Total Insolvencies, Bankruptcies and Proposals and Associated Liabilities

	Insolvencies			Bankruptcies			Proposals		
	Volume	Liabilities ($ 000)	Average Value of Insolvencies ($ 000)	Volume	Liabilities ($ 000)	Average Value of Insolvencies ($ 000)	Volume	Liabilities ($ 000)	Average Value of Insolvencies ($ 000)
Q4 2007	1 818	779 393	429	1 507	534 931	355	311	244 462	786
Q1 2008	2 022	1 416 835	701	1 659	1 095 719	660	363	321 115	885
Q2 2008	1 922	1 298 017	675	1 611	1 062 878	660	311	235 138	756
Q3 2008	1 713	1 789 874	1 045	1 414	1 341 362	949	299	448 511	1 500
Q4 2008	1 788	3 891 641	2 177	1 480	3 573 241	2 414	308	318 400	1 034
% Change									
Q3 2008–Q4 2008	4.4	117.4	108.3	4.7	166.4	154.5	3.0	-29.0	-31.1
Q4 2007–Q4 2008	-1.7	399.3	407.7	-1.8	568.0	580.2	-1.0	30.2	31.5
Consolidated Annual									
2007–2008	-2.2	24.1	26.9	-2.0	23.6	26.2	-2.9	26.6	30.4

Source: Office of the Superintendent of Bankruptcy Canada (www.osb.ic.gc.ca).

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which reported liabilities of $1.8 billion in the fourth quarter of 2008. For the full year, however, total bankruptcy liabilities rose by 23.6 percent compared with 2007.

Looking forward, the slowing growth of business revenues in Canada will probably have an impact on the number and value of business insolvencies during the second half of 2009 and into 2010.

SELF-*Employment*

According to Statistics Canada's *Labour Force Survey*, the number of self-employed workers in Canada rose by an average annualized rate of 1.3 percent from 2.4 to 2.6 million between 2000 and 2008 (Table 3). Over the same period, the number of employed workers went from 12.4 million to 14.5 million, an annualized increase of 2.0 percent. Due to the higher growth rate of employed workers, the share of self-employed in the workforce declined from 16.1 percent in 2000 to 15.4 percent in 2008.

From 2000 to 2008, the number of employees in the services-producing sector increased by 2.5 percent on an annualized basis compared with 0.5 percent in the goods-producing sector. In contrast, over the same period, the number of self-employed grew in both the services-producing sector and goods-producing sector at similar rates, i.e., 1.3 percent and 1.2 percent respectively.

Agriculture had the greatest share of its industry workforce who were self-employed in 2008 (62.2 percent), followed by professional, scientific and technical services (33.2 percent) and construction (30.2 percent).

In terms of industries in which the self-employed worked, the most prevalent in 2008 was professional, scientific and technical services (15.1 percent), followed by construction (14.2 percent) and trade (11.0 percent). The same three industries were also the top three employers of self-employed workers in 2000. Between 2000 and 2008, the three sectors that increased their share of the self-employed workforce the most were construction; professional, scientific and technical services; and finance, insurance, real estate and leasing. The share of employed workers in these sectors also rose. In contrast, the share of employed workers in manufacturing fell from 17.4 percent in 2000 to 12.9 percent in 2008, while the share of the self-employed workforce in manufacturing remained the same, at 3.8 percent, between 2000 and 2008.

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CANADA SMALL BUSINESS *Financing Program*

Small businesses are an important part of Canada's economy, but they face unique challenges when seeking financing. The Canada Small Business Financing Program makes it easier for small businesses to obtain loans from financial institutions by sharing the risks with lenders.

Eligibility

Small businesses operating for profit in Canada with gross annual revenues of $5 million or less. Farming businesses, not-for-profit organizations, or charitable and religious organizations are not eligible under this program.

Loans can be used to finance up to 90 percent of the cost of

- purchasing or improving land, real property or immovables;
- purchasing leasehold improvements or improving leased property; or
- purchasing or improving new or used equipment.

Amount of Financing

Up to a maximum of $500 000 for any one business, of which no more than $350 000 can be used for purchasing leasehold improvements or improving leased property and purchasing or improving new or used equipment.

Costs

The interest rate is determined by the financial institution. The following two options are available:

- Variable Rate: The maximum chargeable is the lender's prime lending rate plus 3 percent.
- Fixed Rate: The maximum chargeable is the lender's single family residential mortgage rate for the term of the loan plus 3 percent.

How to apply for a loan

Financial institutions deliver the program and make all credit decisions. Small businesses must visit their local bank, credit union or Caisses populaire to obtain a loan under the program.

For more information on the Canada Small Business Financing Program

Tel. (toll-free): 866-959-1699

Fax: 613-952-0290

Email: CSBFA-LFPEC@ic.gc.ca

Website: www.ic.gc.ca/csbfa

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Table 3: Self-Employment in Canada, Share by Category of Worker and Industry, 2000 and 2008

	Employees							Self-Employment*						
	Number of Employees		Annualized Percentage Change	Share of Employed		Share of Industry Workforce		Number of Self-Employed		Annualized Percentage Change	Share of Self-Employed		Share of Industry Workforce	
	2000	2008	2000–2008	2000	2008	2000	2008	2000	2008	2000–2008	2000	2008	2000	2008
Industry	(Thousands)			(Percent)				(Thousands)			(Percent)			
Goods-Producing Sector	3 162.8	3 296.3	0.5	25.5	22.7	82.8	82.0	659.1	725.0	1.2	27.8	27.6	17.2	18.0
Agriculture	124.2	123.5	-0.1	1.0	0.9	33.4	37.8	247.9	203.5	-2.4	10.4	7.7	66.6	62.2
Forestry, Fishing, Mining, Oil and Gas	228.7	291.9	3.1	1.8	2.0	83.0	85.8	46.7	48.2	0.4	2.0	1.8	17.0	14.2
Utilities	114.8	151.6	3.5	0.9	1.0	100.0	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Construction	535.9	859.9	6.1	4.3	5.9	66.2	69.8	274.2	372.2	3.9	11.6	14.2	33.8	30.2
Manufacturing	2 159.3	1 869.4	-1.8	17.4	12.9	96.0	94.9	90.1	100.9	1.4	3.8	3.8	4.0	5.1
Services-Producing Sector	9 227.6	11 199.9	2.5	74.5	77.3	84.3	85.5	1 714.6	1 904.6	1.3	72.2	72.4	15.7	14.5
Trade	1 981.9	2 388.7	2.4	16.0	16.5	86.4	89.2	311.4	290.0	-0.9	13.1	11.0	13.6	10.8
Transportation and Warehousing	633.3	711.0	1.5	5.1	4.9	82.0	82.9	138.9	146.7	0.7	5.9	5.6	18.0	17.1
Finance, Insurance, Real Estate and Leasing	729.5	896.6	2.6	5.9	6.2	85.0	83.4	128.4	178.8	4.2	5.4	6.8	15.0	16.6
Professional, Scientific and Technical Services	612.4	801.8	3.4	4.9	5.5	65.7	66.8	319.8	398.2	2.8	13.5	15.1	34.3	33.2
Management of Companies and Administrative and Other Support Services	380.6	520.5	4.0	3.1	3.6	70.9	75.8	156.4	166.0	0.7	6.6	6.3	29.1	24.2
Educational Services	929.1	1 140.9	2.6	7.5	7.9	95.4	95.6	45.0	52.0	1.8	1.9	2.0	4.6	4.4
Health Care and Social Assistance	1 318.9	1 669.7	3.0	10.6	11.5	87.1	87.7	195.1	233.7	2.3	8.2	8.9	12.9	12.3
Information, Culture and Recreation	567.7	635.6	1.4	4.6	4.4	85.7	83.7	94.4	124.0	3.5	4.0	4.7	14.3	16.3
Accommodation and Food Services	846.2	983.4	1.9	6.8	6.8	90.2	91.6	92.0	90.0	-0.3	3.9	3.4	9.8	8.4
Other Services	455.4	525.9	1.8	3.7	3.6	66.1	70.0	233.1	225.2	-0.4	9.8	8.6	33.9	30.0
Public Administration	772.6	925.7	2.3	6.2	6.4	100.0	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
All Industries	12 390.5	14 496.2	2.0	100.0	100.0	83.9	84.6	2 373.7	2 629.6	1.3	100.0	100.0	16.1	15.4

*Includes unpaid family workers.

Source: Statistics Canada, *Labour Force Survey,* 2000 and 2008.

BUSINESS *Financing*

Financing of Small and Medium-Sized Enterprises

Results from the 2007 *Survey on Financing of Small and Medium Enterprises* were released in March 2009. The survey is the most comprehensive data set on entrepreneurship and SME financing. It includes data on requests for loans, approvals of loan applications and measures of firm satisfaction with credit suppliers. The results cover seven industry groupings, five employment sizes, six geographic regions, different types of firms (e.g. start-ups and established firms) and a range of figures on business characteristics.

According to the latest results, small and medium-sized enterprises applied for $59 billion in loans in 2007. About

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86 percent of the loans were approved, for $51 billion. This approval rate was higher than the 80 percent approval rate recorded in both the 2000 and 2004 surveys. This may reflect the good financing environment before the start of the credit crunch.

The larger the firm (defined in terms of number of employees), the more likely it requested external financing. About 13 percent of firms with 1–5 employees requested financing, while almost half of the largest firms, those with 100 to 499 employees, requested financing.

The majority (97 percent) of requests for financing from businesses with 100 to 499 employees were approved, whereas the approval rate for businesses with 1–5 employees was 79 percent.

As in previous surveys, the loan request rate was higher in capital intensive sectors, such as agriculture, primary industries and manufacturing, and lower in human capital intensive sectors, such as knowledge-based industries.

Almost all requests for financing in the primary sector were approved. Accommodation and food services had the lowest approval rate at 80 percent.

Despite these high approval rates, one in five businesses cited difficulty in obtaining financing as an obstacle to the growth of the business, a result that was also expressed in 2004.

Half of all businesses reported that they depended on financial institutions to fund the start-up of their businesses, with two out of three reporting that they depended on loans for their ongoing operations.

Overall, one quarter of all business owners reported that they intended to retire from their businesses over the next five years. Of these, one in five intended to keep the business within the family, two in five planned to sell the business to outsiders and most of the remainder intended to close the business.

The 2007 *Survey on Financing of Small and Medium Enterprises* is conducted in partnership with Statistics Canada as part of a data collection program on small and medium-sized businesses. The survey covered about 15 000 responding firms operating in 2007 with fewer than 500 employees and less than $50 million in revenue.

For more information on survey results and this initiative, visit www.sme-fdi.gc.ca/eic/site/sme_fdi-prf_pme.nsf/eng/02152.html.

CANADA BUSINESS *Services*

ACTION TO SUPPORT SMALL BUSINESS *from Budget 2009*

The current economic slowdown has created a challenging time for many small businesses. To support this important sector of the Canadian economy, the Canada Business Network provides government information and services for businesses and start-up entrepreneurs.

The Government of Canada is taking action to support small businesses through *Budget 2009: Canada's Economic Action Plan*.

In the coming years, the federal government will make it easier for small businesses across Canada to obtain the financing they need to invest, grow and create new jobs; save money on taxes and much more.

The following are some of the directions the government is taking in Budget 2009 to help small businesses grow and manage under the current economic conditions:

- Improving access to financing and increasing access to credit for small businesses
- Tax and tariff relief
- Enhancing the availability of training and further developing a highly skilled workforce

More information on these and other actions is available in www.budget.gc.ca/2009/home-accueil-eng.asp or by visiting the Canada Business Network at www.Canadabusiness.ca.

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Canada Business Network

RECENT *Developments*

STATISTICS CANADA REPORT: *Measuring the Contribution of the Unincorporated Sector in the Canadian Economy, 1997 to 2002*

In February 2009, Statistics Canada published *Measuring the Contribution of the Unincorporated Sector in the Canadian Economy, 1997 to 2002*, a study estimating the gross domestic product (GDP) for the unincorporated and incorporated sectors across various industries. Unincorporated enterprises are typically small in size, and have relatively less start-up costs and require less working capital compared with large businesses. Results suggest that, in 2002, the unincorporated sector represented 10.1 percent of total business sector GDP, a slight decrease from 11.3 percent in 1997.

The full report can be accessed at www.statcan.gc.ca/pub/11-624-m/11-624-m2009023-eng.pdf.

Small Business Quarterly
Small Business and Tourism Branch

The *Small Business Quarterly* (SBQ) provides a quick and easy-to-read snapshot of the recent performance of Canada's small business sector. The SBQ is published by the Small Business and Tourism Branch of Industry Canada.

If you want to subscribe, please send your request to sbrp-rppe@ic.gc.ca. If you have questions or comments about the content, please send them to the editor:

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Cat. No. C12-18/11-1E-PDF

ISSN 1205-9099

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PAPER BURDEN *Reduction*

On March 20, 2009, the Honourable Diane Ablonczy, Minister of State (Small Business and Tourism), announced that the federal government had achieved its goal to reduce the paperwork burden on small businesses by 20 percent. For small businesses, the cuts bring tangible benefits. For example, the Canada Revenue Agency has reduced the frequency of required tax filings and remittances.

Thirteen federal departments and agencies worked together to achieve the 20-percent reduction by streamlining regulations, eliminating duplicate requirements, getting rid of overlapping obligations and reducing how often documents need to be filed.

Along with cutting red tape, the government has introduced creative means of streamlining how businesses interact with government. BizPaL, for example, is a one-stop online service that provides easy access to information about permits and licences that entrepreneurs need to start up and grow their business.

For more information, consult the "Related Government Initiatives" section of www.reducingpaperburden.gc.ca.

HARMONIZATION OF *the GST and PST*

The Ontario 2009 Budget proposed a comprehensive tax reform package to move to a single value-added sales tax at a combined rate of 13 percent (provincial portion of 8 percent, federal portion of 5 percent) on July 1, 2010. Assistance will be provided to small businesses through a one-time sales tax credit to help them make changes to point-of-sale and accounting systems.

When the proposed corporate income tax rate cuts and the single sales tax are fully phased in, the marginal effective tax rate on new capital investments in Ontario will have been cut in half. Additionally, a single sales tax will also reduce paperwork costs for business by more than $500 million a year.

For more information on this initiative, visit www.fin.gov.on.ca/english/budget/ontariobudgets/2009/.