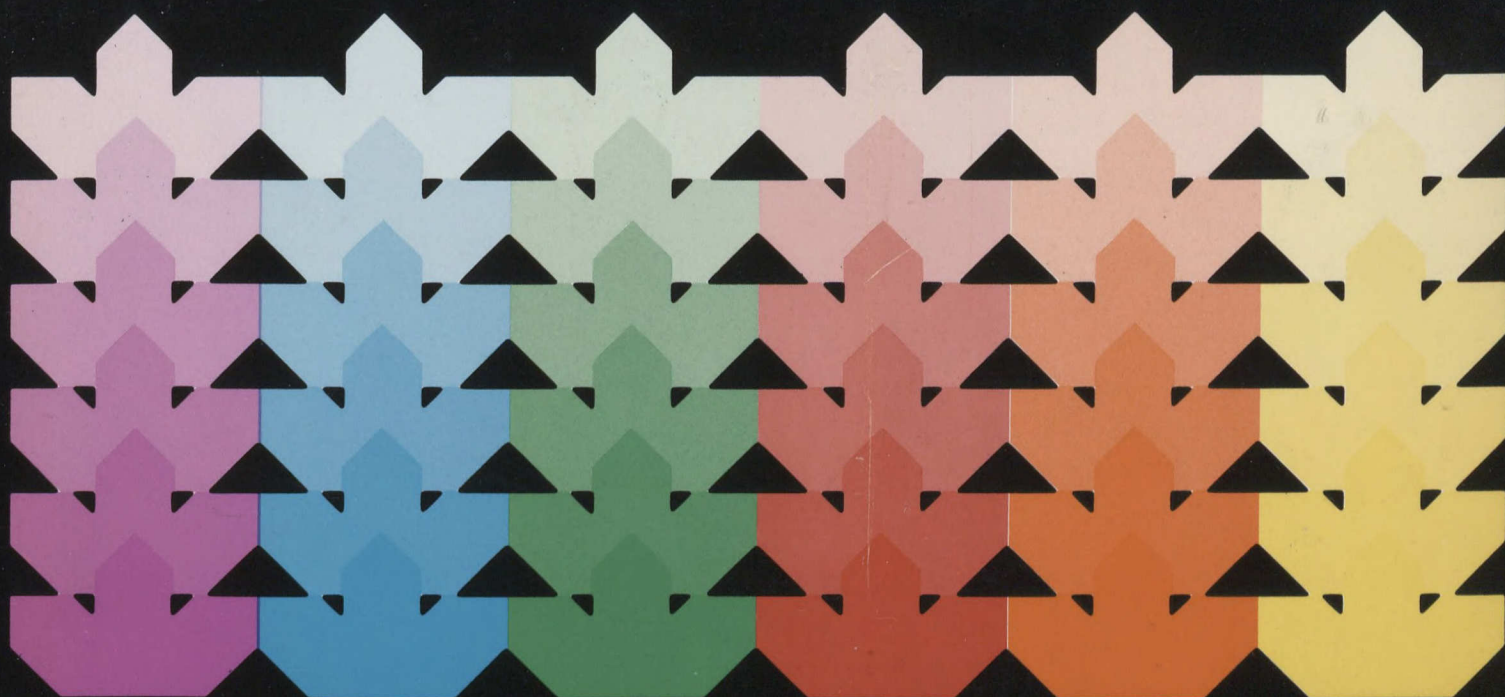


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New Statistics Small Business in Canada

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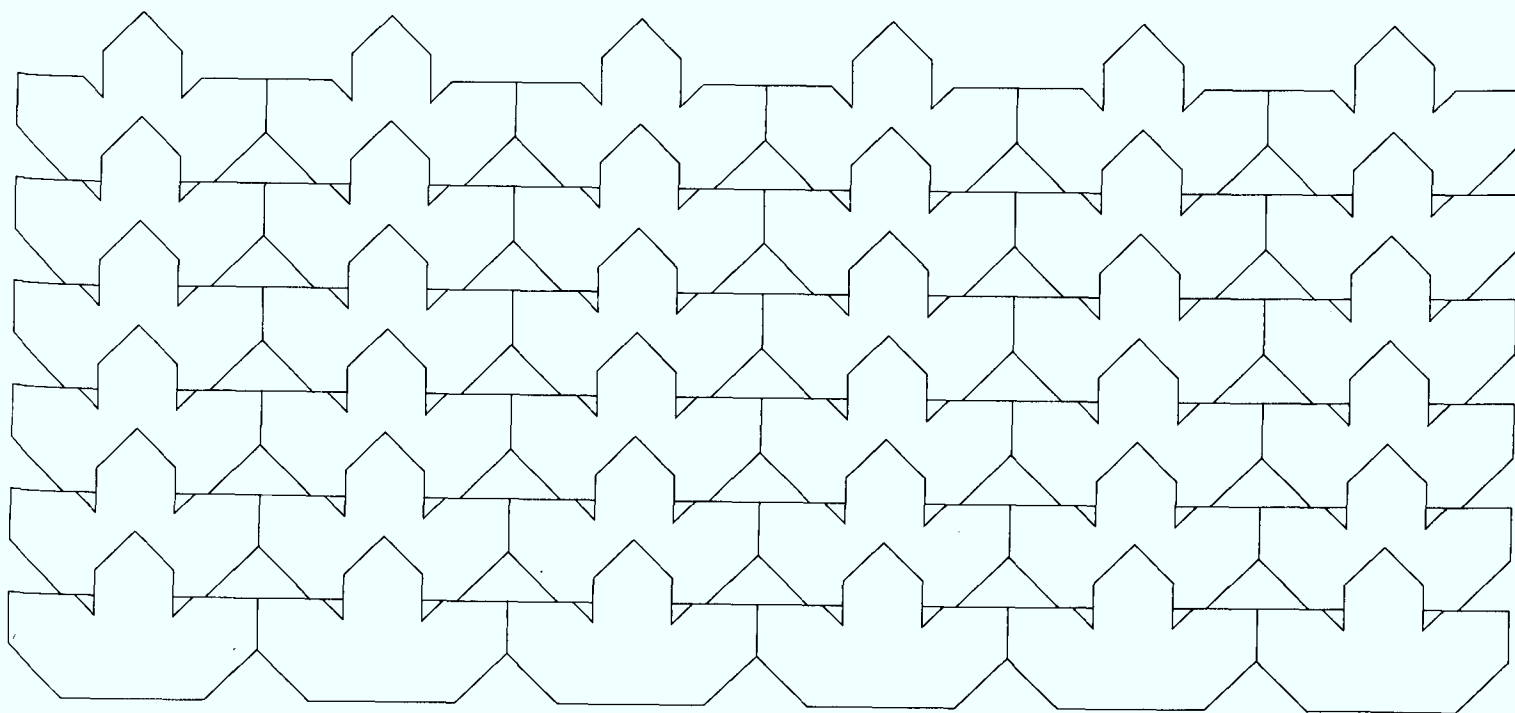
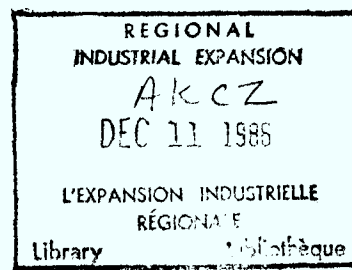


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**New Statistics
on Small Business
in Canada**

1979



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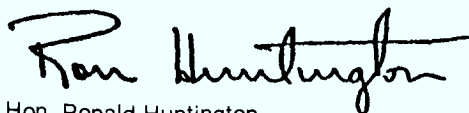
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We wish to acknowledge the assistance provided by the following people: Peter Blitt, Earle Hubley, Frank McNeil, Bob Rathwell, Earl Steeves, Don Traquair and their respective staffs of Statistics Canada.

While personnel from Statistics Canada provided the basic data used in this report, any opinions, errors or omissions within the text remain the responsibility of the Small Business Secretariat.

Minister's Message

"New Statistics on Small Business in Canada — 1979" is a report prepared by the Small Business Secretariat, Department of Industry, Trade and Commerce, with the cooperation of Statistics Canada, and designed to improve the understanding of the small business sector in Canada. This year's publication incorporates several new areas, for example, the contribution of small business to GNP and employment; tax burden, and foreign ownership by size of business. It is intended to be of benefit to business associations, policy researchers in federal and provincial governments and to researchers generally. The report represents but a start on what is required to understand this important sector of the economy, and I hope that other groups or organizations in Canada will add to, and improve on, this body of knowledge.

A handwritten signature in black ink, reading "Ron Huntington". The signature is fluid and cursive, with a large initial "R" and a long horizontal stroke extending from the end.

Hon. Ronald Huntington
Minister of State for Small
Business and Industry.

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Introduction

1

Background and Content of Study

In recent years, governments around the world have recognized the importance of the small business sector in the creation of output, employment and economic growth generally. Accordingly, in order to understand and assess better the place of the small business sector in the economy, substantive efforts have been made to improve upon and, where possible, develop new statistics on small business. In Canada, this need was addressed in early 1978 with the publication of "New Statistics on Small Business in Canada" — a volume that was to become widely quoted. This present report is both an extension and elaboration of the original study and provides statistics for the taxation reporting year 1976 and for more recent years when data was available.

Defining a business as either small or large is very subjective and relative to the context in which the definition is used. Assessment of size can be based on a variety of criteria, such as assets, sales, equity, profits, number of employees, type of ownership or management structure. A supplementary method that is in use in the United States is to consider the dominance of the firm in its corresponding industrial sector. A "typical" small business does not exist and so any working definition must be broad. The federal government in a 1977 document entitled "Small Business in Canada: Perspectives" defines a business as small if in the manufacturing sector it employs fewer than 100 employees, or if in other sectors it has fewer than 50 employees. A number of the provinces have also adopted the "100 employee" definition.

Generally, no one definition of small business will suffice when a number of industrial sectors are being compared.

Some firms, such as machinery manufacturers, may have substantial assets but relatively few employees, or disproportionately low volumes of sales. Other businesses, such as food retailers, may have substantial sales and a large number of employees, but relatively lower profit margins.

In addition to the problems created by the characteristics of firms in different industries, there is another dimension to the definition problem — data availability. The characteristics which determine size (assets, sales or employees) must be universally available if all firms of interest are to be compared. This is a major problem to overcome when the survey derives data from a number of different sources.

The determination of business size in this report is based on "sales" for the simple reason that detailed characteristics of the entire business universe were available only on this basis. In this report all businesses are classified by their magnitude of sales into one of five possible categories or classes. This method of subdivision, while not a definitional panacea, tries to relate the characteristics of firms to the magnitude of sales, and provides a continuum between "small", "medium" and "large". It is hoped that this approach will increase the utility of this volume for a broad audience, regardless of the particular definition to which they subscribe. This approach will allow the data to "speak for itself".

The presentation of this report, although constrained by data availability, is organized around the following issues that relate to the significant contribution made by the small business community to the Canadian economy:

- contribution to GNP;
- employment;
- viability;
- taxation;
- foreign ownership.

The discussion of these issues is based on an overview of the incorporated and unincorporated business sectors.

The overview consists of a graphical and statistical description of businesses in Canada.

It was intended, in the planning phase of this report, that data would be collected to allow for an analysis of export trends, and for a statistical comparison with OECD countries. However, it has not been possible to address these issues in this report because of the lack of suitable data. Export data is not currently available for the range of business sizes from small to large; however, personnel at Statistics Canada and Industry, Trade and Commerce (IT&C) are attempting to derive this data. The OECD countries do not, as yet, produce statistics in a uniform format and it is therefore not possible to present a meaningful comparison between Canadian data and data from other OECD countries. Canada is continuing its efforts to bring about uniformity in the presentation of business statistics among all OECD members.

The elaboration of the initial report (published in 1978) has resulted in the collection of more data than can possibly be included in this publication. As a result, statistics at the 3-digit Standard Industrial Classification (SIC) level of disaggregation (for incorporated business only), including a provincial breakdown, remain within the Small Business Secretariat of IT&C and are available to researchers upon request. This data includes values for such attributes as sales, profits, and selected financial ratios for many, but not all, 3-digit SIC's. Data for certain 3-digit SIC's are not available because the small number of corporations so classified do not satisfy the confidentiality requirements of the data source.

Tabular summaries, presenting statistics that relate to most issues included in this report, are provided in Appendix A, Tables A1.1 to A1.7 inclusive. The "viability" of the small business sector is not a topic that can be summarized and is therefore omitted from these tables. Also, a summary of ownership characteristics could not be included in these tables.

Methodology

Data sources

A profile of the Canadian business universe was developed using source data from Statistics Canada, complemented, to some extent, by data readily available from other sources. For example, required data on bankruptcy trends was already available in aggregate form from Consumer and Corporate Affairs.

One of the principal data sources, within Statistics Canada, is financial statements from the Tax Record Access Sub-Division. This division has access to the T1 unincorporated income tax return records provided in special form to Statistics Canada. An unduplicated historical sample of T1 records from the 1973 through 1975 tax years was used to determine the appropriate weightings to be applied to a selected sample of 1976 T1 tax returns. The weighted sample is a projected representation of the 1976 unincorporated business universe. This data includes gross and net business income, with provincial and industry sector breakdowns. This data source was used extensively.

The second major data source is the Business Finance Division. This division creates transcripts of T2 corporate income tax returns. Statistical data includes gross and net income, assets, taxable income and equity. Segmentation of the data (by use of the SIC code) facilitates identification of industry characteristics from these universe transcripts. After initial evaluation of this data at Statistics Canada, a sampling procedure is used to select a representative sample of T2 files from which a complete transcript of a large number of data elements is obtained. This micro-data transcript includes hundreds of data items from the balance sheet and income statements. This data is used for the annual Statistics Canada publications. This data source was also used extensively.

Description of relevant Statistics Canada data procedures

Selecting data aggregations

As noted earlier, the primary objective of this study is to describe the business universe with respect to size, using a variety of criteria. The only indication of size that is common to both unincorporated and incorporated businesses, if Statistics Canada tax data is used, is *sales*.

The term sales is defined somewhat differently for the incorporated and unincorporated data sources. For the unincorporated data, sales is defined as reported gross business income. Normally, this will not include investment, rental or employment income.

For the incorporated sector all major revenue items are included in sales, as well as corporate dividends.

Five sales classes were chosen to trace sufficiently the transition from small to large. Statistics are presented for each of these sales classes whenever possible; however, data confidentiality requirements have meant that it is often necessary to collapse one or more sales classes. The five sales classes are:

Class 1
Annual sales less than or equal to \$50,000

Class 2
Annual sales greater than \$50,000 but less than \$250,000

Class 3
Annual sales greater than or equal to \$250,000 but less than \$2,000,000

Class 4
Annual sales greater than or equal to \$2,000,000 but less than \$20,000,000

Class 5
Annual sales greater than or equal to \$20,000,000

From the above list of five sales (size) classes it can be observed that small businesses may be arbitrarily described as those having less than \$2 million in total sales; large businesses are those having \$2 million or more in total sales. These definitions are "working" definitions and are useful in the context of this publication in that they facilitate the discussion of statistical data presented from Chapter 2 onwards.

As previously discussed, many studies use the criterion "number of employees" for measuring the size of a business. Since this latter criterion is widely used it would be useful if the sales size benchmarks denoted above could be expressed jointly in terms of value of sales and number of employees. Accordingly, the number of employees, that on average, are employed by those businesses having an average of \$2 million in total sales is expressed below for each major commercial sector. A business having approximately \$2 million in total sales typically employs about:

- 75 employees in the Manufacturing sector
- 50 employees in the Transportation sector
- 30 employees in the Construction sector
- 15 employees in the Trade sector
- 100 employees in the Service sector
- 20 employees in the Finance sector

The above information was obtained from an internal Industry, Trade and Commerce file. The reported correspondence between sales and employees is judged to be a good and useful approximation at the major commercial sector level; nonetheless, these results should not be generalized to lower levels of sector disaggregation (i.e., below the major sector level) as the approximations become increasingly unrealistic. Also, it must be stated that the correspondence between sales and employees, as expressed above, is valid for 1976 only.

Sampling procedures

The unincorporated business universe was derived using the following sampling plan. The 1976 T1 sample was constructed by using a stratified sampling plan, with sales (gross business income) as the stratifying variable. The sample drawn consisted of 145,355 records. Businesses with more than \$50,000 in sales were sampled more frequently than those with less sales. Weight adjustments were then applied to give projected universe estimates for 1976.

Statistics Canada excluded unincorporated business entities recording less than \$10,000 in sales. Businesses with less than \$10,000 in sales were not considered true full-time businesses. This is supported in part by the fact that these tax filers also declare large amounts of employment earnings.

There is an additional problem, for the unincorporated sector, with respect to partnerships. There is no direct adjustment on the T1 tax reporting form for sales reported by businesses owned in partnership. To avoid double counting businesses and misclassification of data, corrected sampling weights were applied to adjust the partnership data; specifically, this corrected the number of businesses counted and the sales attributed to each member of the partnership.

The incorporated data was taken directly from the census of T2 files available to the Business Finance Division of Statistics Canada. As only five financial attributes were available from this census file, a "sample file" containing detailed, corporate, financial information was also employed. A representative sample of 22,516 corporations was selected from a universe (1976) of 325,225. All Corporations having assets greater than \$5 million were included in the sample. The remaining corporations were chosen by stratified sampling techniques with the selection criteria based on asset size at the 3-digit SIC level of disaggregation.

Further information with respect to the sampling schemes for unincorporated and incorporated business sectors is available, in the form of a working paper, from the Small Business Secretariat.

Reliability considerations

The following comments relate to the reliability of the sampling designs. The sampling variation of estimates, both for the unincorporated and incorporated sampling plans should not exceed 15 to 20% error for the aggregate statistics in each sales class. In most cases, for sales of \$2 million and greater, the sampling error should be quite small or even negligible.

There are other sources of error which may enter the tabulated statistics. Classification errors may arise due to reporting inconsistencies or to coding errors. A sampling design effect may occur due to the non-correlation of the classification criterion, which is sales size, with the sampling design criterion, which is assets. For the incorporated sector, computer storage considerations required rounding of data to the nearest thousands. This would clearly cause some error for the smallest sales class statistics. Another source of error may occur due to editing and imputation effects on the data.

A decision was made to eliminate the Finance sector from the analyses presented in the text for each of the issues mentioned above. This action was taken largely because of the classification errors that occur in this sector. For example, the value of sales, as reported by holding companies, consists mainly of dividends paid by business entities that are under the umbrella of the holding company. That specific holding company then, would appear in a sales class that reflected profits rather than the intended attribute — sales. The inclusion of data for this sector would, in our opinion, introduce significant distortions that would be unacceptable in terms of this report. Accordingly, data for the Finance sector for selected issues is to be found only in Appendix A.

In summary, where the sample size was sufficiently large, errors related to sampling and other effects are likely to be small enough to ensure a high degree of data reliability. It is cautioned that even a large sample size does not necessarily preclude biased results that could be caused by a significant systematic error in the data. Only intensive further analysis on suspect, tabulated statistics can ensure overall data reliability.

Technical comments on the tabulated statistics

The profile of business in Canada is developed using three descriptive statistics. The first of these is the *number of businesses*. This statistic is self-explanatory. All businesses in Canada are included with the exception of unincorporated professionals, commissioned salesmen, farmers and fishermen. It should be noted that the total number of businesses includes about 29,000 corporations that reported sales of between \$0 and \$499. These corporations may be inactive or in the process of starting up. If a corporation is in the process of starting up it may have considerable assets but yet report zero sales. Clearly, this fact can introduce some distortions in the statistics for the smallest sales class (less than \$50,000). Also, the number of unincorporated businesses was reduced by about 225,000 businesses which reported sales of less than \$10,000.

The second statistics in *sales*. Sales represent total gross business revenue for corporations. For incorporated business, this included operating revenue directly attributable to the business, such as sales of products and services, as well as rental, investment and other income earned. Capital gains are excluded. For unincorporated businesses, rental, investment and other income are usually not included. Therefore only income directly attributable to the business was included. In addition, capital gains are usually separated and therefore not included for unincorporated businesses.

The third comparative statistic is *pre-tax profits*. Pre-tax profit is the income remaining after all expenses and provisions, including interest on debt and depreciation expenses have been deducted, but prior to the deduction of income taxes. For compatibility purposes, pre-tax profits here include non-recurring items (for incorporated businesses).

The pre-tax profit figure has been used for two reasons. First, for unincorporated businesses, profits of the business are taxed at the individual's tax rate. Profits for incorporated businesses are taxed at corporate rates (nominal rate is about 46%). Clearly, for unincorporated businesses the after-tax profit figure would be very difficult to determine. Second, the actual tax liability is very much a function of the ability of the business to defer tax and of the tax abatements provided by governments to accelerate business expansion. It is not solely related to the income producing ability of the enterprise.

One further problem must be recognized at this point. Incorporation provides a legal separation between ownership and the business entity. However, profits may be extracted through either salaries or dividends. For unincorporated businesses, the salary of the owner/manager, or self-employed individual, as the case may be, is the residual profit reported after business expenses are deducted from business revenues. Since the salary of the owner of the business will be treated as an expense for incorporated businesses but usually not for the unincorporated, the latter will appear to be more profitable *ceteris paribus*.

Table 1.1 provides a comparison of definitions (as used in this study) pertaining to incorporated and unincorporated businesses.

Table 1.1
Definitions for Attributes of
Incorporated and Unincorporated
Business

Item	Incorporated Businesses	Unincorporated Businesses
Sales	Includes dividends and other revenue items such as rental and investment income. Excludes capital gains	Excludes capital gains, dividends and other revenue items such as rental and investment income.
Pre-Tax Profits	All wages and salaries are included as an expense item.	Wages of the proprietor are usually excluded from salaries, since the business entity and ownership are not differentiable.
Taxes	Taxes are calculated using corporate rates (46%) subject to special abatements such as the small business deduction.	Taxes are calculated at the personal tax rate of the proprietor.
Return on Sales		Profit on sales will usually appear to be higher for small business, since the salaries are not usually included as an expense for the proprietor.

Statistical Profile for Unincorporated and Incorporated Sectors - 1976

2



Introduction

This chapter of the report presents an overview of all commercial sectors (defined below) in the Canadian economy. The distribution of all businesses in Canada, both incorporated and unincorporated, is tabulated for five sales classes. This provides a comprehensive picture with respect to the number of businesses, sales, and pre-tax profits.

The industrial sectors are derived by structuring the industrial classifications used by the Business Finance Division of Statistics Canada into seven (7) major categories. Following, is a brief description of the industrial sector breakdown with SIC classifications included. The SIC Manual was modified somewhat in 1970 to provide a specific description for some industry classifications which were previously aggregated. Nevertheless, the 1970 SIC classification did not significantly affect the 1960 breakdown at the aggregate level presented here. The classifications are as follows:

Manufacturing (SIC 101 to 399 Inclusive)

This category includes both primary and secondary manufacturing. This includes classifications such as primary metal industries, metal fabricating, machinery, petroleum and coal product industries, chemicals, food and beverage, tobacco products, leather, textiles, knitting mills, clothing, wood and furniture.

Transportation (SIC 501 to 519 Inclusive)

This group includes all transport modes such as air, rail, water, truck, bus, urban transit and pipelines.

Construction (SIC 404 to 421 Inclusive)

This encompasses general contractors, and special trade contractors.

Trade (SIC 602 to 699 Inclusive)

This classification includes both wholesale and retail trade. This includes wholesalers of farm products, energy products, merchandising, durables, non-durables, machinery and building materials; also included are retailers of food, durables, non-durables, drugs, florists, alcoholic beverages, jewellery, and books.

Services (SIC 801 to 899 Inclusive)

Services include commercial education and related services, commercial health services, services to business management, amusement and recreation, personal services, and accommodation and food services. Excluded are non-commercial services (SIC 831 and 873).

Finance (SIC 701 to 737 Inclusive)

The most important inclusions in the Finance sector are the banks and other deposit accepting institutions, other credit agencies, security brokers and dealers, investment and holding companies, and real estate operators.

All others (SICs 011 to 099, 524 to 579, 902 to 991)

The most important classifications included here are agriculture, forestry, fishing and trapping, mining, communications, public utilities.

Further details may be obtained from the SIC classification description¹.

Industrial codes for businesses are assigned on the basis of the codes for their constituent establishments. The establishment — typically a factory, mine, store or similar unit — is defined, for statistical purposes, as the smallest separate operating entity capable of reporting basic industrial statistics. For businesses operating from only one establishment, classification is usually quite straightforward. When however, a business has several establishments engaged in different industries, classification is much more difficult. Such businesses are assigned a 3-digit SIC on the basis of the largest share of value added or its equivalent.

Aggregating the industrial classifications into seven sectors reduces the classification problem somewhat because of the averaging process that ensues.

Analysis

All Canada profile

The distribution of all businesses in Canada is presented for five sales classes. Included are incorporated and unincorporated businesses in the seven commercial sectors, as previously described.

Figure 2.1 depicts the incorporated and unincorporated business universe as it existed in 1976. Included as part of the unincorporated universe are statistics (number of businesses, sales) pertaining to self-employed fishermen, farmers, professionals and salesmen. These businesses number approximately 429,021, in aggregate, and have reported sales of 16.6 billion dollars. These statistics are presented to provide an indication of the overall magnitude of the Canadian business universe. However, this data is not sufficiently refined to warrant inclusion in the analyses of the remaining commercial sectors. As a result, the remainder of this section will focus on statistics for the seven commercial sectors only.

¹Available from Statistics Canada — Catalogue No. 12-501-Occasional

In 1976 the Canadian business universe, as covered in this report, consisted of approximately 646,423 businesses. This number is less than the comparable figure published by Statistics Canada and Revenue Canada due to exclusion of unincorporated businesses with less than \$10,000 in sales. Increasing the lower sales boundary, for unincorporated businesses, from \$5,000 (1974 data) to the present \$10,000, excluded an additional 72,000 businesses. As may be seen in Figure 2.1 unincorporated businesses comprise about 50% (321,198) of the businesses in Canada but account for only 7.5% (28.0 billion) of total sales.

Incorporated businesses had reported sales totalling 347.6 billion dollars. Excluded from the preceding figures are professionals, those on commission income, farmers and fishermen. Incorporated farms are included.

Businesses with sales less than \$2 million per year accounted for 97% of all businesses in Canada and for 25% of total sales (Figure 2.2).

Figure 2.3 depicts the unincorporated business universe. The majority of businesses (95%) in this sector have sales less than \$250,000 and account for 60% of the total volume of sales.

Figure 2.4 presents comparable data for the incorporated sector. In this sector 95% of the businesses have sales less than \$2 million per year and account for about 20% of the total volume of sales.

Table 2.1 is a summary of the pie chart and histograms that have been addressed in the preceding analysis. In addition, values for pre-tax profits are presented. Excluded from this table are statistics related to self-employed farmers, fishermen, professionals, and salesmen.

Tables A1.1 to A1.7 inclusive in Appendix A provide a percentage summary of the contribution made to the Canadian economy for six commercial sectors.

Provincial profile

The provincial profiles depict both incorporated as well as unincorporated business in each province over the range of five sales classes. The descriptive statistics presented include the number of businesses and sales.

A problem arises in the construction of the provincial profiles. Much of the sales and profits generated in Canada are provided by large businesses operating in more than one province. In 1976 only about 0.4% of all businesses were multi-province businesses. However, these businesses accounted for 54% of all the taxable income. Provincial sales and net income for multi-province corporations can be allocated to the appropriate province only by the use of a taxable income proxy. If the corporation has taxable income in a number of provinces, then sales and net income are divided among the provinces in the same proportion as taxable income. For example, if corporation X declares 20% of its taxable income in Alberta and 80% in Manitoba, then sales and profits are apportioned accordingly.

If the company declares no taxable income, then sales are allocated to the province in which the District Tax Office, to which the corporation reports, is located. This may be a significant source of bias in the provincial profile if companies which do not report taxable income are large and numerous. At present, there is no practical way of identifying the aforementioned companies and hence assessing the degree of distortion present in the provincial statistics.

The provincial allocation of taxable income (and sales) is based on the proxy: $1/2 (r/R + s/S) T$: where

- r is the annual sales attributable to a jurisdiction
- s is the salaries and wages attributable to a jurisdiction
- R is the total annual sales for the corporation
- S is the total annual salaries and wages for the corporation
- T is the taxable income allocated

This proxy appears to be relatively effective for distributing sales but less effective for the allocation of pre-tax profits. For this reason statistics for pre-tax profits are not presented in the provincial tables. Sales figures for the largest two sales classes should be used cautiously since a large proportion of the sales in these classes are derived from multi-province corporations. Additionally, the statistics for the Yukon and Northwest Territories are included with those of British Columbia and Alberta respectively.

Table 2.2 presents a provincial profile of incorporated and unincorporated business in Canada. The descriptive statistics (number of businesses and sales) are presented for each of five sales classes. For purposes of this section, all businesses with \$2 million in sales or less have been defined as small. All businesses with sales greater than \$2 million are deemed large. This breakdown is not meant as a definition of small versus large business but is made to facilitate the analysis.

Because of rounding procedures, totals for tables at the provincial level may not agree with similar tables at the "All Canada" level.

Newfoundland

There were 8,364 businesses in Newfoundland in 1976. Total sales amounted to about \$3.6 billion — about 1.0% of all business sales in Canada.

Prince Edward Island

Total sales for PEI amounted to \$782 million in 1976 about 0.2% of the national sales total. The number of businesses in the province total 2,706.

Nova Scotia

There were 18,946 businesses in the province of Nova Scotia in 1976. Total sales amounted to about \$7.2 billion or about 2% of total sales in Canada. Small businesses accounted for 34% of total sales and 98% of the total number of businesses.

New Brunswick

There were 17,454 businesses in New Brunswick in 1976 — 98% of these were classified as small. Total sales for all businesses in the province totalled about \$6.6 billion or about 2% of the national total. Small business sales were about 35% of the provincial total.

Quebec

Small businesses in Quebec comprised about 97% of the 146,364 businesses in the province in 1976. Total sales were approximately \$89 billion — about 24% of the national total. Small businesses accounted for about 26% of provincial sales.

Ontario

There were 235,867 businesses in Ontario in 1976 with total sales of \$148 billion — about 40% of the national total. Small business accounted for 97% of the total number of businesses and for 23% of the total provincial sales.

Manitoba

Manitoba had 25,886 businesses located in the province in 1976. Of these, 97% were considered small. Sales in the province totalled about \$13.2 billion — 4% of the national total. Small business accounted for 26% of the province's sales.

Saskatchewan

There were 23,420 businesses in Saskatchewan in 1976. Small businesses accounted for 98% of the businesses and 32% of the total sales in the province. Business sales of \$10.1 billion represented about 3% of all business sales in Canada.

Alberta

Alberta reported 66,095 businesses in 1976. Small businesses accounted for 97% of the number of businesses in the province and for 18% of the reported business sales. Total business sales of \$52.6 billion for the province was about 14% of the national figure. The aforementioned statistics include those of the Northwest Territories.

British Columbia

There were 101,045 businesses in the province of British Columbia in 1976. These businesses reported sales of \$41.6 billion — about 11% of the national figure. Approximately 98% of all businesses in the province were small, and these accounted for 31% of provincial sales. The statistics for British Columbia include those of the Yukon.

Yukon and Northwest Territories

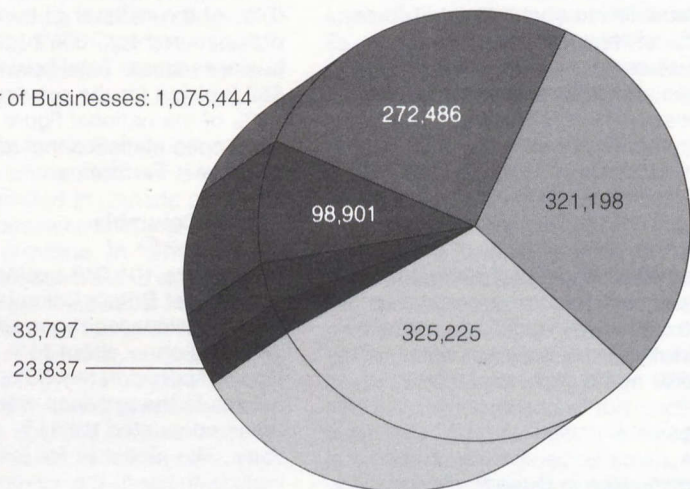
Regrettably, statistics for the Yukon and Northwest Territories could not be reliably separated from those for corporations that filed tax returns in British Columbia and Alberta. For those multi-province corporations that have taxable income, sales are allocated according to a previously described formula. If a corporation has not reported a taxable income, then the district office in which it files the T2 corporate income tax return must be used as a proxy for the location of the corporation. For the Yukon and Northwest Territories, the district tax offices are located in British Columbia and Alberta respectively.

Table A2.1 in Appendix A provides a summary of the above analysis for the provincial business profiles.

Figure 2.1
Profile of All Business in Canada: 1976

Total Number of Businesses, by Type of Business: 1976

Total number of Businesses: 1,075,444



Total Sales, by Type of Business: 1976

Total Sales: \$392.2 Billion

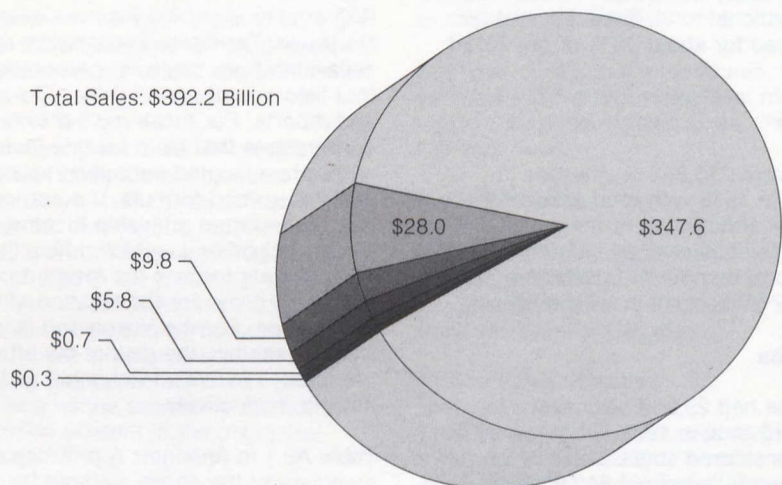


Figure 2.2
Profile of All Business in Canada for
Various Sales Classes: 1976

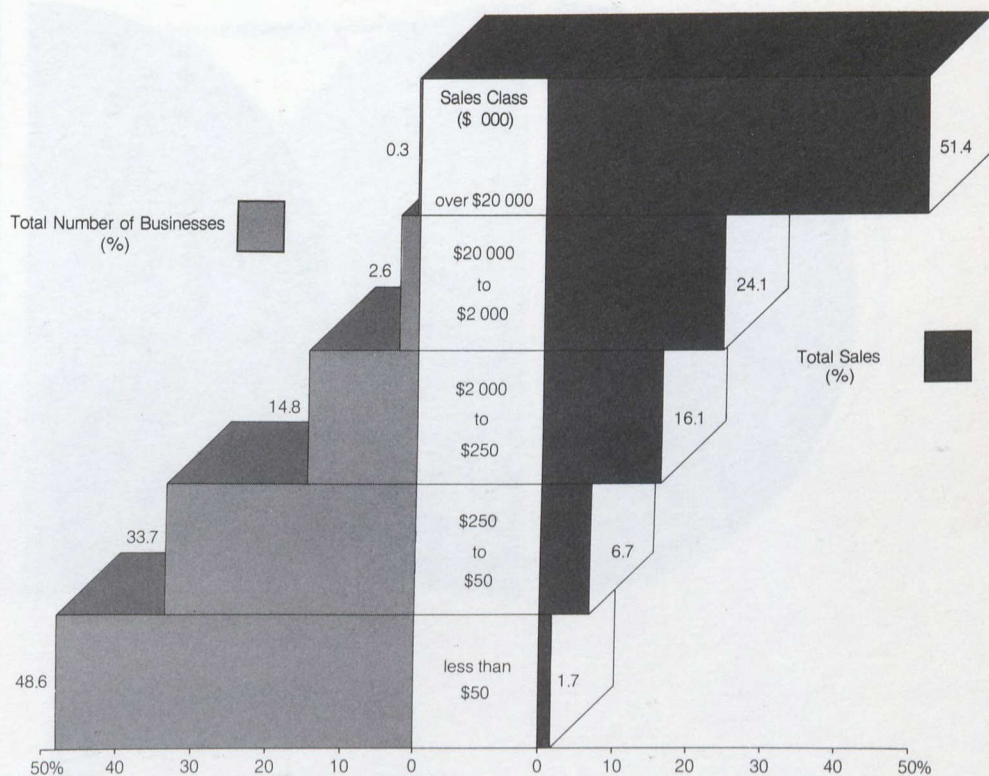


Figure 2.3
Profile of Unincorporated Business in
Canada for Various Sales Classes: 1976

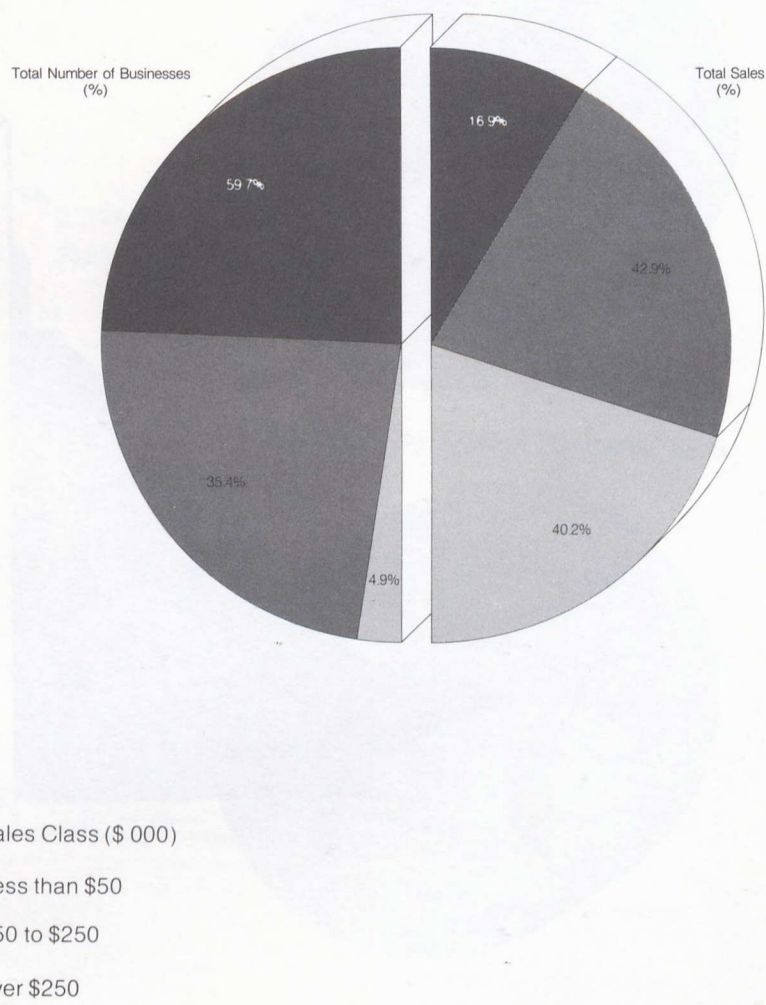


Figure 2.4
Profile of Incorporated Business in
Canada for Various Sales Classes: 1976

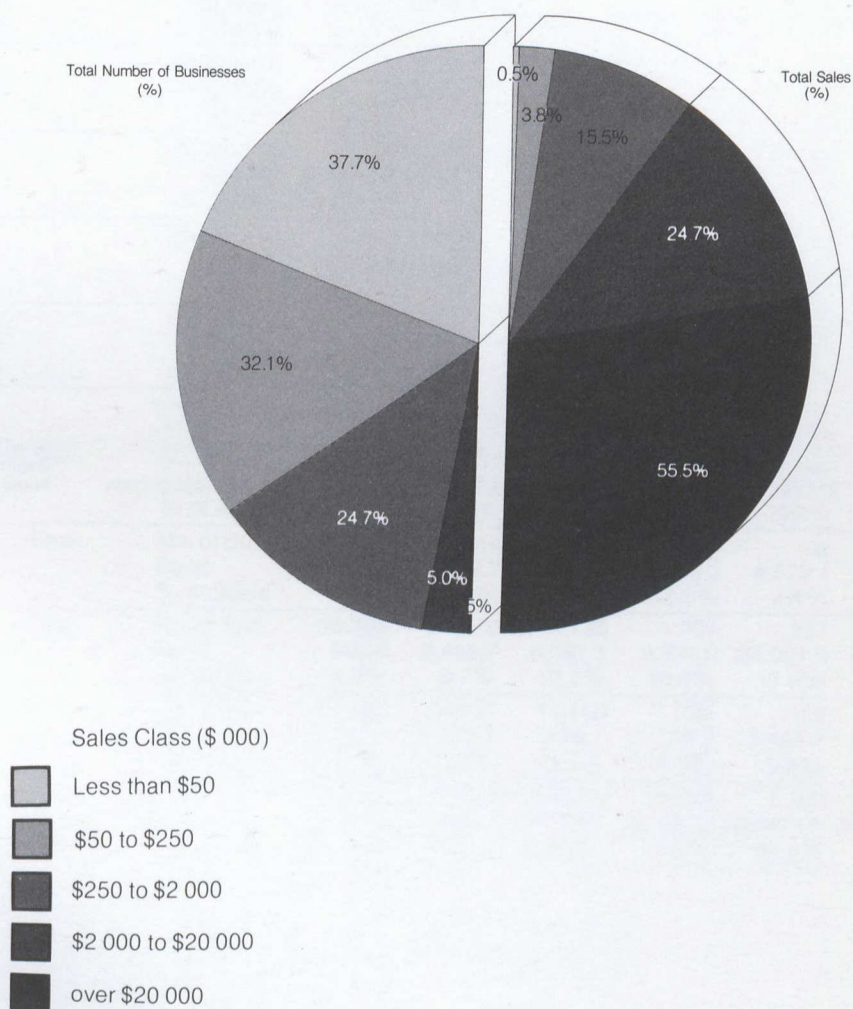


Table 2.1
Profile of All Business for Various
Sales Classes for All Canada: 1976
(In millions of dollars)

Sales Classes (\$000)		Number of Businesses	Total Sales	Profit (Pre-Tax)
Less than \$50	Unincorp.	191,807	4,709.8	1,107.8
	Incorp.	122,439	1,779.8	97.8
	Total	314,246	6,489.6	1,205.6
\$50 to \$250	Unincorp.	113,574	11,985.6	1,485.2
	Incorp.	104,388	13,186.2	1,085.7
	Total	217,962	25,171.8	2,570.9
\$250 to \$2,000	Unincorp.	15,581	6,605.9	406.6
	Incorp.	80,218	53,714.1	3,132.7
	Total	95,799	60,320.0	3,539.3
\$2,000 to \$20,000	Unincorp.	236	4,648.9	91.2
	Incorp.	16,399	86,006.1	5,016.5
	Total	16,635	90,655.0	5,107.7
Over \$20,000	Unincorp.	—	—	—
	Incorp.	1,781	192,959.2	15,020.1
	Total	1,781	192,959.2	15,020.1
Total Canada	Unincorp.	321,198	27,950.2	3,090.8
	Incorp.	325,225	347,645.4	24,352.8
	Total	646,423	375,595.6	27,443.6

Sources: Business Finance Division,
Statistics Canada,
Tax Record Access Sub-Division,
Statistics Canada.

Small Business Secretariat,
Department of Industry,
Trade and Commerce.

Table 2.2
Profile of All Business for Various
Sales Classes for Each Province: 1976
(In millions of dollars)

Province		Sales Class (\$000)					Total
		Less than \$50	\$50 to \$250	\$250 to \$2,000	\$2,000 to \$20,000	Over \$20,000	
Nfld.	No. of Bus.	4,105	2,721	1,303	216	19	8,364
	Sales	94.7	327.8	*	*	*	3,645.9
	% of Sales	1.4%	1.3%				1.0 %
P.E.I.	No. of Bus.	1,298	891	459	57	1	2,706
	Sales	27.0	105.2	*	*	*	782.3
	% of Sales	0.4%	0.4%				0.2%
N.S.	No. of Bus.	9,080	7,104	2,361	372	29	18,946
	Sales	194.4	818.1	1,450.4	1,862.0	2,839.1	7,164.0
	% of Sales	3.0%	3.2%	2.4%	2.1%	1.5%	1.9%
N.B.	No. of Bus.	8,661	6,168	2,283	314	28	17,454
	Sales	186.5	719.9	1,399.1	1,571.8	2,709.0	6,586.3
	% of Sales	2.9%	2.9%	2.3%	1.7%	1.4%	1.7%
Que.	No. of Bus.	66,513	49,842	24,919	4,708	382	146,364
	Sales	1,428.1	5,831.5	16,032.3	25,613.1	40,566.6	89,471.6
	% of Sales	22.0%	23.2%	26.6%	28.3%	21.2%	24.0%
Ont.	No. of Bus.	114,766	79,276	34,689	6,407	729	235,867
	Sales	2,328.4	9,137.4	22,063.4	35,084.7	79,653.0	148,266.9
	% of Sales	35.9%	36.3%	36.6%	38.8%	41.7%	39.7%
Man.	No. of Bus.	13,728	7,871	3,599	628	60	25,886
	Sales	278.5	894.8	2,267.8	3,334.5	6,386.9	13,162.5
	% of Sales	4.3%	3.5%	3.8%	3.7%	3.3%	3.5%
Sask.	No. of Bus.	11,557	8,114	3,256	451	42	23,420
	Sales	256.9	932.7	2,014.9	2,283.3	4,573.1	10,060.9
	% of Sales	4.0%	3.7%	3.3%	2.5%	2.4%	2.7%
Alta.	No. of Bus.	33,395	20,979	9,730	1,704	287	66,095
	Sales	680.8	2,428.7	6,081.1	9,331.0	34,091.0	52,612.6
	% of Sales	10.5%	9.7%	10.1%	10.3%	17.9%	14.1%
B.C.	No. of Bus.	51,027	34,918	13,150	1,761	189	101,045
	Sales	1,011.1	3,962.5	7,892.7	10,063.7	18,691.7	41,621.7
	% of Sales	15.6%	15.8%	13.1%	11.1%	9.8%	11.2%
All Canada	No. of Bus.	314,130	217,884	95,749	16,618	1,766	646,147
	Sales	6,486.4	25,158.6	60,280.9	90,537.0	190,911.8	373,374.7
	% of Sales	100%	100%	98.2%	98.5%	99.2%	100%

Sources: Business Finance Division,
Statistics Canada
Tax Record Access Sub-Division,
Statistics Canada.

Small Business Secretariat,
Department of Industry
Trade and Commerce.

*Omitted because of confidentiality requirement

Contribution to GNP for Various Sizes of Business

3



Introduction

In this section the contribution to Gross National Product (GNP) made by various sizes of businesses in five commercial sectors¹ will be examined. The Finance and "others" sectors are excluded from the analyses because of data suitability and interpretation problems as previously discussed in Chapter 1. To facilitate analysis, businesses with less than \$2 million in total sales will be classed as "small", while those having \$2 million or more in total sales will be called "large". This ad hoc usage of the terms small and large business is one of convenience and is not meant to be definitive.

The contribution to GNP is measured using income data for incorporated and unincorporated businesses in Canada. Specifically, base profits (includes depreciation) and salaries and wage data were used for incorporated businesses, while pre-tax profit, depreciation, and salaries and wage data were used for the unincorporated sector to measure the contribution to business GNP. Data detailing the gross receipts from ownership of land and buildings (less allowable expenses), commonly defined as "rent", was omitted because it was not available from the data sources used for this study. The attributes used to measure the contribution to GNP comprise about 90% of the actual total contribution made by businesses of various sizes in the five commercial sectors.

The results of the analyses (to follow) are presented in both absolute and relative terms. However, from preceding discussion, it is apparent that while the absolute value of the measure of contribution to GNP slightly underestimates the actual contribution, the *relative* contribution accurately reflects the contribution made by various sizes of businesses.

Analysis

The relative contribution to GNP made by all businesses of various sizes, in five selected commercial sectors is depicted in Figure 3.1. Small businesses, in the five aforementioned sectors, were responsible for about 30% of the total contribution to business GNP in these sectors in 1976. These same small businesses generated about 25% of the total sales (Figure 3.1). The small business contribution to business GNP in the five sectors is in excess of their impact in the market, as measured by their percentage of sales. One possible explanation for this may be the fact that small businesses are more labour intensive relative to large businesses. Salaries and wages account for about 76% of the small business contribution to GNP, compared with 65% of the contribution made by large businesses¹. The five commercial sectors, referred to above, accounted for about 42% of Canada's total GNP. The difference being comprised of financial institutions, government at all levels, hospitals and "others".

In the commercial sectors that are relatively labour intensive, the small business portion of the total contribution to GNP is substantial. For example, in the Service, Construction and Trade sectors, the small business contribution to GNP was approximately 58%, 53% and 37% respectively; see Tables A3.5, A3.3, and A3.4 in Appendix A. In sectors that are relatively capital intensive — Manufacturing and Transportation — the small business contribution to GNP was 12% and 25% respectively; see Tables A3.1 and A3.2 for details. Table 3.1 presents an overview of five commercial sectors in aggregate.

The absolute and relative statistics that pertain to the contribution to GNP made by various sizes of businesses in each of six commercial sectors, are to be found in Appendix A, Tables A3.1 to A3.6 (inclusive).

¹The five commercial sectors are: Manufacturing, Trade, Services, Construction and Transportation — as previously defined.

¹Statistics are from unpublished data obtained from Statistics Canada.

Figure 3.1
The Relative Contribution to GNP
Made by Business *Within a Sales*
Class, by Sector: 1976

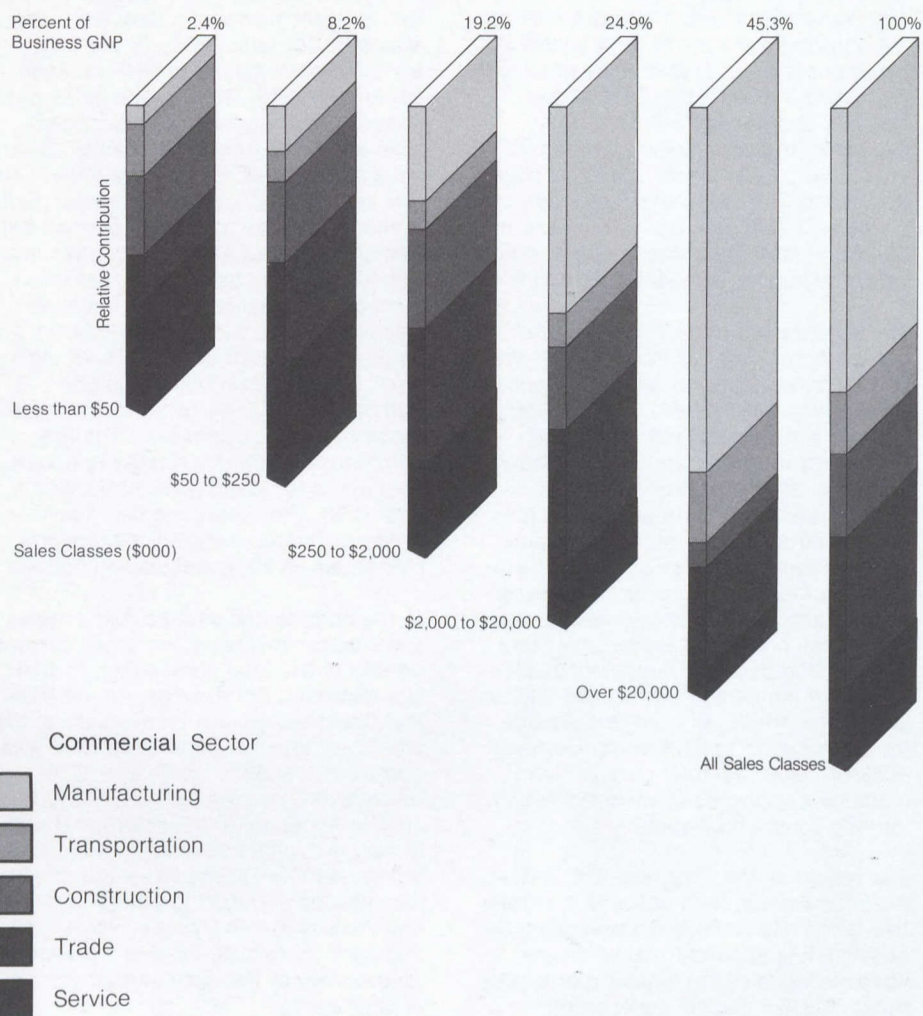
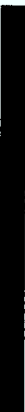


Table 3.1
Contribution to GNP Made by All
Business for Various Sales Classes
for Five Commercial Sectors: 1976

Sales Class (\$000)	Number of Businesses	Total Sales (\$ million)	Business Contribution to GNP (\$ million)	Percent of Business GNP
Less than \$50	211,615	4,761.7	1,931.7	2.4%
\$50 to \$250	167,309	19,574.9	6,495.7	8.2%
\$250 to \$2,000	81,258	51,993.2	15,241.1	19.2%
\$2,000 to \$20,000	14,817	80,493.9	19,752.1	24.9%
Over \$20,000	1,472	147,170.8	36,044.3	45.3%
Total Canada	476,471	303,994.5	79,464.9	100%

Sources: Business Finance Division,
 Statistics Canada,
 Tax Record Access Sub-Division,
 Statistics Canada.

Small Business Secretariat,
 Department of Industry,
 Trade and Commerce.



Employment by Sector and Sales Class

4



Introduction

The following employment profile is an estimate of total employment for an aggregate of five commercial sectors, over four sales classes. The aforementioned estimates are provided for four time periods, at two year intervals for the years 1972-1978 inclusive. The reader is reminded that the Finance sector is excluded because it introduces some distortions as discussed in the Introduction to this report. The "others" sector is excluded for all analyses.

Additionally, employment estimates are provided for an aggregation of six commercial sectors (including Finance) and for each of the six commercial sectors for the years 1974 and 1976. The term "employment" as used in this study, is all inclusive. It includes employees and working owners of unincorporated businesses. This distinction is significant, in that some current studies on the subject do not include the latter. In 1976, there were approximately 275,000 sole proprietors in Canada and virtually all of these owned small businesses.

It was originally intended that a detailed examination of capital intensity be included as part of the employment profile; the rationale being that the capital to labour mix is a major determinant of the number of people that will be employed by various sizes of business. The results of the analyses to date, however, were inconclusive. This could have occurred for a variety of reasons, the most probable being that the measures used were too weak to detect the expected trends. The measures selected were entirely conditioned by data availability, and, as a consequence, there was no choice as to which measures to select.

Although the results of the analysis proved to be inconclusive, it was still decided to include the data that were produced. The data are contained in Appendix A, Tables A4.8 and A4.13 (inclusive). It is hoped that the inclusion of these data will stimulate researchers to add to and improve on these tentative findings. The text for this section will provide an explanation of the three ratios that were used, without elaborating on the results.

Methodology — Employment Statistics

A methodology to derive employment estimates using tax data was required because of the lack of published employment estimates for various sizes of business (i.e., using magnitude of sales as the size criterion). Although it was possible to derive employment estimates from salary and wage data available from Statistics Canada tax data, the resulting employment estimates were unreliable for our purposes.

Subsequently, an internal data file at Industry, Trade and Commerce (IT&C), was used to obtain estimates of the average value of sales per employee for each sales class and commercial sector of interest. This IT&C file provides an adequate "sample representation" of the business universe for selected business attributes¹. Employment estimates for 1974 and 1976 were then determined by dividing the average sales per employee (from the IT&C file) into the total annual value of sales (from the Statistics Canada tax file) for each selected sales class and commercial sector.

Similar procedures were used to estimate employment for 1972 and 1978. However, additional information and methodological assumptions were required. Consequently, the employment estimates for 1974 and 1976 are, in general, more reliable than the 1972 and 1978 results. Detailed reliability analyses of these results are also contained in the Small Business Secretariat working paper (see aforementioned footnote).

Analysis

Employment

Figure 4.1 depicts employment trends in relative terms, for an aggregation of five commercial sectors, across four sales classes, from 1972-1978 inclusive. Small

businesses — those with less than \$2 million in sales — account for approximately 42% of the total employment in each of the four years for which estimates were available. Table 4.1 presents data (in absolute terms) for the attributes employment, sales and number of businesses.

Tables A4.1 to A4.7 inclusive in Appendix A provide employment statistics for each of six commercial sectors. The proportion of total employment (within each sector) ascribed to small businesses varies widely among the commercial sectors. For those sectors of the economy that are relatively less concentrated and relatively labour intensive — Construction, Service, and Trade — small businesses' share of total employment was 68%, 66%, and 46%, respectively, in 1976. In the highly concentrated sectors — Transportation and Manufacturing — small businesses' provided for about 40% and 20%, respectively, of the total employment within these sectors in 1976.

Capital intensity

Three ratios are used to measure capital intensity for various sizes of businesses within each of six commercial sectors:

- salaries and wages to net fixed assets, when examined over a range of business sizes, provides a crude measure of the rate of substitution of capital for labour. If large businesses are substituting capital for labour, then the value taken on by this ratio should decrease as business size increases, *ceteris paribus*.
- sales to salaries and wages measures the output (in dollars) that is earned when one hundred dollars of labour is purchased. If capital is being substituted for labour this ratio should increase as business size increases, *ceteris paribus*.
- sales to net fixed assets provides a measure of output per hundred dollars of capital. If large businesses are more capital intensive than their smaller counterparts this ratio should decrease with an increase in business size, *ceteris paribus*. See Appendix A, Tables A4.8 to A4.13 (inclusive) for results.

¹ A detailed working paper, that describes this IT&C data file in conjunction with the tax-based employment estimation methodology, is available from the Small Business Secretariat.

Figure 4.1
Employment Profile for Various Sales
Classes for Five Commercial Sectors
for All of Canada: 1972-1978

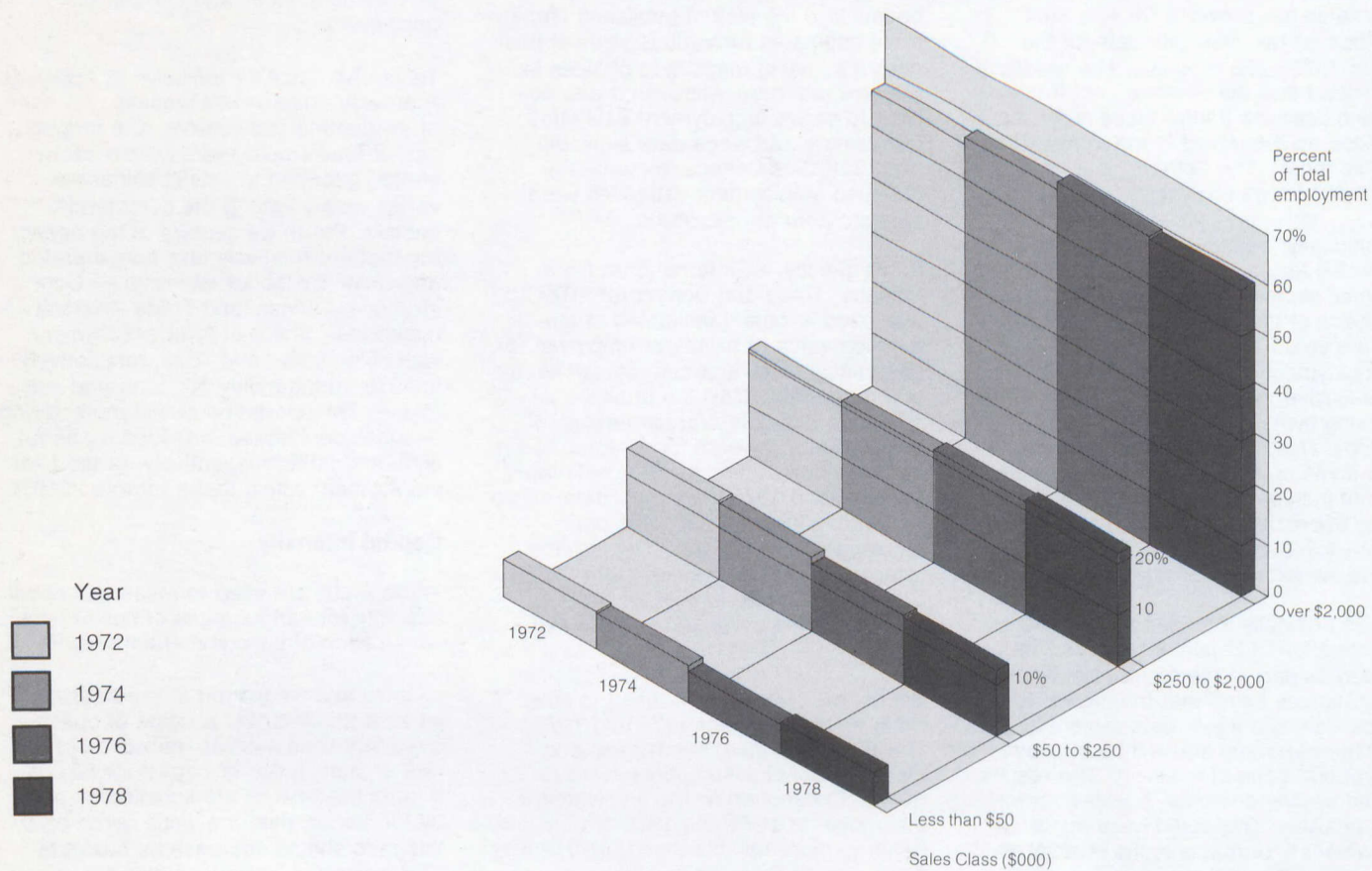


Table 4.1
Employment Profile of All Business in
Canada for Five Commercial Sectors
and Various Sales Classes: 1972-1978
 (in millions of dollars)

Sales Class (\$000)	1972	1974	1976	1978
Less than \$50				
No. of Businesses	233,745	252,041	211,615	228,179
Total Sales	5,135.4	5,022.9	4,761.7	5,195.6
Employment	413,945	393,213	361,996	383,581
\$50 to \$250				
No. of Businesses	142,087	153,209	167,309	180,405
Total Sales	16,010.4	17,732.3	19,574.9	21,507.9
Employment	844,831	829,853	812,473	791,750
\$250 to \$2,000				
No. of Businesses	62,988	67,918	81,258	87,618
Total Sales	39,705.7	43,475.9	51,993.2	56,482.1
Employment	1,182,139	1,203,952	1,339,203	1,356,406
Over \$2,000				
No. of Businesses	12,500	13,479	16,289	17,564
Total Sales	149,150.0	178,239.9	227,664.7	265,667.1
Employment	3,246,202	3,345,218	3,684,551	3,707,742
Grand Total				
No. of Businesses	451,320	486,647	476,471	513,766
Total Sales	210,001.5	244,471.0	303,994.5	348,852.7
Employment	5,687,117	5,772,236	6,198,223	6,239,479

Sources: Business Finance Division,
 Statistics Canada,
 Tax Record Access Sub-Division,
 Statistics Canada,
 Department of Industry, Trade
 and Commerce.

Small Business Secretariat,
 Department of Industry, Trade
 and Commerce.

Viability of the Small Business Sector

5



Introduction

In this section various aspects of the financial health of small business are discussed. In the first instance, the concept of interquartile analysis is introduced and the results for small businesses are compared to those for large businesses for a small number of industrial sectors. The interquartile analysis addresses the following question: if all the businesses in a group are ranked in order of performance, then how did the median (or average) business perform compared to the 25th percentile business and the 75th percentile? The interquartile analysis is applied using four key financial ratios.

A second important indicator of the financial viability of small business is the net change in the number of corporations over time. This includes new business formations as well as discontinued businesses. These statistics are presented for the 1975 calendar year.

It should be emphasized that the statistics to be presented relate to one year only. The results that are depicted in this single snapshot have been affected by such environmental factors as Anti-Inflation Board (AIB) rulings, and the business cycle. It is therefore not possible or appropriate to draw any long term inferences from the data presented herein.

Interquartile Analysis of Financial Performance

The interquartile analysis was prepared using the incorporated business universe file. All businesses within an industrial sector were ranked according to the four financial ratios described below, and the performance of the above average performer (i.e., the 75th percentile), the average performer (i.e., the median or 50th percentile), and the below average performer (i.e., the 25th Percentile) were tabulated.

Next, each SIC class was segmented (using sales) into five size groupings: less than \$50K, \$50K-\$250K, \$250K-\$2M, \$2M-\$20M and greater than \$20M. The size classes were subsequently subjected to interquartile analysis. Unfortunately, when all businesses were divided into a large number of small sub-groups two problems emerged: confidentiality, and a statistical problem related to the minimum sub-group size required to complete an interquartile analysis (i.e. a minimum of ten firms were required). As a result, in a large number of SIC classes the interquartile analysis could not be completed for each of the aforementioned size groupings. Results are discussed below for some of the SIC classes for which data was available. For purposes of the analyses only two size groupings were used. The \$250K-\$2M grouping was considered to be representative of small businesses, while the \$2M-\$20M grouping was considered representative of large businesses.

All businesses were ranked with respect to four key financial ratios: pre-tax profits to sales, sales to assets, assets to equity and pre-tax profits to equity. The pre-tax return on equity of a business is dependent on the three preceding ratios.¹ The profit margin on each dollar of sales is converted to a final profit on equity through asset turnover and equity leverage. In other words, the greater the assets employed for each dollar of equity (through the use of debt), the greater the final profits returned on the equity. Similarly, the greater the sales productivity for each dollar of assets employed in the business, the greater the final profits returned on equity, *ceteris paribus*.

See Appendix A, Tables A4.8 to A4.13 (inclusive) for results.

The relationship between the various ratios, as presented above, can be used to derive the potential return on equity that could be obtained. It must be pointed out, however, that for the examples presented, the product of the ratios on the left side of the equation will not equal the return on equity. This occurs because the values for each of the four ratios were ranked independently. The values for the first, second and third quartile for each ratio were obtained independently and as such do not reflect a single firm's performance but rather the performance of a hypothetical firm. That is to say that if one were to determine the product of values for: profit margin by asset turnover by equity leverage, using data presented in the examples for the third quartile (for example) one could determine the hypothetical return on equity. However, the value obtained in this manner would not equal the actual return presented in the example.

It is useful when studying the performance of a particular business (within a given size class in a specific SIC group) to assess the performance of that business with respect to each of the ratios. For example, a business that returns a high profit margin on sales may have a low return on equity because of low asset turnover as well as modest leverage. There are of course, constraints on the level of asset turnover and sales margin that can be achieved. However, this type of analysis will indicate where there are weaknesses or strengths in a firm's performance in relation to other businesses.

It should be noted that asset turnover may appear unusually high if either of the following occurs:

- the fixed assets owned by the firm are old and hence largely written off;
- the firm leases rather than purchases fixed assets as a matter of policy.

¹

Pre-Tax Profits	x	Sales	x	Assets	=	Pre-Tax Profits
Sales		Assets		Equity		Equity

(profit margin) x (asset turnover) x (equity leverage) = (return on equity)

Also the values for each attribute, used in computing the aforementioned ratios, reflect book values and not market values. Some specific examples of this type of analysis are now described. Tables of interquartile analysis for a number of other SIC groups are also included in Appendix A.

In Table 5.1, an interquartile analysis is provided for SIC 327, Shipbuilding and Repairs. In this particular case, small businesses had a lower average pre-tax profit margin (4.1%) than large businesses (7.1%); however, because of a much higher average level of asset leverage (2.2 times for the small firms versus 1.6 times for the large firms), the average return on equity for the small firms (28.1%) exceeded that for the larger firms (20.9%). Using the interquartile analysis the average value for any ratio is equal to the value of the second quartile (50th percentile). In the example presented above small business had an average pre-tax profit margin of 4.1%. Since the average margin is based on the 50th percentile, it can be stated that 50% of small businesses had a pre-tax profit margin of less than 4.1%, in SIC 327.

Tables A5.1.1 to A5.1.5 in Appendix A include a cross-section of interquartile analysis for businesses in five commercial sectors.

In Table 5.2 a comparison is drawn (for illustrative purposes) using interquartile analysis for the small versus large business, for a small number of SIC groups (5) in each of five major commercial sectors (Manufacturing, Trade, Construction, Services, and Transportation). For each sector an unweighted average, using the median of each SIC group, was created as an indicator of performance.

Although in this particular, non-random selection of companies, small businesses appear to have performed better than large businesses, it must be stressed that only five SIC's were included in each sector average. Furthermore, the average was based on unweighted data.

These particular results, therefore, cannot be used for inferring the relative performance of small versus large business. The results are indicative of the potential of this type of analysis. The methodology is being refined and extended — details will be contained in a subsequent working paper.

Tables A5.2.1 to A5.2.6 in Appendix A include a list of SIC groups within the five commercial sectors ranked according to pre-tax profits on sales. In this case the analysis includes businesses of all sizes within each SIC group. For example, in the Manufacturing sector the following three SIC's had the highest return on sales, based on pre-tax profit margins: (from Table A5.2.1).

- Wool Yarn Mills (SIC 193)
- Refractories Manufacturers (SIC 352)
- Cord and Twine Industry (SIC 213)

The SIC's earning the lowest return on sales included (from Table A5.2.2)

- Manufacturing of Household Radio and Television Receivers (SIC 334)
- Veneer and Plywood Mills (SIC 252)
- Cotton Yarn and Cloth Mills (SIC 183)

Trends in New Business Formation

Recent data from Statistics Canada pertaining to new company formation reveals some interesting characteristics of new business incorporations for the year 1975.

Table 5.3 describes the relative geographic distribution of new incorporations for 1975 compared to the known business universe reported in 1974. The largest proportion of new businesses were incorporated in Ontario (34.6%) followed by British Columbia (19.6%). As an interesting observation, the volume of new business incorporations in British Columbia, Alberta and Manitoba in 1975 exceeded each of these provinces proportion of the total number of businesses in Canada.

At the end of 1974 there were 281,889 corporations as reported by Statistics Canada¹. The net changes from 1974 to 1975 were:

- 41,206 new incorporations
- 24,755 corporations discontinued (includes commercial failures)
- 2,853 commercial failures

As a result, there were 298,340 corporations at the end of 1975. Of the 41,206 new corporations in 1975, 86.4% were businesses with less than \$250,000 in assets — clearly representative of very small businesses.

Most of the new business incorporations reported in 1975 occurred in three sectors: Services, Finance and "Others". Surprisingly, only 4.2% of new business incorporations were classified as Primary Manufacturing and only 1.2% as Secondary Manufacturing. Table 5.4 below describes the distribution of new business incorporations and compares this distribution to that of existing businesses.

¹Corporation financial statistics — Catalogue 61-207 Annual.

Table 5.1
SIC 327, Shipbuilding and Repair
Interquartile Analysis: 1976

Sales Class (\$000)	Quartile (Q)	Pre-Tax Profits/ Sales (%)	Sales/ Assets	Assets/ Equity	Pre-Tax Profits/ Equity (%)
\$250 to \$2,000	2Q 1Q - 3Q	4.1 1.4 - 12.5	1.8 1.5 - 2.4	2.2 1.4 - 4.8	28.1 5.1 - 42.3
\$2,000 to \$20,000	2Q 1Q - 3Q	7.1 4.6 - 12.0	1.7 1.3 - 2.4	1.6 1.4 - 2.5	20.9 10.3 - 37.5

Source: Business Finance Division,
 Statistics Canada.

Table 5.2
Illustration of Average
Performance for Five Major
Commercial Sectors: 1976
 (Based on Five Selected SIC Medians per Sector)

Sector	Business Size*	Pre-Tax Profits/ Sales (%)	Sales/ Assets	Assets/ Equity	Pre-Tax Profits/ Equity (%)
Manufacturing	Small	6.5	1.9	2.0	28.6
	Large	6.9	1.7	2.0	26.4
Trade	Small	6.0	2.1	2.3	35.3
	Large	3.8	3.1	3.5	30.0
Construction	Small	4.9	2.2	2.9	31.4
	Large	4.0	2.2	3.6	30.8
Services	Small	8.1	1.7	2.5	34.5
	Large	4.3	1.9	2.6	27.0
Transportation	Small	4.5	2.0	2.9	26.9
	Large	4.2	2.4	4.1	28.4

Source: Business Finance Division,
 Statistics Canada.

Small Business Secretariat,
 Department of Industry,
 Trade and Commerce.

*Small refers to the sales class \$250,000 - \$2,000,000
 Large refers to the sales class \$2,000,000 - \$20,000,000

Table 5.3
Geographic Distribution of the
Growth in New Corporations in
1975 Versus the 1974 Corporation
Universe

Province	Universe: 1974 Number	New Corporations: 1975 Number	Growth Percent
Newfoundland	2,829	545	19.3
Prince Edward Island	959	191	19.9
Nova Scotia	6,390	1,071	16.8
New Brunswick	5,142	863	16.8
Quebec	51,179	7,599	14.8
Ontario	89,564	14,261	15.9
Manitoba	10,525	1,475	14.0
Saskatchewan	8,976	1,397	15.6
Alberta	29,561	5,717	19.3
British Columbia Yukon and N.W.T.	47,683	8,087	17.0
Total Canada	252,808	41,206	16.3

Sources: Business Finance Division,
 Statistics Canada.

Small Business Secretariat,
 Department of Industry,
 Trade and Commerce.

Table 5.4
Distribution of New Corporations in
1975 Versus 1975 Corporation
Universe by Commercial Sector

Commercial Sector	Universe: 1975		New Corporations: 1975	
	Number	Percent	Number	Percent
Primary Manufacturing	1,736	4.2	14,401	4.8
Secondary Manufacturing	507	1.2	13,072	4.4
Transportation	3,047	7.4	10,396	3.5
Construction	5,879	14.3	33,353	11.2
Wholesale Trade	1,726	4.2	31,727	10.6
Retail Trade	3,963	9.6	46,882	15.7
Services	6,622	16.1	48,789	16.4
Finance	8,587	20.8	82,700	27.7
All Other	9,139	22.2	17,020	5.7
Total Canada	41,206	100.0	298,340	100.0

Source: Statistics Canada
 - Unpublished data for 1975
 - 61-207, Corporation Financial
 Statistics, 1975.

Small Business Secretariat,
 Department of Industry,
 Trade and Commerce.

Taxes Paid by Various Sizes of Business

6



Introduction

This section of the report will present the results obtained from an analysis of the taxes paid by various sizes of businesses in 1976. A tax profile will be presented for incorporated businesses only, as profits for unincorporated businesses are taxed at personal rather than corporate rates. The attribute — current taxes payable — used to measure taxes paid, consists of the corporate provision for Canadian federal and provincial income taxes payable in the current year. This attribute is a close approximation to the actual taxes paid by a corporation in a given year, and is thought to be quite accurate at the major sector level.

Corporate, taxable income is nominally taxed at a rate of 46%. However, because taxes are used as a policy instrument very few corporations are actually taxed at the nominal rate. For example, the first \$150,000 of taxable income for small, Canadian controlled, private corporations is taxed at a rate of 25%. Another tax credit available is the "manufacturing and processing profits deduction" which effectively reduces the rate of taxation to 40% for large manufacturers and to 20% for small manufacturers. Additionally, a 5% investment tax credit is available. This tax credit enables firms to deduct from tax that is otherwise payable an amount equal to 5% of the capital cost of new buildings, machinery and equipment used in manufacturing and processing operations. Accelerated write-offs (depreciation) for various classes of capital assets are also available. The major impact of faster write-offs is to increase the deferred tax liability account while reducing taxes payable in the current year.

The wide range of tax advantages affect businesses, of various sizes and in each commercial sector, to varying degrees. The ensuing analyses results from an examination of very aggregated data — data at the major commercial sector level. The reader will appreciate that

businesses in a major commercial sector are not homogeneous. They sell different products under different market conditions, and accordingly are treated differently under the tax act. As a final word of caution, data is presented for one year only, and it is therefore not possible to infer any long term trends in taxation.

The effective rate of taxation on pre-tax profits will be expressed in two ways. The first expresses taxes paid as a percentage of pre-tax profits for all businesses, including those having net losses. The effect of including corporations having negative profits (losses) is, of course, to reduce the net value taken on by the denominator of the ratio. This results in a rate of taxation that reflects the rate of taxation that is borne by corporations at large, in a particular sector. This rate is not indicative of the average tax rate borne by each of those corporations that actually pay taxes and has the effect of overstating the rate of taxation borne by only those corporations having taxable income. The second method of expressing the rate of taxation is to include only those corporations having taxable income when computing the ratio of taxes payable to pre-tax profits.

There are small distortions inherent in the results that follow. The problem stems from the fact that the rates of taxation were calculated by aggregating all current taxes payable for a given sector and sales class, and dividing by a similar aggregation of pre-tax profits. The results obtained as a result of this calculation are slightly biased towards the larger corporations in a given cell. However, the degree of bias is mitigated by dividing the corporate universe into several size classes. This limits the size of corporation in any one cell, thereby reducing the tendency for the rate of taxation paid by the large corporations to dominate the average for that cell.

Analysis

Table 6.1 displays the relative tax rate for corporations of various sizes, for an aggregate of five commercial sectors. This table shows that small businesses with sales of less than \$250,000 per year were taxed as a group, at an effective rate of 38%. Small businesses with sales of between \$250,000 and \$2 million per year were taxed at a rate of 28% of their pre-tax profits. Large businesses, with sales of \$2 million to \$20 million, and over \$20 million per year were taxed at rates of 36% and 29% respectively. The reader will recall from the introductory discussion that the first method of expressing the rate of taxation included losses in the denominator of the ratio.

Tables A6.1 to A6.6 inclusive, in Appendix A, display the effective tax rate paid by various sizes of business in each of six commercial sectors.

The rates of taxation for each of the five comparable commercial sectors reflect those found in Table 6.1 with the following exceptions. The rate of taxation for corporations with less than \$250,000 in annual sales, in the Manufacturing sector (Table A6.1), was 114%. This is indicative of the financial losses incurred by manufacturing corporations of this size in 1976. Also, it should be noted that in Table A6.4 — Trade sector — for corporations with sales in excess of \$20 million per annum the rate of taxation is 22%. This value underestimates the true rate of taxation for this sector and sales class. The low estimate results from the fact that provincial liquor, wine and beer stores are included in the taxation statistics. These stores earn large profits and are exempt from taxation. In Table A6.8, corporations in the transportation sector with \$20 million and more in sales appear to be taxed at a rate of 21%. The relatively low tax rate reflects the fact that several of these corporations reported substantial amounts of pre-tax profits and were also able to claim tax rebates as a result of losses carried forward from the previous tax year. This provision in the Tax Act can obviously have an effect on all tax rates presented in this report.

Table 6.2 presents a measure of the relative tax rate borne by *profitable* corporations (from a tax viewpoint) of various sizes in five selected commercial sectors. Corporations having less than \$250,000 in sales per annum were taxed at an average rate of 21% of profits. Small corporations with between \$250,000 and \$2 million in annual sales were taxed at an average rate of 23%. Large businesses with sales of between \$2 million and \$20 million were taxed, on average, at a rate of 31%, while those with more than \$20 million in sales experienced a 27% tax rate. Tables A6.7 to A6.12 inclusive in Appendix A, detail the rates of taxation paid by profitable corporations of various sizes, in each of six commercial sectors.

Figure 6.1 compares the percentage of the total tax bill paid by profitable corporations of various sizes in an aggregate of five commercial sectors, with the percentage of total pre-tax dollars earned by these same corporations. Small businesses — those with less than \$2 million in sales — paid 17.4% of the total tax bill for these sectors. These same small businesses earned 20.8% of the total profits. Large businesses paid 82.6% of the total tax bill and earned 79.2% of the profits. The apparent imbalance between the proportion of taxes paid and the proportion of profits earned may, in part, be explained by the differences in the nominal tax rate that exists between small and large businesses. The tax act entitles Canadian controlled private corporations to a small business deduction. The effect of this deduction is to reduce the nominal tax rate, for qualified companies, to about 25% as compared to a nominal rate of 46% for all other corporations.

Figure 6.1
Percentage Comparison of Taxes Paid
Versus Pre-tax Profits Earned for
Various Sales Classes for All Profitable
Incorporated Business for Five
Commercial Sectors: 1976

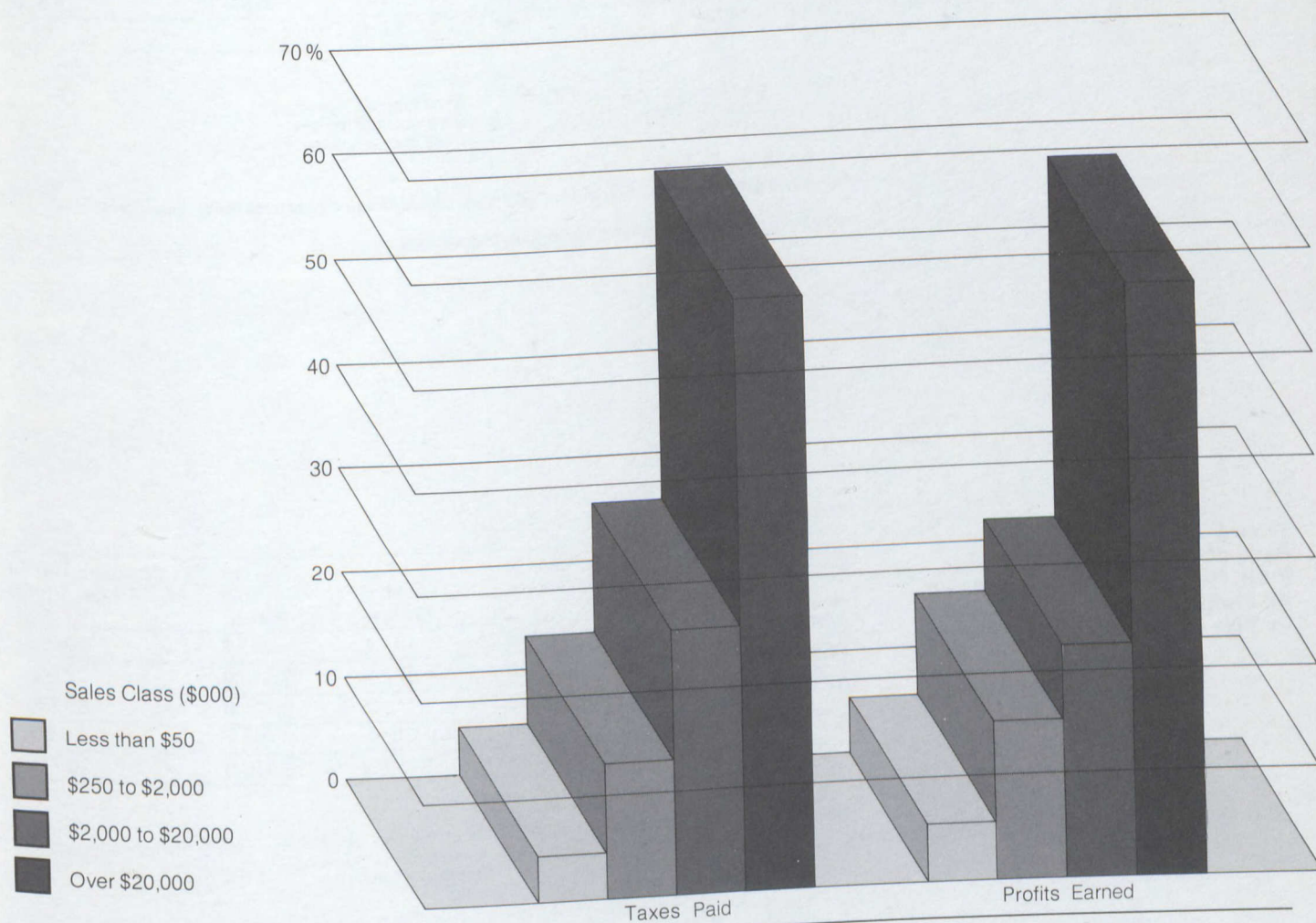


Table 6.1
Ratio of Taxes Payable to Pre-Tax
Profit for Various Sales Classes for
All Incorporated Business for Five
Commercial Sectors: 1976

Sales Class (\$000)	Number of Businesses	Tax Payable (\$Million)	Pre-Tax Profit (\$Million)	Tax Payable x 100%/ Pre-tax Profit
Less than \$250	133,910	189.1	493.9	38.3%
\$250 to \$2,000	69,106	557.2	2,014.0	27.7%
\$2,000 to \$20,000	14,633	1,101.5	3,070.2	35.9%
Over \$20,000	1,334 *	2,314.2 *	8,049.1 *	28.8% *
Total Canada	**	**	**	**

Source: Business Finance Division,
 Statistics Canada.

Small Business Secretariat,
 Department of Industry,
 Trade and Commerce.

*Excludes data for Construction and Transportation sectors because of confidentiality requirements.

**Data not available because of confidentiality requirements.

Table 6.2
Ratio of Taxes Payable to Pre-Tax
Profit for Various Sales Classes for
All Profitable Incorporated Business
for Five Commercial Sectors: 1976

Sales Class (\$000)	Number of Businesses	Tax Payable (\$Million)	Pre-Tax Profit (\$Million)	Tax Payable x 100%/ Pre-tax Profit
Less than \$250	64,419	197.4	943.8	20.9%
\$250 to \$2,000	52,816	577.1	2,519.9	22.9%
\$2,000 to \$20,000	12,258	1,142.2	3,721.6	30.7%
Over \$20,000	1,260	2,542.6	9,493.2	26.8%
Total Canada	130,753	4,459.3	16,678.5	26.7%

Source: Business Finance Division,
 Statistics Canada.

Small Business Secretariat,
 Department of Industry,
 Trade and Commerce.

Ownership Characteristics of Canadian Corporations

7



Introduction

In this section of the report the ownership characteristics of corporations that conduct business in Canada will be examined. Specifically, the degree of foreign control present in various sizes of corporations in each of five major commercial sectors is analysed.¹ Ownership data for the Finance sector is not discussed in the text of this report because of previously described data limitations; however, ownership data pertaining to this sector can be found in Table A7.7 in Appendix A.

A corporation is classified as Canadian or foreign controlled according to the country of origin of ownership of the majority of the corporation's voting rights. In some cases the ownership of voting rights is insufficient to assign control. In this event research is undertaken by personnel at Statistics Canada to determine if options, interlocking directorships or key privately held shares exist. The findings of this research are integrated into the control assignment process, where applicable.

The remainder of this section will describe data limitations and present the results of the analysis of *incorporated* business with respect to their ownership characteristics.

Data Limitations

In this report the concept of control is the sole criterion used to determine the degree of foreign ownership present in Canadian corporations in selected commercial sectors. While this criterion is germane to a discussion concerning the potential degree of influence that could be exerted by foreign shareholders on corporations residing in Canada, it does not accurately describe the ultimate degree of foreign ownership that is

present in these same commercial sectors. The concept of control ignores that portion of foreign investors that have purchased minority shares of Canadian corporations. Also excluded are foreign shareholders that have invested in non-voting shares of Canadian corporations. In summary, the concept of foreign ownership is addressed in a very restricted way. The reader is therefore cautioned that it is not possible to infer what the degree of foreign investment may be from the statistics to be presented. A detailed description pertaining to the concept of control can be obtained from Statistics Canada¹.

A second data limitation concerns the reliability of the statistics in the smallest two sales classes — less than \$50,000 and \$50,000 to \$250,000 in total sales. There are about 1,000 corporations, both Canadian and foreign controlled, with zero sales and assets of more than \$1 million. Table 7.1 displays the average asset size of Canadian and foreign controlled corporations in the corresponding two sales classes.

A corporation can report zero sales and have large assets either because it is inactive or it may be in the process of commencing business. It is apparent from Table 7.1 that many corporations that are designated small according to sales volume, are actually very large as indicated by their average asset size. The implication of this fact is that the statistics pertaining to small corporations — those with less than \$2 million in total sales — in all likelihood, exaggerate the degree of foreign control that is actually present in small businesses.

Analysis

In the analysis to follow, small businesses will be denoted as those having sales of less than \$2 million per annum. From Figure 7.1 it can be seen that for each of the sales classes that correspond to those businesses designated as small, a very low percentage of corporations are foreign controlled. If size classification problems (see "Data Limitations") are taken into account the percentage of small businesses that are foreign controlled is insignificant. However, a significant portion of large corporations, in the five commercial sectors, are foreign controlled. For those corporations with sales of \$2 million to \$20 million per annum, foreign investors have control of approximately 17% of these corporations and 22% of the market share, as measured by total sales revenue. Foreign investors control 48% of the corporations having more than \$20 million in annual sales. These same corporations have 54% of the market share for this sales class.

Table 7.2 presents statistics comparing small and large businesses in each of five commercial sectors, with respect to foreign control. From this table it can be observed that small businesses in each of the sectors are relatively free from foreign control. For large businesses, however, there is a significant amount of foreign control present in each sector. For example, foreign investors have obtained control of about 33% of the large businesses in the manufacturing sector. This represents about 61% of large business sales in this sector. In the service sector almost 40% of the total large business sales are attributable to 21% of the total number of large corporations that are controlled by foreign investors.

¹The five commercial sectors are: Manufacturing, Transportation, Construction, Trade and Services — as previously defined.

¹Corporations and Labour Unions Returns Act — Catalogue 61-210 Annual

Table 7.1
Average Asset Size of Corporations
for Selected Sales Classes and
Commercial Sectors: 1976

(In millions of dollars)

Ownership and Sales Class	Foreign Controlled		Canadian Controlled	
	Sales Less than \$50,000	Sales \$50,000 to \$250,000	Sales Less than \$50,000	Sales \$50,000 to \$250,000
Commercial Sector				
Manufacturing	5.1	0.7	0.2	0.1
Transportation	2.5	1.1	0.1	0.1
Construction	12.4	0.4	0.1	0.1
Trade	1.1	1.5	0.1	0.1
Services	3.7	1.2	0.1	0.1

Source: Corporations Section,
 Business Finance Division,
 Statistics Canada.

Small Business Secretariat,
 Department of Industry,
 Trade and Commerce.

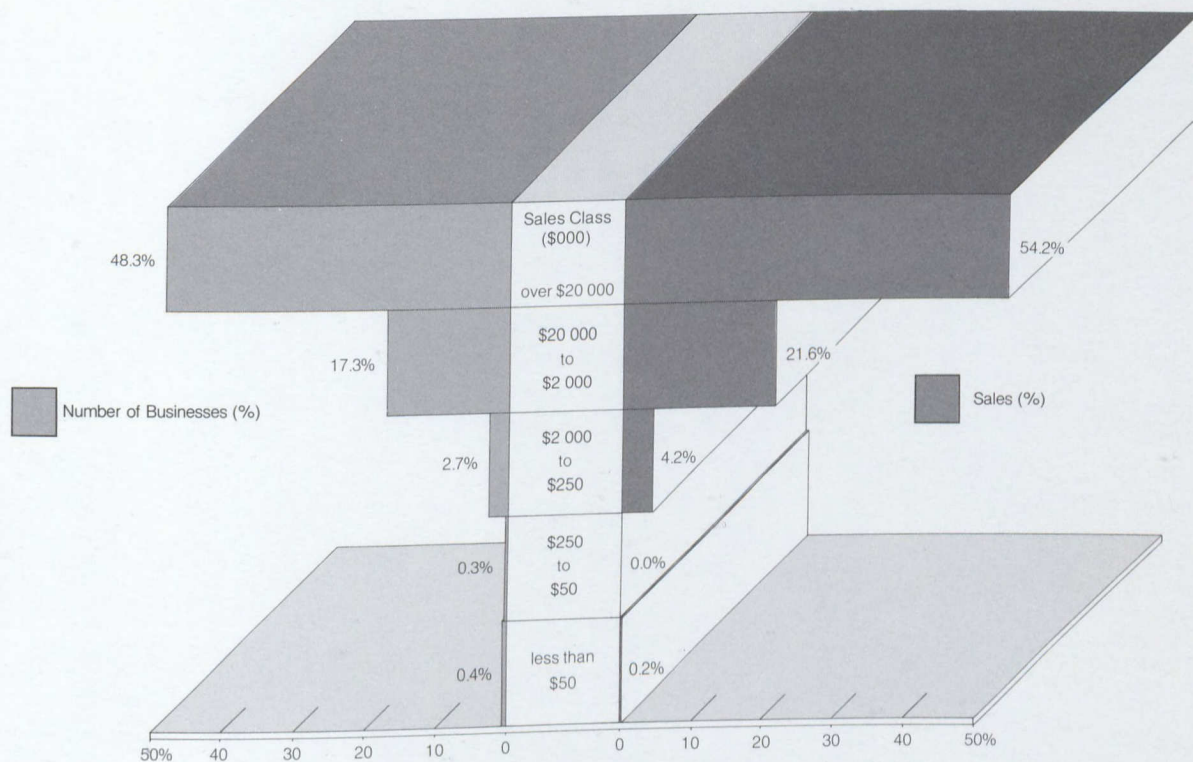
Table 7.2
Percentage of Business that is
Foreign Controlled in Each of Five
Commercial Sectors for Various Sales
Classes: 1976

Commercial Sector	Businesses with Less than \$2 Million in Total Sales		Businesses with More than \$2 Million in Total Sales	
	Percentage of Business	Percentage of Sales	Percentage of Business	Percentage of Sales
Manufacturing	3.0	7.3	33.2	60.8
Transportation	1.2	3.7	18.0	14.4
Construction	0.2	0.6	6.1	24.0
Trade	1.2	3.3	14.6	26.5
Services	0.7	2.9	21.3	39.4

Sources: Corporations Section,
 Business Finance Division,
 Statistics Canada.

Small Business Secretariat,
 Department of Industry,
 Trade and Commerce.

Figure 7.1
Percentage of Canadian Business that
is Foreign Controlled in Each of Five
Sales Classes for Five Commercial
Sectors: 1976



Source: Corporations Section,
 Business Finance Division,
 Statistics Canada.

Small Business Secretariat,
 Department of Industry,
 Trade and Commerce.

Appendix

A



Table A1.1
Percentage Summary of the
Contribution Made to the Canadian
Economy by All Business for Various
Sales Classes for Five Commercial
Sectors: 1976

Sales Class (\$000)	Total Number of Businesses (%)	Total Sales (%)	Business Gross National Product (%)	Total Employment (%)	Taxes Paid (%)
Less than \$50	44.4	1.6	2.4	6.2	0.8
\$50 to \$250	35.1	6.4	8.2	13.9	3.6
\$250 to \$2,000	17.1	17.1	19.2	22.0	13.0
\$2,000 to \$20,000	3.1	26.5	24.9	24.1	25.6
Over \$20,000	0.3	48.4	45.3	33.8	57.0
Total Canada	100	100	100	100	100

Sources: Business Finance Division,
 Statistics Canada
 Tax Record Access Sub-Division,
 Statistics Canada
 Department of Industry,
 Trade and Commerce.

Small Business Secretariat,
 Department of Industry,
 Trade and Commerce.

Table A1.2
Percentage Summary of the
Contribution Made to the Canadian
Economy by All Business for Various
Sales Classes for the Manufacturing
Sector: 1976

Sales Class (\$000)	Total Number of Businesses (%)	Total Sales (%)	Business Gross National Product (%)	Total Employment (%)	Taxes Paid (%)
Less than \$50	28.9	0.3	0.3	1.3	0.1
\$50 to \$250	34.9	1.6	2.3	4.6	0.6
\$250 to \$2,000	25.3	7.4	9.4	14.1	4.6
\$2,000 to \$20,000	9.3	20.9	23.1	27.3	21.5
Over \$20,000	1.6	69.8	64.9	52.7	73.2
Total Canada	100	100	100	100	100

Sources: Business Finance Division,
 Statistics Canada
 Tax Record Access Sub-Division,
 Statistics Canada
 Department of Industry,
 Trade and Commerce.

Small Business Secretariat,
 Department of Industry,
 Trade and Commerce.

Table A1.3
Percentage Summary of the
Contribution Made to the Canadian
Economy by All Business for Various
Sales Classes for the Transportation-
Sector: 1976

Sales Class (\$000)	Total Number of Businesses (%)	Total Sales (%)	Business Gross National Product (%)	Total Employment (%)	Taxes Paid (%)
Less than \$50	67.6	5.8	4.4	11.8	0.9
\$50 to \$250	24.5	9.1	7.1	12.9	3.8
\$250 to \$2,000	6.8	16.3	13.2	14.8	12.2
\$2,000 to \$20,000	1.0	20.6	17.6	14.3	26.0
Over \$20,000	0.1	48.2	57.7	46.2	57.1
Total Canada	100	100	100	100	100

Sources: Business Finance Division,
 Statistics Canada
 Tax Record Access Sub-Division,
 Statistics Canada
 Department of Industry,
 Trade and Commerce.

Small Business Secretariat,
 Department of Industry,
 Trade and Commerce.

Table A1.4
Percentage Summary of the
Contribution Made to the Canadian
Economy by All Business for Various
Sales Classes for the Construction-
Sector: 1976

Sales Class (\$000)	Total Number of Businesses (%)	Total Sales (%)	Business Gross National Product (%)	Total Employment (%)	Taxes Paid (%)
Less than \$50	49.0	4.0	5.0	12.8	1.3
\$50 to \$250	34.2	13.6	14.0	24.8	8.4
\$250 to \$2,000	14.7	32.6	33.9	30.3	31.3
\$2,000 to \$20,000	2.0	34.6	31.5	22.2	32.8
Over \$20,000	0.1	15.2	15.6	9.9	26.2
Total Canada	100	100	100	100	100

Sources: Business Finance Division,
 Statistics Canada
 Tax Record Access Sub-Division,
 Statistics Canada
 Department of Industry,
 Trade and Commerce.

Small Business Secretariat,
 Department of Industry,
 Trade and Commerce.

Table A1.5
Percentage Summary of the
Contribution Made to the Canadian
Economy by All Business for Various
Sales Classes for the Trade
Sector: 1976

Sales Class (\$000)	Total Number of Businesses (%)	Total Sales (%)	Business Gross National Product (%)	Total Employment (%)	Taxes Paid (%)
Less than \$50	30.9	1.0	1.6	4.6	1.0
\$50 to \$250	40.8	7.1	10.2	16.0	5.1
\$250 to \$2,000	23.8	21.1	24.9	25.4	21.8
\$2,000 to \$20,000	4.2	30.3	28.1	22.9	34.2
Over \$20,000	0.3	40.5	35.2	31.1	37.9
Total Canada	100	100	100	100	100

Sources: Business Finance Division,
 Statistics Canada
 Tax Record Access Sub-Division,
 Statistics Canada
 Department of Industry,
 Trade and Commerce.

Small Business Secretariat,
 Department of Industry,
 Trade and Commerce.

Table A1.6
Percentage Summary of the
Contribution Made to the Canadian
Economy by All Business for Various
Sales Classes for the Service
Sector: 1976

Sales Class (\$000)	Total Number of Businesses (%)	Total Sales (%)	Business Gross National Product (%)	Total Employment (%)	Taxes Paid (%)
Less than \$50	56.4	6.1	7.1	12.0	3.5
\$50 to \$250	32.3	17.8	19.4	23.3	13.2
\$250 to \$2,000	10.3	28.8	31.9	30.6	22.5
\$2,000 to \$20,000	0.9	29.4	23.6	23.9	19.9
Over \$20,000	0.1	17.9	18.0	10.2	40.9
Total Canada	100	100	100	100	100

Sources: Business Finance Division,
 Statistics Canada
 Tax Record Access Sub-Division,
 Statistics Canada
 Department of Industry,
 Trade and Commerce.

Small Business Secretariat,
 Department of Industry,
 Trade and Commerce.

Table A1.7
Percentage Summary of the
Contribution Made to the Canadian
Economy by All Business for Various
Sales Classes for the Finance
Sector: 1976

Sales Class (\$000)	Total Number of Businesses (%)	Total Sales (%)	Business Gross National Product (%)	Total Employment (%)	Taxes Paid (%)
Less than \$50	65.8	2.5	3.5	14.3	4.4
\$50 to \$250	24.6	7.9	12.0	16.7	9.6
\$250 to \$2,000	8.3	14.6	16.8	14.8	12.7
\$2,000 to \$20,000	1.1	17.8	16.9	13.1	13.4
Over \$20,000	0.2	57.2	50.8	41.1	59.9
Total Canada	100	100	100	100	100

Sources: Business Finance Division,
 Statistics Canada
 Tax Record Access Sub-Division,
 Statistics Canada
 Department of Industry,
 Trade and Commerce.

Small Business Secretariat,
 Department of Industry,
 Trade and Commerce.

Table A2.1
Provincial Summary of Selected
Small Business Statistics: 1976

Province	Total Sales (\$ Millions)	Total Number of Businesses	Businesses with Less than \$2 Million Total Sales	
			Percent of Total Businesses	Percent of Total Sales
Newfoundland	3,645.9	8,364	97.2%	*
Prince Edward Island	782.3	2,706	97.9%	*
Nova Scotia	7,164.0	18,946	97.9%	34.4%
New Brunswick	6,586.3	17,454	98.0%	35.0%
Quebec	89,471.6	146,364	96.5%	26.0%
Ontario	148,266.9	235,867	97.0%	22.6%
Manitoba	13,162.5	25,886	97.3%	26.1%
Saskatchewan	10,060.9	23,420	97.9%	31.9%
Alberta	52,612.6	66,095	97.0%	17.5%
British Columbia	41,621.7	101,045	98.1%	30.9%
Total Canada	373,374.7	646,147	97.2%	24.6%

Sources: Business Finance Division,
 Statistics Canada
 Tax Record Access Sub-Division,
 Statistics Canada.

Small Business Secretariat,
 Department of Industry,
 Trade and Commerce.

*Omitted because of confidentiality requirements

Table A3.1
Contribution to GNP Made by All
Business for Various Sales Classes
for the Manufacturing Sector: 1976

Sales Class (\$000)	Number of Businesses	Sales (\$ Millions)	Contribution to GNP (\$ Millions)	Percent of Sector GNP
Less than \$50	13,602	315.0	113.5	0.3%
\$50 to \$250	16,451	1,969.2	781.5	2.3%
\$250 to \$2,000	11,913	8,851.3	3,190.6	9.4%
\$2,000 to \$20,000	4,405	25,020.4	7,846.6	23.1%
Over \$20,000	744	83,387.2	22,023.4	64.9%
Total Canada	47,115	119,543.1	33,955.6	100%

Sources: Business Finance Division,
 Statistics Canada
 Tax Record Access Sub-Division,
 Statistics Canada.

Small Business Secretariat,
 Department of Industry,
 Trade and Commerce.

Table A3.2
Contribution to GNP Made by All
Business for Various Sales Classes
for the Transportation Sector: 1976

Sales Class (\$000)	Number of Businesses	Sales (\$ Millions)	Contribution to GNP (\$ Millions)	Percent of Sector GNP
Less than \$50	33,515	762.4	326.9	4.4%
\$50 to \$250	12,149	1,202.5	528.6	7.1%
\$250 to \$2,000	3,369	2,147.9	979.2	13.2%
\$2,000 to \$20,000	512	2,709.1	1,313.3	17.6%
Over \$20,000	64	6,348.9*	4,294.4	57.7%
Total Canada	49,609	13,170.8	7,442.4	100%

Sources: Business Finance Division,
 Statistics Canada
 Tax Record Access Sub-Division,
 Statistics Canada.

Small Business Secretariat,
 Department of Industry,
 Trade and Commerce.

*Estimated from a data base independent of tax data

Table A3.3
Contribution to GNP Made by All
Business for Various Sales Classes
for the Construction Sector: 1976

Sales Class (\$000)	Number of Businesses	Sales (\$ Millions)	Contribution to GNP (\$ Millions)	Percent of Sector GNP
Less than \$50	43,971	1,016.9	498.1	5.0%
\$50 to \$250	30,676	3,441.5	1,394.3	14.0%
\$250 to \$2,000	13,227	8,272.5	3,365.7	33.9%
\$2,000 to \$20,000	1,767	8,763.2	3,132.4	31.5%
Over \$20,000	74	3,857.6*	1,550.0	15.6%
Total Canada	89,715	25,351.7	9,940.5	100%

Sources: Business Finance Division,
 Statistics Canada
 Tax Record Access Sub-Division,
 Statistics Canada.

Small Business Secretariat,
 Department of Industry,
 Trade and Commerce.

*Estimated from a data base independent of tax data

Table A3.4
Contribution to GNP Made by All
Business for Various Sales Classes
for the Trade Sector: 1976

Sales Class (\$000)	Number of Businesses	Sales (\$ Millions)	Contribution to GNP (\$ Millions)	Percent of Sector GNP
Less than \$50	52,310	1,175.3	283.0	1.6%
\$50 to \$250	68,908	8,596.0	1,844.2	10.2%
\$250 to \$2,000	40,276	25,671.5	4,505.9	24.9%
\$2,000 to \$20,000	7,043	36,814.7	5,091.4	28.1%
Over \$20,000	523	49,187.3	6,374.5	35.2%
Total Canada	169,060	121,444.8	18,099.0	100%

Sources: Business Finance Division,
 Statistics Canada
 Tax Record Access Sub-Division,
 Statistics Canada.

Small Business Secretariat,
 Department of Industry,
 Trade and Commerce.

Table A3.5
Contribution to GNP Made by All
Business for Various Sales Classes
for the Service Sector: 1976

Sales Class (\$000)	Number of Businesses	Sales (\$ Millions)	Contribution to GNP (\$ Millions)	Percent of Sector GNP
Less than \$50	68,217	1,492.1	710.2	7.1%
\$50 to \$250	39,125	4,365.7	1,947.2	19.4%
\$250 to \$2,000	12,473	7,050.0	3,199.7	31.9%
\$2,000 to \$20,000	1,090	7,186.5	2,368.4	23.6%
Over \$20,000	67	4,389.8	1,801.9	18.0%
Total Canada	120,972	24,484.1	10,027.4	100%

Sources: Business Finance Division,
 Statistics Canada
 Tax Record Access Sub-Division,
 Statistics Canada.

Small Business Secretariat,
 Department of Industry,
 Trade and Commerce.

Table A3.6
Contribution to GNP Made by All
Business for Various Sales Classes
for the Finance Sector: 1976

Sales Class (\$000)	Number of Businesses	Sales (\$ Millions)	Contribution to GNP (\$ Millions)	Percent of Sector GNP
Less than \$50	62,040	799.2	319.6	3.5%
\$50 to \$250	23,167	2,563.3	1,075.4	12.0%
\$250 to \$2,000	7,834	4,753.9	1,509.4	16.8%
\$2,000 to \$20,000	1,067	5,794.4	1,519.1	16.9%
Over \$20,000	141	18,626.7	4,569.5	50.8%
Total Canada	94,249	32,537.5	8,993.0	100%

Sources: Business Finance Division,
 Statistics Canada
 Tax Record Access Sub-Division,
 Statistics Canada.

Small Business Secretariat,
 Department of Industry,
 Trade and Commerce.

Table A4.1
Employment for All Business for
Various Sales Classes for Six
Commercial Sectors: 1974 and 1976

Sales Class (\$000)	Employment	
	1974	1976
Less than \$50	462,673	428,914
\$50 to \$250	934,003	920,816
\$250 to \$2,000	1,314,150	1,451,966
Over \$2,000	3,738,960	4,027,950
Total Canada	6,449,786	6,829,646

Sources: Business Finance Division,
 Statistics Canada
 Tax Record Access Sub-Division,
 Statistics Canada.

Small Business Secretariat,
 Department of Industry,
 Trade and Commerce.

Table A4.2
Employment for All Business for
Various Sales Classes for the
Manufacturing Sector: 1974 and 1976

Sales Class (\$000)	Employment	
	1974	1976
Less than \$50	24,406	27,889
\$50 to \$250	83,740	103,139
\$250 to \$2,000	336,563	312,327
Over \$2,000	1,692,650	1,775,660
Total Canada	2,137,359	2,219,015

Sources: Business Finance Division,
 Statistics Canada
 Tax Record Access Sub-Division,
 Statistics Canada.

Small Business Secretariat,
 Department of Industry,
 Trade and Commerce.

Table A4.3
Employment for All Business for
Various Sales Classes for the
Transportation Sector: 1974 and 1976

Sales Class (\$000)	Employment	
	1974	1976
Less than \$50	61,128	59,635
\$50 to \$250	52,689	65,235
\$250 to \$2,000	76,799	75,295
Over \$2,000	219,131	307,074
Total Canada	409,747	507,239

Sources: Business Finance Division,
 Statistics Canada
 Tax Record Access Sub-Division,
 Statistics Canada.

Small Business Secretariat,
 Department of Industry,
 Trade and Commerce.

Table A4.4
Employment for All Business for
Various Sales Classes for the
Construction Sector: 1974 and 1976

Sales Class (\$000)	Employment	
	1974	1976
Less than \$50	81,185	73,259
\$50 to \$250	148,041	141,584
\$250 to \$2,000	170,348	173,257
Over \$2,000	162,981	183,280
Total Canada	562,555	571,380

Sources: Business Finance Division,
 Statistics Canada
 Tax Record Access Sub-Division,
 Statistics Canada.

Small Business Secretariat,
 Department of Industry,
 Trade and Commerce.

Table A4.5
Employment for All Business for
Various Sales Classes for the
Trade Sector: 1974 and 1976

Sales Class (\$000)	Employment	
	1974	1976
Less than \$50	103,810	76,786
\$50 to \$250	307,915	265,318
\$250 to \$2,000	413,698	421,853
Over \$2,000	748,759	897,912
Total Canada	1,574,182	1,661,869

Sources: Business Finance Division,
 Statistics Canada
 Tax Record Access Sub-Division,
 Statistics Canada.

Small Business Secretariat,
 Department of Industry,
 Trade and Commerce.

Table A4.6
Employment for All Business for
Various Sales Classes for the
Service Sector: 1974 and 1976

Sales Class (\$000)	Employment	
	1974	1976
Less than \$50	145,681	147,978
\$50 to \$250	262,619	286,578
\$250 to \$2,000	331,183	376,500
Over \$2,000	258,995	420,149
Total Canada	998,478	1,231,205

Sources: Business Finance Division,
 Statistics Canada
 Tax Record Access Sub-Division,
 Statistics Canada.

Small Business Secretariat,
 Department of Industry,
 Trade and Commerce.

Table A4.7
Employment for All Business for
Various Sales Classes for the
Finance Sector: 1974 and 1976

Sales Class (\$000)	Employment	
	1974	1976
Less than \$50	121,293	98,668
\$50 to \$250	113,502	115,230
\$250 to \$2,000	106,986	101,717
Over \$2,000	364,285	372,961
Total Canada	706,066	688,576

Sources: Business Finance Division,
 Statistics Canada
 Tax Record Access Sub-Division,
 Statistics Canada.

Small Business Secretariat,
 Department of Industry,
 Trade and Commerce.

Table A4.8
Selected Ratios Measuring Capital
Intensity for All Incorporated
Business for Various Sales Classes
for the Manufacturing Sector: 1976

Sales Class (\$000)	Salaries & Wages / \$100 Net Fixed Assets	Sales/ \$100 Salaries & Wages	Sales/ \$100 Net Fixed Assets
Less than \$50	4	210	9
\$50 to \$250	140	290	410
\$250 to \$2,000	180	330	590
\$2,000 to \$20,000	130	420	540
Over \$20,000	60	570	340

Sources: Business Finance Division,
 Statistics Canada.

Small Business Secretariat,
 Department of Industry,
 Trade and Commerce.

Table A4.9
Selected Ratios Measuring Capital
Intensity for All Incorporated
Business for Various Sales Classes
for the Transportation Sector: 1976

Sales Class (\$000)	Salaries & Wages/ \$100 Net Fixed Assets	Sales/ \$100 Salaries & Wages	Sales/ \$100 Net Fixed Assets
Less than \$50	10	280	40
\$50 to \$250	90	290	240
\$250 to \$2,000	110	270	290
\$2,000 to \$20,000	60	270	160
Over \$20,000	30	280	70

Sources: Business Finance Division,
 Statistics Canada.

Small Business Secretariat,
 Department of Industry,
 Trade and Commerce.

Table A4.10
Selected Ratios Measuring Capital
Intensity for All Incorporated
Business for Various Sales Classes
for the Construction Sector: 1976

Sales Class (\$000)	Salaries & Wages/ \$100 Net Fixed Assets	Sales/ \$100 Salaries & Wages	Sales/ \$100 Net Fixed Assets
Less than \$50	30	230	70
\$50 to \$250	200	280	560
\$250 to \$2,000	270	290	780
\$2,000 to \$20,000	240	320	770
Over \$20,000	260	350	920

Sources: Business Finance Division,
 Statistics Canada.

Small Business Secretariat,
 Department of Industry,
 Trade and Commerce.

Table A4.11
Selected Ratios Measuring Capital
Intensity for All Incorporated
Business for Various Sales Classes
for the Trade Sector: 1976

Sales Class (\$000)	Salaries & Wages/ \$100 Net Fixed Assets	Sales/ \$100 Salaries & Wages	Sales/ \$100 Net Fixed Assets
Less than \$50	40	330	120
\$50 to \$250	120	580	70
\$250 to \$2,000	180	720	1,280
\$2,000 to \$20,000	160	940	1,510
Over \$20,000	150	1,190	1,720

Sources: Business Finance Division,
 Statistics Canada.

Small Business Secretariat,
 Department of Industry,
 Trade and Commerce.

Table A4.12
Selected Ratios Measuring Capital
Intensity for All Incorporated
Business for Various Sales Classes
for the Service Sector: 1976

Sales Class (\$000)	Salaries & Wages/ \$100 Net Fixed Assets	Sales/ \$100 Salaries & Wages	Sales/ \$100 Net Fixed Assets
Less than \$50	30	210	60
\$50 to \$250	70	270	190
\$250 to \$2,000	90	270	250
\$2,000 to \$20,000	90	270	240
Over \$20,000	70	400	300

Sources: Business Finance Division,
 Statistics Canada.

Small Business Secretariat,
 Department of Industry,
 Trade and Commerce.

Table A4.13
Selected Ratios Measuring Capital
Intensity for All Incorporated
Business for Various Sales Classes
for the Finance Sector: 1976

Sales Class (\$000)	Salaries & Wages / \$100 Net Fixed Assets	Sales / \$100 Salaries & Wages	Sales / \$100 Net Fixed Assets
Less than \$50	5	400	20
\$50 to \$250	10	430	60
\$250 to \$2,000	10	550	70
\$2,000 to \$20,000	9	820	80
Over \$20,000	30	750	260

Sources: Business Finance Division,
 Statistics Canada.

Small Business Secretariat,
 Department of Industry,
 Trade and Commerce.

Table A5.1.1
Selected Interquartile Comparisons
of Small Versus Large Incorporated
Business for the Manufacturing
Sector: 1976

SIC Code and Title	Business Size*	Pre-tax Profits/ Sales		Sales/ Assets		Assets/ Equity		Pre-tax Profits/ Equity	
		Quartile (Q)							
		2Q		2Q		2Q		2Q	
		1Q	3Q	1Q	3Q	1Q	3Q	1Q	3Q
374		6.4		1.7		1.8		27.0	
Manufacturing of Pharmaceuticals and Medicines	Small	0.5	14.1	1.4	2.1	1.3	4.6	3.4	35.2
	Large	7.5		1.5		1.7		22.0	
		1.8	17.7	1.2	1.8	1.2	3.2	7.8	39.2
327		4.1		1.8		2.2		28.1	
Shipbuilding and Repair	Small	1.4	12.5	1.5	2.4	1.4	4.8	5.1	42.3
	Large	7.1		1.7		1.6		20.9	
		4.6	12.0	1.3	2.4	1.4	2.5	10.3	37.5
325		7.3		2.0		2.0		27.2	
Motor Vehicle Parts and Accessories Manufacturers	Small	1.6	12.6	1.5	2.4	1.6	3.3	9.0	52.3
	Large	7.2		1.7		2.1		30.6	
		3.3	12.5	1.3	2.3	1.4	3.6	9.3	46.8
381		7.1		1.9		2.1		30.0	
Scientific and Professional Equipment Manufacturers	Small	2.3	12.1	1.4	2.6	1.5	4.8	14.5	53.6
	Large	8.1		1.6		1.8		31.1	
		2.6	15.0	1.3	2.2	1.3	3.2	8.2	41.2
141		7.8		2.1		2.1		30.8	
Soft Drink Manufacturers	Small	3.2	11.8	1.5	2.7	1.5	3.2	16.9	50.2
	Large	4.7		2.2		2.8		27.4	
		2.1	8.1	1.9	2.9	1.9	4.0	16.8	44.2

Source: Business Finance Division,
 Statistics Canada.

Small Business Secretariat,
 Department of Industry,
 Trade and Commerce.

*Small refers to the Sales Class \$ 250,000 – \$ 2,000,000
 Large refers to the Sales Class \$2,000,000 – \$20,000,000

Table A5.1.2
Selected Interquartile Comparisons
of Small Versus Large Incorporated
Business for the Transportation
Sector: 1976

SIC Code and Title	Business Size*	Pre-tax Profits/ Sales		Sales/ Assets		Assets/ Equity		Pre-tax Profits/ Equity	
		Quartile (Q)							
		2Q		2Q		2Q		2Q	
		1Q	3Q	1Q	3Q	1Q	3Q	1Q	3Q
519		5.5		1.6		3.2		31.6	
Other Transportation	Small	1.5	10.6	1.2	2.1	2.0	6.1	10.1	52.8
		4.8		1.2		4.5		26.4	
	Large	1.4	8.4	1.0	1.6	3.1	6.1	8.2	44.8
504		5.6		1.3		2.6		22.5	
Water Transportation	Small	0.3	15.7	0.5	2.2	1.6	5.8	1.3	71.3
		5.3		1.4		3.2		25.7	
	Large	0.1	15.2	0.6	2.4	1.9	5.5	3.1	61.1
508		5.9		1.4		3.2		27.1	
Bus Transport	Small	1.3	12.1	1.0	1.8	1.8	5.3	4.3	50.0
Interurban and Rural		5.1		1.9		3.6		27.1	
	Large	0.1	19.8	1.0	2.6	2.4	6.8	2.4	61.9
505		3.3		1.8		2.3		23.2	
Services Incidental to Water Transport	Small	0.0	17.3	0.9	3.7	1.4	4.1	0.0	76.7
		4.2		2.4		3.1		27.9	
	Large	1.5	10.7	0.6	4.4	1.8	7.0	8.1	63.3
517		2.2		3.7		3.3		30.1	
Other Services Incidental to Transport	Small	0.3	8.1	1.3	10.0	1.9	6.5	6.1	62.0
		1.6		4.9		6.2		34.7	
	Large	0.0	4.2	1.5	11.8	2.5	11.1	8.5	71.7

Source: Business Finance Division,
 Statistics Canada.

Small Business Secretariat,
 Department of Industry,
 Trade and Commerce.

*Small refers to the Sales Class \$ 250,000 – \$ 2,000,000
 Large refers to the Sales Class \$2,000,000 – \$20,000,000

Table A5.1.3
Selected Interquartile Comparisons
of Small Versus Large Incorporated
Business for the Construction
Sector: 1976

SIC Code and Title	Business Size*	Pre-tax Profits/ Sales		Sales/ Assets		Assets/ Equity		Pre-tax Profits/ Equity		
		Quartile (Q)								
		1Q	2Q	3Q	1Q	2Q	3Q	1Q	2Q	3Q
404	Building Construction	Small	5.0		2.1		3.5		37.3	
1.5			9.8	1.3	3.2	2.1	7.2	13.5	77.5	
		Large	3.9		2.2		4.6		39.9	
	1.6		6.6	1.3	3.3	3.0	8.4	20.2	63.6	
409	Other Construction	Small	5.0		2.1		2.6		29.3	
			1.1	10.8	1.5	2.9	1.8	4.3	7.3	58.1
		Large	3.5		2.1		3.4		23.1	
	0.2		7.7	1.4	2.6	2.1	4.5	1.5	47.3	
406	Highway, Bridge and Street Construction	Small	4.9		1.9		2.7		26.8	
			0.6	11.0	1.2	2.7	1.9	4.7	4.1	53.6
		Large	4.5		2.0		3.1		26.7	
	1.7		8.5	1.5	2.7	2.3	4.6	12.8	52.2	
421	Special Trade Contractors	Small	4.6		2.5		2.7		32.4	
			1.3	9.2	1.8	3.2	1.8	4.8	11.0	61.5
		Large	4.1		2.5		3.2		33.6	
	1.7		7.0	1.9	3.1	2.3	5.1	16.2	59.3	

Source: Business Finance Division,
 Statistics Canada.

Small Business Secretariat,
 Department of Industry,
 Trade and Commerce.

*Small refers to the Sales Class \$ 250,000 – \$ 2,000,000
 Large refers to the Sales Class \$2,000,000 – \$20,000,000

Table A5.1.4
Selected Interquartile Comparisons
of Small Versus Large Incorporated
Business for the Trade Sector: 1976

SIC Code and Title	Business Size*	Pre-tax Profits/ Sales		Sales/ Assets		Assets/ Equity		Pre-tax Profits/ Equity		
		Quartile (Q)								
		1Q	2Q	3Q	1Q	2Q	3Q	1Q	2Q	3Q
604	Wholesalers of Grain	Small	7.2		1.7		2.5		29.0	
1.5			21.4	0.4	3.1	1.4	6.2	10.4	46.0	
		Large	3.5		4.7		4.3		24.3	
		0.0	22.3	0.3	10.7	2.5	6.2	6.2	42.8	
694	Jewellery Stores	Small	8.4		1.6		2.1		31.5	
4.3			13.2	1.3	2.1	1.5	3.4	18.7	48.2	
		Large	5.1		1.9		3.3		31.3	
		3.1	6.4	1.3	2.4	2.5	4.6	18.0	52.3	
681	Drug Stores	Small	4.6		2.9		2.1		29.3	
1.5			8.0	2.2	3.8	1.4	4.4	14.8	53.1	
		Large	2.0		3.8		4.5		35.1	
		0.3	3.9	3.2	5.5	2.3	12.0	10.7	95.0	
665	Men's Clothing Stores	Small	5.9		2.0		2.1		26.6	
2.4			9.9	1.6	2.5	1.5	3.6	13.3	45.7	
		Large	5.2		2.4		2.3		27.6	
		3.0	8.4	1.7	3.0	1.7	2.8	16.5	55.2	
629	Wholesalers n.e.s.	Small	4.0		2.3		2.8		29.2	
1.2			8.2	1.7	3.2	1.7	5.4	11.5	56.0	
		Large	3.2		2.6		3.0		31.4	
		1.4	6.2	1.9	4.2	1.9	5.3	16.6	49.8	

Source: Business Finance Division,
 Statistics Canada.

Small Business Secretariat,
 Department of Industry,
 Trade and Commerce.

*Small refers to the Sales Class \$ 250,000 - \$ 2,000,000
 Large refers to the Sales Class \$2,000,000 - \$20,000,000

Table A5.1.5
Selected Interquartile Comparisons
of Small Versus Large Incorporated
Business for the Service Sector: 1976

		Pre-tax Profits/ Sales		Sales/ Assets		Assets/ Equity		Pre-tax Profits/ Equity	
		Quartile (Q)							
		2Q		2Q		2Q		2Q	
SIC Code and Title	Business Size*	1Q	3Q	1Q	3Q	1Q	3Q	1Q	3Q
869		7.2		2.0		2.7		38.3	
Other Services to Business Management	Small	1.5	15.0	1.0	3.4	1.6	5.2	10.4	77.5
		4.5		2.3		3.5		33.8	
	Large	0.4	10.1	1.3	3.6	1.8	8.9	10.9	69.6
827		9.0		2.3		2.0		41.1	
Other Health Services	Small	2.7	16.9	1.5	3.2	1.4	3.5	18.4	69.0
		9.1		2.0		3.7		50.9	
	Large	3.7	15.0	1.3	3.1	1.7	4.7	24.3	73.6
864		7.8		2.0		2.4		36.5	
Engineering and Scientific Services	Small	1.5	15.1	1.4	2.8	1.6	4.1	11.4	67.8
		4.7		2.1		3.1		36.1	
	Large	1.9	10.2	1.7	2.7	2.2	4.7	13.0	68.5
828		6.4		1.0		3.3		30.0	
Welfare Organizations	Small	1.6	12.5	0.7	1.8	1.6	7.2	5.3	58.6
		0.6		1.3		2.8		2.4	
	Large	-0.1	8.6	0.8	4.9	1.2	10.3	-3.4	52.0
851		10.0		1.3		2.0		26.6	
Motion Picture Theatres and Film Exchanges	Small	2.9	15.5	0.7	2.6	1.5	4.8	11.0	50.7
		2.5		1.6		3.6		12.0	
	Large	0.5	9.0	1.1	2.9	2.0	8.4	2.2	67.2

Source: Business Finance Division,
 Statistics Canada.

Small Business Secretariat,
 Department of Industry,
 Trade and Commerce.

*Small refers to the Sales Class \$ 250,000 – \$ 2,000,000
 Large refers to the Sales Class \$2,000,000 – \$20,000,000

Table A5.2.1
Interquartile Analysis for
Corporations for the Manufacturing
Sector: 1976
High Profit Margin SIC Groups

SIC Code and Title	Pre-tax Profits/ Sales		Sales/ Assets		Assets/ Equity		Pre-tax Profits/ Equity		
	Quartile (Q)								
	1Q	2Q	3Q	1Q	2Q	3Q	1Q	2Q	3Q
193 Wool Yarn Mills	5.6	11.8	19.2	1.1	1.5	1.8	17.9	25.9	39.4
352 Refractories Manufacturers	3.9	11.4	19.7	1.0	1.5	1.8	6.8	29.0	45.6
213 Cord and Twine Industry	6.3	10.3	15.4	0.8	1.2	2.1	9.1	23.2	53.6
143 Distilleries	-1.0	9.6	18.6	0.4	0.6	2.5	-2.8	12.8	30.1
359 Other Non-Metallic Mineral Products Industries	3.4	9.0	17.1	1.5	1.7	1.6	11.9	26.4	39.5
318 Office and Store Machinery Manufacturers	2.4	8.6	15.3	1.1	1.7	2.4	9.1	36.1	69.5
374 Manufacturers of Pharma- ceuticals and Medicines	0.3	8.4	18.5	1.1	1.5	1.7	1.4	16.6	36.6
341 Cement Manufacturers	1.7	8.2	19.5	0.6	0.9	2.1	8.6	21.4	38.2
369 Other Petroleum and Coal Products Industries	1.7	7.7	15.1	1.2	1.8	2.0	4.1	20.7	51.9
325 Motor Vehicle Parts and Accessories Manufacturers	2.3	7.2	12.3	1.3	1.7	2.0	9.4	29.0	49.1

Source: Business Finance Division,
 Statistics Canada.

Small Business Secretariat,
 Department of Industry,
 Trade and Commerce.

Table A5.2.2
Interquartile Analysis for
Corporations for the Manufacturing
Sector: 1976
Low Profit Margin SIC Groups

SIC Code and Title	Pre-tax Profits/ Sales		Sales/ Assets		Assets/ Equity		Pre-tax Profits/ Equity	
	Quartile (Q)							
	2Q 1Q	3Q	2Q 1Q	3Q	2Q 1Q	3Q	2Q 1Q	3Q
248 Foundation Garment Industry	2.4 -0.1	5.4	1.8 1.6	2.7	1.7 1.3	3.2	7.9 -0.2	34.8
123 Feed Manufacturers	2.3 0.0	4.9	2.6 1.2	3.7	2.5 1.6	5.1	15.9 0.0	33.3
256 Wood Box Factories	2.2 0.0	7.0	1.9 1.2	2.4	3.4 1.8	7.0	15.8 0.0	42.8
107 Process Cheese Manufacturers	1.9 -0.3	5.9	2.3 1.1	3.9	2.7 1.4	4.1	24.3 -5.2	35.7
101 Slaughtering and Meat Processors	1.8 0.1	4.8	3.9 1.8	6.7	2.5 1.5	4.7	21.4 3.4	40.7
201 Synthetic Textile Mills	1.8 -2.9	5.2	1.5 1.2	2.0	3.2 2.1	5.5	8.7 -8.9	29.1
163 Tire and Tube Manufacturers	1.7 -1.0	5.3	1.7 1.1	2.1	3.9 3.1	7.8	17.4 -5.0	42.7
183 Cotton Yarn and Cloth Mills	1.6 0.0	4.7	1.7 1.2	2.2	2.6 1.4	11.4	10.5 0.0	45.0
252 Veneer and Plywood Mills	1.5 -2.5	5.9	1.9 1.2	2.7	3.1 1.6	5.7	7.0 -17.1	26.5
334 Manufacturers of Household Radio and T.V. Receivers	1.2 -1.6	5.0	1.6 1.4	2.2	4.2 1.6	7.3	14.0 -8.2	30.7

Source: Business Finance Division,
 Statistics Canada.

Small Business Secretariat,
 Department of Industry,
 Trade and Commerce.

Table A5.2.3
Interquartile Analysis for
Corporations for the Transportation
Sector: 1976
High and Low Profit Margin
SIC Groups

High Profit Margin SIC Groups									
SIC Code and Title	Pre-tax Profits/ Sales		Sales/ Assets		Assets/ Equity		Pre-tax Profits/ Equity		
	Quartile (Q)								
	1Q	2Q	3Q	1Q	2Q	3Q	1Q	2Q	3Q
515 Pipeline Transport	23.2	3.6	43.8	0.2	0.5	1.5	4.0	5.1	37.7
519 Other Transportation	6.9	1.6	15.5	1.0	2.0	1.7	6.5	7.6	64.2
504 Water Transport	6.0	0.0	21.7	0.3	1.7	1.4	5.1	0.0	58.1
508 Bus Transport Interurban and Rural	5.9	0.0	13.5	0.8	1.8	1.5	5.3	0.0	46.0
516 Highway and Bridge Maintenance	5.7	0.0	16.2	0.7	2.2	1.8	8.2	0.0	82.4
Low Profit Margin SIC Groups									
512 Taxicab Operations	2.8	0.0	11.1	0.5	2.3	1.5	5.6	0.0	37.1
506 Railway Transport	2.6	-0.7	14.2	0.4	3.1	1.4	4.0	-3.4	24.3
501 Air Transport	2.2	-1.7	10.5	0.5	1.5	2.0	6.5	-4.7	39.0
502 Services Incidental to Water Transport	1.7	-2.8	11.5	0.4	1.9	1.9	9.2	-10.3	61.9
509 Urban Transit System	0.0	0.0	8.4	0.6	1.6	1.5	5.5	0.0	21.5

Source: Business Finance Division,
 Statistics Canada.

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Table A5.2.4
Interquartile Analysis for
Corporations for the Construction
Sector: 1976
(Includes All Available Data)

SIC Code and Title	Pre-tax Profits/ Sales		Sales/ Assets		Assets/ Equity		Pre-tax Profits/ Equity	
	Quartile (Q)							
	2Q		2Q		2Q		2Q	
	1Q	3Q	1Q	3Q	1Q	3Q	1Q	3Q
404		4.6		1.6		3.4		27.9
Building Construction	0.0	11.5	0.6	2.9	1.8	7.3	0.0	73.8
409		4.5		1.8		2.9		23.8
Other Construction	0.0	11.7	1.0	2.7	1.7	5.2	0.0	60.8
406		4.4		1.7		2.8		22.4
Highway, Bridge and Street Construction	0.0	11.6	0.9	2.5	1.7	5.1	0.0	56.2
421		4.2		2.3		2.7		28.3
Special-Trade Contractors	0.0	10.0	1.5	3.2	1.7	5.1	0.0	66.6

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Table A5.2.5
Interquartile Analysis for
Corporations for the Trade
Sector: 1976
High and Low Profit Margin
SIC Groups

High Profit Margin SIC Groups

SIC Code and Title	Pre-tax Profits/ Sales		Sales/ Assets		Assets/ Equity		Pre-tax Profits/ Equity				
	Quartile (Q)										
	1Q	2Q	3Q	1Q	2Q	3Q	1Q	2Q	3Q		
604 Wholesalers of Grain	1.6	13.7	43.2	0.3	0.8	2.7	1.5	2.5	5.5	25.0	68.7
606 Wholesalers of Coal and Coke	2.6	7.7	25.4	0.5	1.4	3.2	1.3	1.8	5.2	15.3	34.3
694 Jewellery Stores	2.6	7.0	12.8	1.2	1.5	2.0	1.6	2.6	12.7	30.6	57.1
696 Liquor, Wine and Beer Stores	0.0	6.9	32.7	1.5	3.8	8.2	1.2	1.6	0.0	46.1	3.0
678 Radio, T.V. and Electrical Appliance Repair Shops	0.7	4.8	10.0	1.5	2.3	3.2	1.5	2.6	5.1	29.0	75.0

Low Profit Margin SIC Groups

697 Tobacconists	0.0	1.7	4.8	2.0	3.5	5.4	1.7	3.0	6.0	21.0	54.1
613 Wholesalers of General Merchandise	0.1	1.5	3.5	1.8	2.5	3.5	1.6	2.5	3.5	9.9	26.4
654 Gasoline Service Stations	0.0	1.4	4.9	1.6	3.9	7.2	1.5	2.5	5.5	15.7	48.4
615 Wholesalers of Tobacco Products	0.5	1.3	2.8	2.5	5.1	6.9	1.4	2.1	3.2	16.7	26.8
656 Motor Vehicle Dealers	0.0	1.0	3.0	2.1	3.5	4.7	2.1	3.8	7.0	14.1	32.4

Source: Business Finance Division,
 Statistics Canada.

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 Trade and Commerce.

Table A5.2.6
Interquartile Analysis for
Corporations for the Service
Sector: 1976
High and Low Profit Margin
SIC Groups

High Profit Margin SIC Groups								
SIC Code and Title	Pre-tax Profits/ Sales		Sales/ Assets		Assets/ Equity		Pre-tax Profits/ Equity	
	Quartile (Q)							
	2Q 1Q	3Q	2Q 1Q	3Q	2Q 1Q	3Q	2Q 1Q	3Q
869 Other Services to Business Management	11.5 1.7	30.0	1.3 0.5	2.6	2.4 1.5	5.3	43.4 5.0	100.0
877 Funeral Directors	8.4 1.7	16.2	0.9 0.6	1.3	2.1 1.4	4.1	18.3 4.1	33.9
864 Engineer and Scientific Service	8.1 0.1	21.8	1.6 0.9	2.5	2.1 1.4	4.3	32.5 0.4	80.0
861 Accountancy Service	8.1 0.1	22.8	1.4 0.8	2.6	3.0 1.5	8.1	50.0 0.1	100.0
853 Bowling Alleys and Billiard Parlours	7.8 0.0	19.1	1.0 0.5	1.7	2.3 1.3	5.6	20.1 0.0	53.5
Low Profit Margin SIC Groups								
862 Advertising Services	4.0 0.0	11.7	2.0 0.9	3.6	2.9 1.6	6.3	25.4 0.0	73.5
874 Laundries, Cleaners and Pressers	3.3 0.0	10.0	1.6 0.8	2.6	2.1 1.4	4.5	12.5 0.0	42.8
872 Barber	3.3 0.0	9.3	3.0 1.9	4.6	2.1 1.3	4.5	21.5 0.0	66.6
876 Lodging Houses and Residential Clubs	2.3 -0.6	10.4	0.7 0.3	1.4	2.4 1.3	5.6	5.8 -0.5	37.5
879 Other Personal Services	2.1 0.0	12.5	1.5 0.7	2.9	2.6 1.5	6.0	12.9 0.0	58.9

Source: Business Finance Division,
 Statistics Canada.

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 Trade and Commerce.

Table A6.1
Taxes Payable to Pre-Tax Profit Ratio
for All Incorporated Business for the
Manufacturing Sector: 1976

Sales Class (\$000)	Number of Businesses	Tax Payable (\$ Millions)	Pre-tax Profit (\$ Millions)	Tax Payable x 100%/ Pre-tax Profit
Less than \$250	13,175	14.7	12.9	113.6%
\$250 to \$2,000	10,909	103.2	339.5	30.4%
\$2,000 to \$20,000	4,405	495.9	1,302.8	38.1%
Over \$20,000	744	1,722.5	5,696.8	30.2%
Total Canada	29,233	2,336.3	7,352.0	31.8%

Sources: Business Finance Division,
 Statistics Canada.

Small Business Secretariat,
 Department of Industry,
 Trade and Commerce.

Table A6.2
Taxes Payable to Pre-Tax Profit Ratio
for All Incorporated Business for the
Transportation Sector: 1976

Sales Class (\$000)	Number of Businesses	Tax Payable (\$ Millions)	Pre-tax Profit (\$ Millions)	Tax Payable x 100%/ Pre-tax Profit
Less than \$250	7,730	9.2	24.3	37.7%
\$250 to \$2,000	3,023	23.4	80.6	29.0%
\$2,000 to \$20,000	511	50.0	153.3	32.6%
Over \$20,000	64	111.4	*	*
Total Canada	11,328	194.0	*	*

Sources: Business Finance Division,
 Statistics Canada.

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 Department of Industry,
 Trade and Commerce.

*Omitted because of confidentiality requirements.

Table A6.3
Taxes Payable to Pre-Tax Profit Ratio
for All Incorporated Business for the
Construction Sector: 1976

Sales Class (\$000)	Number of Businesses	Tax Payable (\$ Millions)	Pre-tax Profit (\$ Millions)	Tax Payable x 100%/ Pre-tax Profit
Less than \$250	23,215	29.8	79.7	37.4%
\$250 to \$2,000	12,009	99.7	396.1	25.2%
\$2,000 to \$20,000	1,763	104.3	386.6	27.0%
Over \$20,000	74	85.6	*	*
Total Canada	37,061	319.4	*	*

Sources: Business Finance Division,
 Statistics Canada.

Small Business Secretariat,
 Department of Industry,
 Trade and Commerce.

*Omitted because of confidentiality requirements.

Table A6.4
Taxes Payable to Pre-Tax Profit Ratio
for All Incorporated Business for the
Trade Sector: 1976

Sales Class (\$000)	Number of Businesses	Tax Payable (\$ Millions)	Pre-tax Profit (\$ Millions)	Tax Payable x 100%/ Pre-tax Profit
Less than \$250	46,066	66.1	164.1	40.3%
\$250 to \$2,000	32,623	237.7	829.2	28.7%
\$2,000 to \$20,000	7,032	369.6	992.1	37.3%
Over \$20,000	523	421.1	1,898.2	22.2%
Total Canada	86,244	1,094.5	3,883.6	28.2%

Sources: Business Finance Division,
 Statistics Canada.

Small Business Secretariat,
 Department of Industry,
 Trade and Commerce.

Table A6.5
Taxes Payable to Pre-Tax Profit Ratio
for All Incorporated Business for the
Service Sector: 1976

Sales Class (\$000)	Number of Businesses	Tax Payable (\$ Millions)	Pre-tax Profit (\$ Millions)	Tax Payable x 100%/ Pre-tax Profit
Less than \$250	43,724	69.3	212.9	32.6%
\$250 to \$2,000	10,542	93.2	368.6	25.3%
\$2,000 to \$20,000	922	81.7	235.4	34.7%
Over \$20,000	67	170.6	454.1	37.6%
Total Canada	55,255	414.8	1,271.0	32.6%

Sources: Business Finance Division,
 Statistics Canada.

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 Trade and Commerce.

Table A6.6
Taxes Payable to Pre-Tax Profit Ratio
for All Incorporated Business for the
Finance Sector: 1976

Sales Class (\$000)	Number of Businesses	Tax Payable (\$ Millions)	Pre-tax Profit (\$ Millions)	Tax Payable x 100%/ Pre-tax Profit
Less than \$250	79,171	141.4	684.0	20.7%
\$250 to \$2,000	7,395	132.6	926.4	14.3%
\$2,000 to \$20,000	1,052	141.4	1,280.5	11.0%
Over \$20,000	141	630.0	2,161.5	29.1%
Total Canada	87,759	1,045.4	5,052.4	20.7%

Sources: Business Finance Division,
 Statistics Canada.

Small Business Secretariat,
 Department of Industry,
 Trade and Commerce.

Table A6.7
Taxes Payable to Pre-Tax Profit Ratio
for All Profitable Incorporated
Business for the Manufacturing
Sector: 1976

Sales Class (\$000)	Number of Businesses	Tax Payable (\$ Millions)	Pre-tax Profit (\$ Millions)	Tax Payable x 100%/ Pre-tax Profit
Less than \$250	6,229	16.4	92.7	17.7%
\$250 to \$2,000	8,286	108.4	484.4	22.4%
\$2,000 to \$20,000	3,675	513.1	1,626.2	31.6%
Over \$20,000	645	1,744.1	6,174.5	28.2%
Total Canada	18,835	2,382.0	8,377.8	28.4%

Sources: Business Finance Division,
 Statistics Canada.

Small Business Secretariat,
 Department of Industry,
 Trade and Commerce.

Table A6.8
Taxes Payable to Pre-Tax Profit Ratio
for All Profitable Incorporated
Business for the Transportation
Sector: 1976

Sales Class (\$000)	Number of Businesses	Tax Payable (\$ Millions)	Pre-tax Profit (\$ Millions)	Tax Payable x 100%/ Pre-tax Profit
Less than \$250	3,563	9.4	49.0	19.2%
\$250 to \$2,000	2,146	23.8	113.6	21.0%
\$2,000 to \$20,000	391	50.9	190.5	26.7%
Over \$20,000	47	111.9	545.3	20.5%
Total Canada	6,147	196.0	898.4	21.8%

Sources: Business Finance Division,
 Statistics Canada.

Small Business Secretariat,
 Department of Industry,
 Trade and Commerce.

Table A6.9
Taxes Payable to Pre-Tax Profit Ratio
for All Profitable Incorporated
Business for the Construction Sector:
1976

Sales Class (\$000)	Number of Businesses	Tax Payable (\$ Millions)	Pre-tax Profit (\$ Millions)	Tax Payable x 100%/ Pre-tax Profit
Less than \$250	10,957	32.3	156.5	20.6%
\$250 to \$2,000	9,435	104.7	476.0	22.0%
\$2,000 to \$20,000	1,538	109.6	445.1	24.6%
Over \$20,000	65	87.7	261.0	33.6%
Total Canada	21,995	334.3	1,338.6	25.0%

Sources: Business Finance Division,
 Statistics Canada.

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Table A6.10
Taxes Payable to Pre-Tax Profit Ratio
for All Profitable Incorporated
Business for the Trade Sector: 1976

Sales Class (\$000)	Number of Businesses	Tax Payable (\$ Millions)	Pre-tax Profit (\$ Millions)	Tax Payable x 100%/ Pre-tax Profit
Less than \$250	22,323	69.2	296.6	23.3%
\$250 to \$2,000	25,161	245.9	980.7	25.1%
\$2,000 to \$20,000	5,932	385.0	1,166.2	33.0%
Over \$20,000	446	427.3	2,043.5	20.9%
Total Canada	53,862	1,127.4	4,487.0	25.1%

Sources: Business Finance Division,
 Statistics Canada.

Small Business Secretariat,
 Department of Industry,
 Trade and Commerce.

Table A6.11
Taxes Payable to Pre-Tax Profit Ratio
for All Profitable Incorporated
Business for the Service Sector: 1976

Sales Class (\$000)	Number of Businesses	Tax Payable (\$ Millions)	Pre-tax Profit (\$ Millions)	Tax Payable x 100%/ Pre-tax Profit
Less than \$250	21,347	70.1	349.0	20.1%
\$250 to \$2,000	7,788	94.3	465.2	20.3%
\$2,000 to \$20,000	722	83.6	293.6	28.5%
Over \$20,000	57	171.6	468.9	36.6%
Total Canada	29,914	419.6	1,576.7	26.6%

Sources: Business Finance Division,
 Statistics Canada.

Small Business Secretariat,
 Department of Industry,
 Trade and Commerce.

Table A6.12
Taxes Payable to Pre-Tax Profit Ratio
for All Profitable Incorporated
Business for the Finance Sector: 1976

Sales Class (\$000)	Number of Businesses	Tax Payable (\$ Millions)	Pre-tax Profit (\$ Millions)	Tax Payable x 100%/ Pre-tax Profit
Less than \$250	37,947	147.0	1,024.0	14.4%
\$250 to \$2,000	5,555	134.3	1,097.4	12.2%
\$2,000 to \$20,000	868	141.4	1,367.8	10.3%
Over \$20,000	132	630.8	2,262.1	27.9%
Total Canada	44,502	1,053.5	5,751.3	18.3%

Sources: Business Finance Division,
 Statistics Canada.

Small Business Secretariat,
 Department of Industry,
 Trade and Commerce.

Table A7.1
Ownership Characteristics of
Incorporated Business for Various
Sales Classes for Five Commercial
Sectors: 1976

Sales Class (\$000)	Foreign Controlled		Canadian Controlled	
	Number of Businesses	Sales (\$ Million)	Number of Businesses	Sales (\$ Million)
Less than \$50	221	2.0	57,691	981.0
\$50 to \$250	192	26.0	75,807	9,899.0
\$250 to \$2,000	1,892	1,979.0	67,214	44,918.0
\$2,000 to \$20,000	2,531	16,462.0	12,103	59,666.0
Over \$20,000	711	79,462.0	760	67,206.0
Total Canada	5,547	97,931.0	213,575	182,670.0

Source: Corporations Section,
 Business Finance Division,
 Statistics Canada.

Small Business Secretariat,
 Department of Industry,
 Trade and Commerce.

Table A7.2
Ownership Characteristics of
Incorporated Business for Various
Sales Classes for the Manufacturing
Sector: 1976

Sales Class (\$000)	Foreign Controlled		Canadian Controlled	
	Number of Businesses	Sales (\$ Million)	Number of Businesses	Sales (\$ Million)
Less than \$50	50	0.0	4,988	82.0
\$50 to \$250	36	5.0	8,101	1,096.0
\$250 to \$2,000	641	697.0	10,268	7,704.0
\$2,000 to \$20,000	1,263	8,755.0	3,142	16,266.0
Over \$20,000	447	57,192.0	297	26,195.0
Total Canada	2,437	66,649.0	26,796	51,343.0

Source: Corporations Section,
 Business Finance Division,
 Statistics Canada.

Small Business Secretariat,
 Department of Industry,
 Trade and Commerce.

Table A7.3
Ownership Characteristics of
Incorporated Business for Various
Sales Classes for the Transportation
Sector: 1976

Sales Class (\$000)	Foreign Controlled		Canadian Controlled	
	Number of Businesses	Sales (\$ Million)	Number of Businesses	Sales (\$ Million)
Less than \$50	19	0.0	3,427	63.0
\$50 to \$250	13	1.0	4,271	523.0
\$250 to \$2,000	98	94.0	2,925	1,920.0
\$2,000 to \$20,000	87	527.0	424	2,179.0
Over \$20,000	17	774.0*	47	5,575.0*
Total Canada	234	1,396.0	11,094	10,260.0

Source: Corporations Section,
 Business Finance Division,
 Statistics Canada.

Small Business Secretariat,
 Department of Industry,
 Trade and Commerce.

*Estimated from a data base independent of tax data

Table A7.4
Ownership Characteristics of
Incorporated Business for Various
Sales Classes for the Construction
Sector: 1976

Sales Class (\$000)	Foreign Controlled		Canadian Controlled	
	Number of Businesses	Sales (\$ Million)	Number of Businesses	Sales (\$ Million)
Less than \$50	13	0.0	8,958	157.0
\$50 to \$250	9	1.0	14,235	1,846.0
\$250 to \$2,000	57	62.0	11,952	7,775.0
\$2,000 to \$20,000	80	587.0	1,683	7,707.0
Over \$20,000	32	2,326.0*	42	1,531.0*
Total Canada	191	2,976.0	36,870	19,016.0

Source: Corporations Section,
 Business Finance Division,
 Statistics Canada.

Small Business Secretariat,
 Department of Industry,
 Trade and Commerce.

*Estimated from a data base independent of tax data

Table A7.5
Ownership Characteristics of
Incorporated Business for Various
Sales Classes for the Trade
Sector: 1976

Sales Class (\$000)	Foreign Controlled		Canadian Controlled	
	Number of Businesses	Sales (\$ Million)	Number of Businesses	Sales (\$ Million)
Less than \$50	89	1.0	17,607	278.0
\$50 to \$250	71	10.0	28,299	3,889.0
\$250 to \$2,000	822	874.0	31,801	21,668.0
\$2,000 to \$20,000	919	5,530.0	6,113	30,164.0
Over \$20,000	186	16,966.0	337	32,221.0
Total Canada	2,087	23,381.0	84,157	88,220.0

Source: Corporations Section,
 Business Finance Division,
 Statistics Canada.

Small Business Secretariat,
 Department of Industry,
 Trade and Commerce.

Table A7.6
Ownership Characteristics of
Incorporated Business for Various
Sales Classes for the Service
Sector: 1976

Sales Class (\$000)	Foreign Controlled		Canadian Controlled	
	Number of Businesses	Sales (\$ Million)	Number of Businesses	Sales (\$ Million)
Less than \$50	50	1.0	22,711	401.0
\$50 to \$250	63	9.0	20,901	2,545.0
\$250 to \$2,000	274	252.0	10,268	5,851.0
\$2,000 to \$20,000	182	1,063.0	741	3,350.0
Over \$20,000	29	2,204.0	37	1,684.0
Total Canada	598	3,529.0	54,658	13,831.0

Source: Corporations Section,
 Business Finance Division,
 Statistics Canada.

Small Business Secretariat,
 Department of Industry,
 Trade and Commerce.

Table A7.7
Ownership Characteristics of
Incorporated Business for Various
Sales Classes for the Finance
Sector: 1976

Sales Class (\$000)	Foreign Controlled		Canadian Controlled	
	Number of Businesses	Sales (\$ Million)	Number of Businesses	Sales (\$ Million)
Less than \$50	800	11.0	57,125	686.0
\$50 to \$250	729	92.0	20,518	2,284.0
\$250 to \$2,000	671	491.0	6,724	3,991.0
\$2,000 to \$20,000	216	1,279.0	836	4,428.0
Over \$20,000	32	1,548.0	102	17,078.0
Total Canada	2,448	3,421.0	85,305	28,467.0

Source: Corporations Section,
 Business Finance Division,
 Statistics Canada.

Small Business Secretariat,
 Department of Industry,
 Trade and Commerce.

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