

**Provincial financial  
assistance for industrial  
development purposes**

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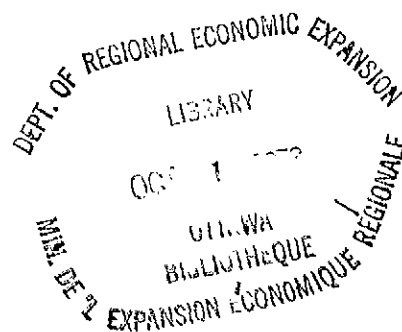


Canada, Dept. of Trade and Commerce,  
Industrial Promotion Branch.

PROVINCIAL FINANCIAL ASSISTANCE

FOR

INDUSTRIAL DEVELOPMENT PURPOSES



Prepared By:

Industrial Promotion Branch,  
Domestic Commerce Service,  
Department of Trade and Commerce.

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PROVINCIAL FINANCIAL ASSISTANCE  
FOR INDUSTRIAL DEVELOPMENT PURPOSES

All Canadian provinces, with the exception of British Columbia, extend financial assistance to industry for development and expansion purposes under a variety of measures ranging from inventory assistance in Alberta to the erection of a plant on a lease-back basis in Nova Scotia. Assistance is not limited by statutory provision in a number of provinces, mainly Newfoundland, New Brunswick and Nova Scotia. However, in those provinces having statutory limitations, total provincial funds authorized for this purpose are in excess of \$300 million.

Financial assistance, especially for large projects, can be provided on an individual basis. This method of financing has been used occasionally in the Maritime provinces.

The majority of provinces extend direct loans or guarantees of loans. The criteria for authorizing assistance appear to vary with the circumstances, and it is impossible to generalize as to whether or not provincial agencies operate under more or less stringent rules than those of the Industrial Development Bank. In Newfoundland and New Brunswick guarantees of loans have exceeded direct loans; Ontario legislation authorizes guarantees of loans only.

Equity participation has not been prevalent, and financial assistance towards the installation of services such as sewers, roads, etc. is, in the main, restricted to Nova Scotia and Quebec. The recently created Société Générale de Financement in Quebec is, however, intended to participate actively in the equity field.

Three provinces are active in fields other than direct loans and guarantees of loans. Alberta provides assistance to industry for the purchase of inventory stockpiles. Industrial Estates Limited in Nova Scotia is primarily concerned with the erection of plants for sale or rent. In Quebec, municipalities can be authorized to create industrial funds for financing the cost of establishing and servicing industrial parks as well as constructing plants for industry. Manitoba and Saskatchewan are also empowered to extend this type of assistance, but so far their activities in this field have been limited.

In general, it would appear that the provinces are providing the types of financial assistance required by industry in their respective regions. Their official losses have not been great and there have been no signs of overt competition between the provinces and the Industrial Development Bank.

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Types of Assistance Authorized by the Provinces

	<u>Direct Loans</u>	<u>Guarantees of Loans</u>	<u>Equity Participation</u>	<u>Plant Construction</u>	<u>Service Installations</u>
Newfoundland	X	X	-	-	-
Prince Edward Island	X	X	-	-	-
Nova Scotia	X	X	-	X	X
New Brunswick	X	X	-	X	X
Quebec	X	-	X	X	X
Ontario	-	X	-	-	-
Manitoba	X	-	X	X	X
Saskatchewan	X	X	-	X	X
Alberta	X	-	-	-	-
British Columbia	-	-	-	-	-

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VALUE OF LOANS  
EXTENDED BY PROVINCIAL AGENCIES

	<u>Direct Loans</u> ( $\$$ )	<u>Guarantees of Loans</u> ( $\$$ )	<u>Total</u> ( $\$$ )
Newfoundland - 1960	-	8,000	8,000
1961	28,000	43,000	71,000
1962	30,000	85,000	115,000
Nova Scotia - 1960	7,656,000	80,000	7,736,000
1961	1,308,350	137,500	1,445,850
1962	2,331,000	215,000	2,546,000
New Brunswick- 1960	-	574,214	574,214
1961	22,924	1,552,663	1,575,587
1962	-	2,620,777	2,620,777
Quebec - 1961	3,055,000	-	3,055,000
1962	7,129,190	-	7,129,190
Ontario - 1963	-	295,000	295,000
Manitoba - 1960	3,150,000	-	3,150,000
1961	1,391,000	-	1,391,000
1962	2,890,000	-	2,890,000
Saskatchewan - 1960	-	-	953,346
1961	-	-	1,872,710
1962	-	-	515,061
Alberta - 1960	1,101,113	-	1,101,113
1961	1,576,613	-	1,576,613
1962	1,307,863	-	<u>1,307,863</u>
TOTAL (1960-62)	( $\$$ 32,977,053) <sup>4</sup>	( $\$$ 5,611,154) <sup>4</sup>	$\$$ 41,929,324

(1) In some cases fiscal years ending March 31st are indicated in terms of the preceding year: 1960 for 1960/61, 1961 for 1961/62 and 1962 for 1962/63.

(2) Recent figures for Prince Edward Island not available.

(3) British Columbia offers no financial assistance in this field.

(4) Saskatchewan does not provide a breakdown between direct loans and guarantees of loans.

NEWFOUNDLAND

## NEWFOUNDLAND

### Industrial Development Loan Act

The Industrial Development Loan Act, in effect since 1949, provides financial assistance to persons or firms entering or already engaged in producing, processing or otherwise dealing with Newfoundland's natural resources.

The Industrial Development Loan Board is responsible for granting loans or guaranteeing payments of loans by commercial banks. The Board must be satisfied of the need for funds and of the soundness of the proposal before it will extend a loan or guarantee. The exact amount of any loan or guarantee granted to an applicant is determined by the Board, but normally it would not exceed the investment made by the applicant himself.

Regulations under the act stipulate that the rate of interest on any loan must not exceed 5%. However, the interest rate applied in each case is left to the discretion of the Board. The maximum term of any loan cannot exceed ten years and loans must be repaid on the amortization plan, in yearly or half-yearly instalments.

Since the inception of the act, about 30 loans, totalling \$235,000, have been extended. These have been restricted to small industries, and were in large part guarantees of loans made by private institutions. The total value of loans outstanding under this act at the close of 1962 was \$125,000.

### Tourist Development Loan Board -

Under the Tourist Development Act of 1953, the Board is authorized to make loans or guarantee loans for the erection, extension and renovation of tourist establishments. In practice, funds are advanced by the commercial banks on the Board's guarantee.

Tourist loans guaranteed by the Board have a maximum term of ten years. During the term of the loan, the borrower is prevented from selling or transferring any property connected with the loan.

In the 1955-62 period, more than 25 loans amounting to more than \$910,000 have been made under authority of the act. Value of loans outstanding at the end of 1962 was \$281,523.

### Co-Operative Development Loan Board -

This Board, established in 1949, performs somewhat the same functions as the Industrial Development Loan Board except that its activities are restricted to co-operative societies.

The Board is empowered to make loans or to guarantee loans to co-operatives to assist in the construction of plants or the purchase of plant equipment or for other reasons which the Board may deem desirable.

Since its inception, more than \$200,000 have been advanced to consumer and producer societies. In general, societies are encouraged to raise capital through membership shares rather than revert to borrowing.

PRINCE EDWARD ISLAND



PRINCE EDWARD ISLAND

Industrial Establishments Promotion Act -

In 1954 the Government of the Province of Prince Edward Island passed the Industrial Establishments Promotion Act. An Advisory Committee was established to assist in carrying out the provisions of the act and regulations.

In general, the purpose of the enactment was to establish a provincial authority to grant financial assistance towards the establishment of industrial plants within the province, for the purpose of processing agricultural, horticultural or fisheries products. In 1960 the scope of the act was enlarged to include "other industrial enterprises which might improve or maintain the economy of any area within the province".

Under the act, financial assistance may take the form of an outright grant, loan or guarantee in connection with the erection or extension of plant facilities. The maximum assistance available to an applicant is limited to 50% of the costs, including machinery and equipment.

It should be noted that the maximum loan available to a single borrower cannot exceed \$1 million; this is also the absolute sum which can be outstanding at any time in the form of direct loans.

Loans can be made for a period not exceeding 20 years, repayable in equal quarterly instalments of principal and interest.

Since the act was passed in 1954, \$536,754 have been disbursed under its authority up to March 31, 1960. In addition, under authority of orders-in-council, \$485,000 have been loaned for assistance to other industrial development projects.

Tourist Accommodation Loans Act -

This act was passed in 1954 for the general purpose of establishing and improving tourist accommodation in the province. Prior to 1954, funds had occasionally been made available, for the same purpose, through order-in-council.

The Tourist Loan Committee established by the act is authorized to make loans to the tourist trade up to a maximum of \$2 million.

The act and regulations give the Committee fairly broad discretionary powers in disbursing loans. However, the Committee's discretionary powers are not boundless. The maximum loan available to an applicant is \$40,000. No loan can exceed 50% of the cost of a proposed project. All progress and final payments are advanced on the basis of 50% of expenditures actually incurred. The maximum term for a loan is 15 years.

From April 1, 1947 to March 31, 1960, loans totalling \$667,182 were disbursed under this act and under order-in-council, prior to 1954.

NOVA SCOTIA

## NOVA SCOTIA

### Industrial Loan Fund

Financial assistance extended to industry by Nova Scotia is encompassed in various legislation dating back to 1944. Some of the legislation concerned is outlined in the Appendix.

The most recent enactment in this field was the Industrial Loan Act passed in 1951 and created the Industrial Loan Board and the Industrial Loan Fund.

The Board, which consists of seven persons - mainly businessmen, reviews proposals for loans or guarantees to industry for the purpose of acquiring land, buildings, machinery, implements, or plant equipment. Financial assistance is also provided for the tourist industry, including development of camping sites. Once a loan or guarantee is approved by the Board it is normally authorized by Governor-in-Council.

There is no statutory limit on the amount of money available from the Fund. Money is supplied by the government as required. Similarly, there is no statutory limit on the amount of money which may be outstanding at any one time. The regulations state explicitly that "a loan will not be made primarily for the purpose of working capital, refinancing, consolidating indebtedness, or for the transfer of properties". However, the word "primarily" implies that, in certain circumstances, loans for such purposes might be approved. Other limitations specify that funds will not be extended if available elsewhere, or unless the capital invested approximately equals or exceeds the amount of loan required.

During the past three years more than \$1 million was loaned directly under the Industrial Loan Act. However, additional assistance was also extended under the Industrial Development Act (see Appendix) during this same period in the form of direct loans - \$1.9 million, and guarantees of loans - \$433,000. Total direct loans made by the province under various legislation since 1948 amount to more than \$8 million. Total value of loans outstanding at March 31st, 1963 under the Industrial Loan Act - \$2.7 million, and under the Industrial Development Act - \$1.7 million. Approximately 50% of loans outstanding results from assistance to the tourist industry.

### Industrial Estates Limited

Industrial Estates Limited is a non-profit corporate entity, operating independently, and subject only to the usual government provisions that affect the operations of any incorporated crown company. It was established in 1958, under authority of the Industrial Estates Act, and is capitalized at \$18 million.

The expressed aim of the corporation is to attract companies capable of expanding, diversifying and developing industrial activity in the province. It is primarily interested in light or secondary manufacturing industries and there is intended to be no duplication between the corporation's and the Industrial Loan Board's activities. Responsibility for development of the primary or so-called heavy manufacturing industries still remains with the government.

Its most important function is to provide a plant for a manufacturer. Under such an arrangement, the prospective tenant requires only sufficient funds, or access to funds, to cover equipment and operating costs. The plant is leased on a long-term amortization basis, with option to purchase at a later date.

Industrial Estates will also design a plant to meet the requirements of the potential manufacturer, as well as provide surveys of transportation and markets. In addition, it can provide adequate services such as water, power and roads to selected sites. Finally, it may be considered as a source of loan capital to finance the purchase of machinery and equipment to operate the plant.

Included in the Industrial Estates Act is a provision whereby the crown corporation can obtain tax concessions from municipalities or towns for itself or for its tenants. This provision is of importance because, in effect, it permits municipalities to grant certain tax exemptions which otherwise would require prior approval by legislature.

Following the 1958 disaster in Springhill, Industrial Estates established a subsidiary company, Springhill Development Corporation. With the long-term plan of providing industries to absorb the idle labour force in that town, the company has purchased valuable parcels of land for future use. A wood products plant has been established in the depressed area and a new plant for the Surrette Battery Company.

In its first four years of operation, Industrial Estates Limited and Springhill Development Corporation have participated with eighteen different companies in the construction of new plants or expansion of existing buildings and facilities. In addition, four new plants are under construction or were just recently completed. Value of financial assistance extended over the past three years amounts to more than \$9 million. Total loans made since inception surpass \$11 million, of which more than \$10 million were directed to the construction or expansion of plants. Total value of investments in plants and loans outstanding at the close of the fiscal year ended March 31, 1962 and \$4.7 million.

- Appendix -

NOVA SCOTIA

The lending activities of the Department of Trade and Industry are encompassed in various legislation dating back to 1944.

Commencing in 1944, money was voted by the government for industrial development purposes and advances out of these appropriations were made by order-in-council. Thus in 1944, \$80,000 were appropriated for assistance to small industries. In 1945, \$200,000 for the same purpose; in 1946, \$750,000 to provide a loan fund for assistance to hotels.

In 1948 the Industrial Assistance Act was passed providing for the establishment of a fund and a board to advise the Minister on matters affecting the establishment and development of industry. The sum of \$1 million was made available under the Industrial Assistance Fund in 1951.

Also in 1951, the Industrial Development Fund, amounting to \$3 million, was established under the Industrial Development Act. The prime purpose of this Fund is to promote economic development on a community or industry-wide basis, and not simply to be a source of capital for an individual firm.

With the passing of the Industrial Loan Act in 1951, it was apparently intended that all the foregoing facilities would be consolidated under one act. This, however, was not completely achieved.

The Industrial Loan Fund established under the Industrial Loan Act is made up as follows:

- (1) By changing the name of the Industrial Assistance Fund to Industrial Loan Fund (\$1,000,000).
- (2) By crediting all repayments and all recoveries made in respect of any loan or transaction out of the:
  - (a) Industrial Development Fund (\$3,000,000)
  - (b) Appropriations for hotels (\$750,000)
  - (c) Appropriations for smaller industries (\$280,000)to the Industrial Loan Fund.

It should be noted, however, that the unused balances of the various appropriations and of the Industrial Development Fund remain intact. This indicates that, should the regulations under the Industrial Loan Act prevent the government from making a loan, monies may still be available from these other sources. For example, because working capital may not normally be loaned under the Industrial Loan Act, the Industrial Development Fund is sometimes used by the government to advance monies for this purpose when it is deemed desirable to do so. This latter fund may be looked upon as the fund "of ultimate resort" since it may be used for any purpose that the government sees it and is under direct authority of the Governor-in-Council.

NEW BRUNSWICK

## NEW BRUNSWICK

### Industrial Development and Expansion Act

Assistance to industry in New Brunswick is authorized by the Industrial Development and Expansion Act in effect since 1956. This act is administered by the Industrial Development Board which is composed mainly of businessmen.

Under this act, loans or guarantees of loans may be made for the establishment or expansion of an industry and for working capital to finance inventories but not for any other operating expenditures.

Each loan or guarantee is subject to approval by the Governor in Council, and loans are paid out of the Consolidated Revenue Fund. There are no statutory limits on either individual or aggregate loans and guarantees which may be outstanding at any one time.

Financial assistance is not meant to compete with existing facilities. In extending a loan, the Board must be satisfied that the funds required could not be obtained from conventional sources on reasonable terms and conditions. The amount of any loan or guarantee is limited by regulation to approximately 50% of the capital invested by the applicant.

Loans and guarantees are available for industries engaged in the processing of most raw materials and natural resources and for services complementary to these industries. Various undertakings such as logging, sawmilling, bottling plants and tourism are specifically excluded by regulation although exceptional cases can be considered by the Board.

Security is usually in the form of first mortgages. The rate of interest on any bond issue guaranteed by the Board cannot exceed  $5\frac{1}{2}\%$ ; and on bank loans guaranteed by the Board, it must not exceed the prevailing rate for similar, but unguaranteed loans.

The Industrial Development Board's experience has been mainly as guarantor rather than lender, and the facilities available under the act are not really considered as constituting a true "industrial development fund". The amount of loans and guarantees in force on March 31st, 1963 totalled more than \$6 million, of which only \$53,000 was in the form of direct loans. From 1st April 1960 to 31st March 1963 direct loans amounting to \$23,000 were extended, while new guarantees totalled \$4.7 million. In most cases, the chartered banks are the actual sources of funds for the Board's "guarantee operation".

The New Brunswick Development Corporation

The New Brunswick Development Corporation was established in 1959, but it has not, as yet, started its operation.

In an initial budget of \$50,000, the Corporation was intended to promote industrial development in the province generally by:

- Assisting in locating new industry and rehabilitating existing ones.
- Carrying on any business of an industrial, commercial or agricultural nature.
- Holding share of incorporated companies capable of enhancing the economic welfare of the province.
- Supplying credit for promotion of industrial enterprise.

It was intended to be somewhat similar in nature to Industrial Estates Limited in Nova Scotia, but it now appears that this type of approach will be modified.



QUEBEC

## QUEBEC

### Municipal Industrial Funds

An act authorizing all municipalities to establish industrial funds has been in effect in Quebec since May 1961. This measure supersedes similar, but less encompassing, legislation which had until that time provided certain municipalities with the opportunity to create such funds.

Approved municipal industrial funds may be used by the municipality to purchase land and install services for the purpose of creating industrial parks. The fund can also be used to finance new industrial buildings to be sold or rented to a manufacturing enterprise. As well, financial assistance from the fund can be extended to an existing enterprise. The latter objective is accomplished through the purchase by the municipality of a building or buildings belonging to the enterprise. The building(s) are then resold on extended credit terms to the enterprise.

The creation of an industrial fund, as well as the size of the fund, must be approved by the Minister of Municipal Affairs and the Minister of Trade and Industry. Once such authority has been obtained, the Municipal Industrial Fund is created by means of a municipal by-law. Particular projects to be financed out of the fund must also be approved by the two provincial departments mentioned earlier. Actual disbursement of funds is made via municipal bond issues.

There is no overall limit on the size of any industrial fund which may be authorized, nor is there any limitation on the extent of financial assistance which can be provided for individual projects. Each case is judged on its own merits by the two provincial departments concerned. However, all actual expenses incurred by a municipality in purchasing land or buildings must be recouped when these are sold or rented to industry.

Since May 1961 nearly \$6 million have been provided by municipal industrial funds for purposes of erecting new buildings or purchasing existing buildings. More than \$4 million have been directed to the purchase of industrial land and the creation of industrial parks. More than sixty municipalities in Quebec have taken advantage of this legislation and have been authorized to create industrial funds, varying in size from as low as \$50,000 in smaller towns to \$2 million in larger municipalities.

### La Société Générale De Financement

This semi-public financial institution was created by legislative enactment in July 1962, with an authorized capital of \$150 million. Share capital will be obtained through the sale of shares, as required, to the provincial government, credit-unions and to the general public. It is intended that the provincial government remain a minority shareholder.

Financial assistance to industry will be all-encompassing, including direct loans and equity participation for the purchase of land, erection of new buildings, purchase of machinery, improvements to manufacturing processes, encouragement of mergers and rationalization of production facilities, and for purposes of working capital requirements.

There is no limitation to the financial assistance or direct participation of the Société. Where desirable, it is empowered to acquire control of industries. However, the objective is to purchase equities on a temporary basis only and to re-sell these as soon as possible.

The Société has only recently begun operations, and although many projects are under consideration it has not as yet taken any action either in the field of loans or equity participation.

ONTARIO

ONTARIO

Ontario Development Agency

Under the Economic Development Loans Guarantee Act 1962-63, the Ontario Development Agency is authorized to guarantee loans made by private institutions.

The form of the guarantee is not restricted. Depending upon the circumstances of the case, the Agency can guarantee purchase of equities, construction of plant or the installation of services.

Guarantees will be extended on the conditions that conventional lending arrangements were not available and the proposal is considered beneficial to Ontario's economic development.

Assistance under the act can be extended to secondary manufacturing as well as the tourist industry, and can be for the introduction of new products or the creation of new and extension of existing industries.

The act sets no limit on the value of guarantees which can be made by the Agency.

This Agency has only been in operation since January 1963. Since that time three guarantees totalling \$295,000 have been authorized. Several more recommendations which would substantially increase this amount are being considered.

MANTOBA

## MANITOBA

### Manitoba Development Fund

The Manitoba Development Fund was established under the authority of the Business Development Fund Act which came into force December 15th, 1958. The function of the Fund is to provide financial assistance to new and existing manufacturing industries, tourist and recreational facilities and community development corporations in the province. It is capitalized at \$5 million dollars, but through government borrowing facilities, monies available for loan purposes could amount to \$30 million.

Loans are generally extended when financing is not otherwise obtainable on reasonable terms and conditions and provided the amount of capital invested by the owner and the available collateral afford the Fund reasonable protection. As a "rule of thumb" M.D.F. will supply 50% of the capital required for expansion. There is no set limit on the amount of each individual loan, just as there is no fixed interest rate. Assistance is usually on a medium or long-term basis - between two to ten years but in special circumstances may be available for any period of time up to twenty years.

The methods of disbursement and repayment of a loan are arranged to fit the applicant's circumstances. Funds are usually disbursed on a "progress basis" rather than in a lump sum, and the owner's share of the total outlay is usually disbursed first. Repayment, including interest, may be made monthly, quarterly, semi-annually or annually. Provision can be made for an interim period during which only interest is repaid. All or any part of a loan may be repaid without penalty before it is due.

From March 1959, when the Fund began its operation to March 31, 1962, 88 loans were extended totalling nearly \$7.5 million, of which \$720,000 were for the financing of tourist facilities. Value of loans outstanding at the end of the 1962 fiscal year was \$6.6 million. More than 50% of loans extended was made outside the area of Metropolitan Winnipeg. The Fund's lending activities have so far included participation in the financing of 53 new buildings encompassing nearly 700,000 square feet, as well as assisting six local community development groups with funds totalling more than \$143,000.

SASKATCHEWAN



## SASKATCHEWAN

### The Saskatchewan Economic Development Corporation

An industrial development fund was constituted in 1947 under Part III of the Crown Corporations Act. It has now been superseded by the Industrial Development Act of 1963, which created the Saskatchewan Economic Development Corporation.

The administration of the Corporation, together with all monies appropriated or raised in its name, come under the control of the Government Finance Office. This Office acts as the financial arm for all government activities in the commercial field. The powers and terms of reference of the new Corporation are very much the same as under the old act, and the industrial development fund is being fully incorporated into the Corporation's administrative set-up.

Loans can be extended to cooperatives, persons, firms, corporations or municipalities carrying on or proposing to carry on business in the province. The tourist industry is the main exception to this general rule, and loans for this purpose are not, as yet, authorized.

Administrative procedures connected with the fund facilities involve several government bodies. Applications for financial assistance are submitted to the Corporation. The application is referred to an Industrial Development Fund Advisory Committee, which recommends whether or not a loan should be granted. The recommendation goes through the Government Finance Office for cabinet approval.

There are no financial limits on the amount of individual loans, although an aggregate limit of \$15 million is presently statutory.

Terms of reference used in approving a loan are normally as follows:

- a) A commercially sound proposal.
- b) An assured market for the product.
- c) Repayment within five years.
- d) No loans strictly for "working capital".
- e) Maximum loan - 50% of fixed assets.

Interest rates are usually lower than those of private lending institutions, and the borrower can buy back his loan at any time without penalty.

Through the fund, the government is also empowered to assist in multi-million dollar projects by guaranteeing the repayment of bonds, both principal and interest. This was the situation a few years back, in the case of the Saskatchewan Cement Company Ltd. and Interprovincial Steel Corporation Ltd. where guarantees of \$5.5 million and \$10 million were made on capital investments of \$8 million and \$15 million respectively.

For well-established companies, the fund will consider erecting a plant on a lease-back basis. Under this scheme, either the company or the fund contracts for the erection of the building, and the company then pays a monthly rental, as a mortgage, until such time as the building becomes the property of the company.

Under the new act, the Corporation is authorized to make grants under three separate programmes. Although the regulations covering such grants have not been drawn up, the programmes are expected to be as follows:

1. Grants for machinery and apparatus -  
Individual grants will be equal to 10% of the cost of the machinery and apparatus used in manufacturing, with a "deductible" of \$10,000 and a maximum of \$90,000.
2. Grants for research -  
Up to one third of the cost of research projects, including market studies and feasibility studies.
3. Grants for training plant work forces -  
The legislation sets no limits for such grants, and presumably the entire cost of training could be covered, including training the work force of a newly established industry.

Since the inception of the fund, total approved loans have amounted to close to \$10 million. This represents nearly 100 individual loans. The loans have ranged in size from \$270 to \$1,000,000, and represent both guarantees of loans as well as direct loans.

ALBERTA

## ALBERTA

### Marketing Services Limited

Assistance for industrial development in Alberta is embodied in Marketing Services Limited, a crown corporation established in 1942 under authority of the Alberta Marketing Act. It is a wholly-owned subsidiary of the Provincial Marketing Board, whose object is to provide producers, manufacturers, distributors and consumers in the province with the means of buying and selling goods at a price that is fair and equitable.

Neither the Provincial Marketing Board, nor its subsidiary, Marketing Services Limited, lends any money to applicants.

In general, financial assistance is limited to the provision of inventory stockpiles to aid the smaller or new manufacturer in meeting competition or overcoming initial difficulties. In effect, the plan permits small stock purchases at bulk prices and brings some relief to operating capital for the period during which assistance is provided.

In practice, the plan works in the following manner: following a successful application for assistance to the Provincial Marketing Board, the required stockpile of raw materials or spare parts is purchased and delivered at or near the site of the applicant's operation.

An area is set aside and secured, so that the inventory is, at all times, under the control of inspectors of the corporation. A legal lease is taken on this area. Goods can be withdrawn from stock as required, daily or weekly, and the invoice for each withdrawal is based upon the cost of the inventory plus a 2% brokerage charge. The only other cost directly related to the assistance provided is a  $\frac{1}{2}$ % charge per month on the balance of the unpaid inventory.

Usually an applicant is required to deposit with the corporation 25% of the value of the inventory provided. In effect, this is not a charge but simply a limitation on the corporation's risk, at 75% of the monies disbursed for these purchases. It is also an assurance of the applicant's interest in the soundness of the whole transaction.

The act sets no limit on the value of inventory assistance which can be extended by the Board. The Board's subsidiary Marketing Services Limited is, however, capitalized at \$750,000. During the three years 1960-62, inventory assistance totalled nearly \$4 million. During the 23 year period, 1939-1962 inclusive, total assistance authorized amounted to \$13.8 million. Total value of inventory assistance outstanding at the close of 1962 was \$228,553.

