Revised Edition
Issued Jointly under the Authority of the
Minister of Industry
and the
Minister of Manpower and Immigration

Revised to 1968 by
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PRINTED IN CANADA ON CANADIAN PAPER

HOW TO RUN A BUSINESS

Government of Canada
Department of Industry
Department of Manpower and Immigration

Available by mail from the Queen's Printer, Ottawa, and at the following Canadian Government bookshops:

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Price subject to change without notice

ROGER DUHAMEL, F.R.S.C.
Queen's Printer and Controller of Stationery
Ottawa, Canada
1968

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1 The Small Business

The small business occupies a large and important place in the everyday life of Canada. Nearly every day we deal with grocery stores, butcher shops, men's or women's clothing stores, shoe stores, drug stores, barber shops, laundries, garages, or amusement centres, many of which are owned by small businessmen. Not so apparent in every day life are the numbers of manufacturers who operate on a small scale in a variety of fields. Flour and feed mills, sawmills, sash and door factories, and metal-working shops are a few examples of small manufacturing businesses. There are many others, not only the older, more established industries but also many recent beginners.

The small business occupies this important position because it can be adapted to meet the needs of any particular community. For example, many towns and villages are too small to support a large retail firm. Even in large urban centres, there are many lines of activity in which small businesses can make a place for themselves. Here they play an important role in the local economy by emphasizing some special feature—location, personal attention, particular goods, or unusual service. These firms are established by individuals or groups who, after weighing the advantages and disadvantages of ownership, have decided to become proprietors, and have had the capital plus the energy and ability needed for success.

There are many satisfactions to be derived from owning or partly owning a small business. If a man is the sole proprietor of a firm, he has, of course, the satisfaction of ownership itself. The owner of a successful business is usually respected in his community. Then again, as his own employer and boss, the sole proprietor plans the business, makes all the decisions, takes all the profits, and bears all the losses. There is a direct connection between his ability and energy on the one hand and his material rewards on the other. The sole proprietor does not have to wait for someone to approve his plans, give him a more responsible position, or raise his salary. The owner is responsible for his own advancement and profits. If successful, he can look forward to a comfortable income and a secure place in the community, and can pass on his business to his heirs.

We have been talking about the sole proprietorship, or individually-owned business. What we have said in the last paragraph has to be modified somewhat in the case of partnership or incorporated entity. In these cases, the individual loses some of his independence through having to co-operate with co-owners. His success is no longer completely dependent upon his own efforts. But most of the other satisfactions are still there, even if modified somewhat.

So far, we have presented one side of the picture—the pleasant side. Now we must look at the responsibilities which the small businessman, especially the sole proprietor, must face. These are of three types.

Firstly, the owner has a responsibility to his customers. He must sell them the types of goods or services they want, at prices which meet those of his competitors, and in a way which they find pleasant and convenient. The businessman makes money by serving his customers. He must get to know their wants, tastes

and personalities. His store must appeal to them individually, in such a way as to hold old patrons and attract new ones.

Secondly, the owner has a responsibility to his employees. He must meet the payrolls every week, every two weeks, or every month, as the case may be. He must establish and maintain an efficient working organization. He must provide adequate safeguards for health and safety, and working conditions that are as pleasant as possible. Failure to do this results in poor co-ordination, divided responsibility, bickering, and inefficiency, all of which offend customers and lose sales.

Thirdly, the owner has a responsibility to government—federal, provincial and local. To the Federal and/or provincial governments he is responsible for the payment of his personal income tax. He is also responsible to the Federal and/or provincial governments for the collection of income tax deductions and unemployment insurance deductions from his employees' wages. He may also be responsible for collecting and remitting federal sales and excise taxes, and provincial sales tax. To his provincial government he may be responsible for the payment of certain taxes or charges, such as workmen's compensation contributions. He must comply with provincial building codes, fire regulations, and health and safety codes. To local government, he is answerable for the observance of any local building codes, as well as the payment of property taxes and fees for any licences he may require.

The responsibilties of the businessman are many and heavy. The successful bearing of this burden of responsibility, and hard work, mean that the businessman must have personal qualifications of a high order.

Firstly, he must be a leader. He must have initiative, energy, and foresight. He must thrive on the burden of work and responsibility which he constantly carries. He must have an interest in people, their tastes, preferences, and reactions, and must learn to adapt himself to them. Chiefly, he needs a bright, aggressive, and hopeful outlook on life. He must be able to take the bad breaks with the good and learn to profit by errors he makes.

Secondly, he must be a man of sound character. The owner must meet the demands of his creditors promptly. He must deal honestly with customers, and fairly but firmly with his employees. If his business is to grow, he must become known as a man of his word. Although he will miss no opportunity to take advantage of bargains and special offerings, he will never take unfair advantage of a customer. Honesty and reliability are as much part of his stock-in-trade as his inventory.

Finally, and most important of all, he should be a man of experience. If not, he must know where to obtain expert advice. Before he starts out he must know his business thoroughly. He must know the qualities and prices of merchandise which will sell, the dealers from whom he can buy it, and the terms on which they will sell to him; the nature of his equipment; the skills of his employees; the available sources of loans and the rates of interest on those loans; the regulations of government; the details of stocking, displaying, and selling; the costs which he must incur, and the minimum sales necessary to cover those costs; and the accounting procedures essential to his work. He must realize the competition to be met. He must, at the same time, be able to take an over-all view of his business instead of becoming involved in too many details. He will know when to take risks and when to avoid them, when to expand his business and when to contract, and when to borrow to take advantage of discounts. The necessary knowledge, ability, and judgment rarely are acquired

without previous experience in a similar line of endeavour.

Therefore, before starting up a business of your own, you should work for some successful firm in the line of business you intend to enter.

If, for instance, you are planning on establishing a retail store, go to work for a retailer, or for a variety or department store. Your work alone may not be sufficient training. You may require night school courses in certain aspects of business. For example, if you are selling for a department store, you should take a night school course in bookkeeping. Department stores often have courses for their employees in various aspects of store operation. If you are working in a department store, you should try to move around to acquire experience in several departments. Working for a small firm is sometimes even better as you do a variety of work and become better acquainted with the business as a whole. On the other hand, the training obtained in larger firms is usually more thorough insofar as special aspects of the work are concerned.

Similarly, if you intend to set up a small metal-working shop, a bakery, restaurant, cement block plant, or locker plant, you should first become quite familiar not only with the technical operations but also with the business practice. Technical training such as the operation of machine tools is given in the vocational training schools of the various provinces. You should, however, learn the best methods through actual experience in an established firm.

If you are going into partnership with one or more other men, it may be possible to specialize to some extent. For example, if three men are partners in a retail store, one might keep the accounts and records, a second might supervise sales and displays, and the third handle purchasing and stocking. Thus, if you look forward to handling accounting, you should try to get into the accounting department of some established store and learn its practices. If you plan on handling sales and displays, an excellent training is provided by becoming a sales clerk in a department store and taking any merchandising courses which the store offers its employees. But a general knowledge of the business is still highly desirable in case one of your partners becomes ill.

Going into business for yourself is something which not only confers rewards and provides opportunities, but is also an undertaking which requires experience and capital. It may involve considerable financial risk. It is not a decision to be taken lightly. Carefully appraise your ability, personality and experience. Consult your local Chamber of Commerce, Board of Trade, Better Business Bureau, bankers, trade suppliers, wholesalers, retail merchants association, etc., about the business you have in mind. Proceed on the basis of careful calculation and sound advice, not on hunches or guesses. Weight the evidence carefully before arriving at a decision. Then stick to it.

2 Forms of Organization

In this chapter, we shall consider the various ways in which your business can be organized. You may have decided on this already. But at any rate, it is well to be aware of the different types of organization which are available and the characteristics of each. You may intend to be the sole owner of the business yourself, or you may have decided to go into a partnership with one or two friends. But are you aware, for example, of the many advantages your firm could derive from being organized as a private corporation? This would be appropriate if you know several men who have some capital to invest, but who do not want to be liable for the debts of the firm, or who do not want to take any active part in its management. If you know of a fairly large number of people who might be interested, each of whom has only a relatively small amount of money to invest, the co-operative is an appropriate form of organization.

We shall proceed to examine these various types together with the characteristic advantages and disadvantages of each.

The Individual Enterprise

The individual enterprise is one which is owned by one person. It may be operated by him alone, or with the aid of his immediate family, or with one or more paid employees. But the basic point is that there is only one person who is legally responsible for the firm's debts and entitled to the firm's profits. He owns all the assets, must meet all the liabilities, and is responsible for the conduct of every phase of the enterprise—buying, selling, manufacturing, advertising, accounting, personnel, and so on—even though he may hire other people to take charge of some of them.

If you establish an individual enterprise, you will enjoy certain advantages. Your profits and the growth of your business will depend upon your own ability and hard work. You will be "your own boss" but it does not mean you can do exactly as you please, for you must still satisfy your customers and abide by government regulation. Your business will be easy to organize and you can add to it as you see fit. The enterprise is free from many of the regulations with which the corporation must comply. You will have to pay personal income tax, but you will be free from corporate profits tax.

At the same time, the individual enterprise has certain natural disadvantages. The most important of these is the unlimited liability of the owner. That is to say, if your business becomes insolvent and is forced into bankruptcy, the law will make no distinction between your business assets and your personal belongings. Not only will your business assets be seized and sold, but also your personal property, both what you possess at the time of bankruptcy and all you may acquire up until the time at which the bankruptcy is discharged. Your liability, in other words, is not limited to your business assets.

The liability of married men is limited to their own personal property. Creditors cannot touch any property that is listed in a wife's name. For married women in business, however, a word of caution. While only their separate property is liable under the con-

tracts they make, their position in such respect is quite special in the Provinces of Nova Scotia and Quebec. In both provinces special legal procedures are required to establish the exact nature of the property belonging to a wife. Unless such distinction is made, the property of both husband and wife can be taken to satisfy creditors of the wife's business enterprise. In fact, any married person entering into business in the Province of Quebec, whether man or woman, must go through legal procedures designed to establish to what extent his or her property is separate from that of his or her spouse. If you are in either of these situations, you should seek legal advice.

The individual enterprise has other disadvantages. Its size is limited by the amount of the owner's capital plus whatever he can borrow from friends, relatives, and lending institutions. This usually means that the business will be small. But it will have to meet the competition of older established firms which may have greater resources, especially if they are partnerships or corporations. There are many ways in which this small size can hamper you. For example, when ordering goods, you will not be in the same position to get quantity discounts as will the larger buyer. The fact that you must supervise all branches of the business means that you cannot be a specialist in any one branch. You are, therefore, at a disadvantage unless you hire a number of experienced people, and, you are not likely to be able to do this at first. You will have to compete with firms whose employees have specialized in merchandising, advertising, accounting, and so on, and who have acquired a greater skill in handling these matters.

Finally, there is a lack of continuity in the individual enterprise. After your death, the administrators of your estate can carry on the business under letters of administration, until the affairs of the estate are settled and title is transferred to your heirs. How well the estate will be administered in the meanwhile will depend upon the administrators. If they are very busy, or incompetent, the business may suffer.

If, as the proprietor of an individual enterprise, you wish to use a name other than your own, or to add "and company" or similar words to your name, you must file a declaration in accordance with the laws of the province in which you will conduct your business. The place of filing is usually the local county court house.

Partnership

In a partnership, at least two people pool their resources and abilities in the conduct of a particular business enterprise. A partnership is created by entering into a contract which has two main points: (1) it states the contribution to be made to the business by each partner; and (2) it specifies the manner in which the earnings of the enterprise are to be shared by the partners. Such other matters as the following are also usually covered: purpose of business, name of firm, duration of agreement, place of business, rights of management, procedure for termination or re-organization of the partnership.

A partnership agreement should be carefully drawn up in specific detail. If all matters are clearly set down in writing, possible misunderstandings and disagreements may be avoided.

The most common forms of partnership are: general partnership and limited partnership. Each has the same powers but differs in formation, registration (in some instances), and the individual liability of the members to one another and to the public.

In a general partnership the members are not only jointly liable (liable in equal shares) for the debts of the partnership, but in addition, are jointly and severally liable (each liable for his share or the full amount). Each partner can bind the partnership irrespective of the consent of the other partner.

A limited partnership is composed of one or more general partners who conduct the business, and one or more persons who contribute an amount in actual cash, called special or limited partners. As opposed to the unqualified liability of a general partner, a limited partner is liable to the firm or to its creditors only to the extent of the capital he has agreed to contribute, and no more. He may share in the profits according to the partnership agreement but must take no part in the management of the firm or he becomes a general partner.

A partnership arrangement has certain advantages. It permits the partners to specialize to some degree. In a small auto parts firm operated by three partners, for example, one partner does all the selling, a second does the repair work, while the third does the bookkeeping and the detail work of the stock room. Each is thoroughly experienced in his branch of the business, which, as a result, operates at a higher level of efficiency than if one man had to handle all three aspects of the business. The partnership thus makes it possible to combine a variety of talents in the conduct of the business. It is possible, too, that a larger amount of capital can be brought together by three partners than by one man alone. This larger capital plus a variety of talents may make it possible for the partnership to expand further than would be feasible with one man's capital and ability. Like the individual enterprise, the partnership is free from corporation taxes, although the partners pay income tax on their salaries and their shares of the net profits of the firm.

The partnership has certain disadvantages. The first of these is the feature of unlimited liability. The partnership is not an entity distinct from the persons who enter it. Each 'general' partner is individually liable for the whole of the debts of the partnership. For example, if a two-man partnership owes $5,000 to its creditors, and partner A is known to have considerable money, while B is known to be a relatively poor man, the creditors may sue A for the $5,000. As in the case of the individual enterprise, the law makes no distinction between the 'general' partner's share of the assets of the business and his personal property.

Again, there is the danger that some of the partners may be dishonest or incompetent and will cause the business to lose money through fraud, negligence, or bad judgment. There is also the fairly considerable disadvantage that the partnership ceases to exist if one of the partners dies or withdraws from the partnership.

All partnerships must be registered in accordance with the laws of the province in which business is to be carried on. The usual place of registration is the local county court house.

When a partnership is dissolved, it is prudent to provide public notice of the dissolution. Notice of dissolution is given by inserting a notice to that effect in the Provincial Gazette of the province in which the partnership has been acting. It protects retiring partners from debts incurred by the business after their withdrawal.

The Corporation

The corporation or joint stock company is the most complex of all the forms of business organizations. It is a separate legal entity distinct from the share-

holders who own it. The corporation's capital is raised by the sale of shares of stock to persons who wish to become part owners of the company. These stockholders or shareholders as a group own the company. The shares are actually certificates of ownership in the corporation. Owning a share entitles the stockholder to a certain share of any profits which may be made available for distribution by the management. In a public corporation, shares are transferable, that is, can be sold by stockholders who no longer wish to own them. In a private corporation, the number of shareholders is limited to fifty, the shares can be transferred only within the limitations laid down in the Letters Patent, and there can be no invitation to the general public to subscribe for the shares or debentures of the company. Ownership of a share, unless it belongs to a special class for which voting rights are limited, also entitles the shareholder to one vote at regular meetings when the policies and actions of the corporation come up for review by the shareholders.

The corporation is governed by a board of directors elected by the shareholders at the annual meetings. Sometimes a special meeting is called for this purpose. The board appoints members to fill any vacancies which may occur between annual meetings due to the resignation or death of elected members, and these appointees hold office until the next annual meeting. The board of directors meets from time to time and supervises the business of the corporation in a general way.

The management is the term used to describe the officials of a corporation who direct its operations from day to day. The president and vice-presidents must be members of the board of directors. The secretary-treasurer and the general manager may be members of the board of directors, but not necessarily so. They may also be paid employees of the corporation, and usually are. The management is responsible to the board of directors, which in turn is responsible to the shareholders, who are the ultimate owners of the corporation.

The corporate form of organization has many advantages. The most important of these is that the liability of shareholders is limited to the value of their shares. That is, if a shareholder has bought $100 worth of stock in a company and the company goes bankrupt, he will lose the amount he paid for the stock, but the company's creditors have no claim on his personal possessions. Sometimes corporations sell shares of a given "par value", but the person who buys the stock does not have to pay the whole of the par value at the time of purchase. The company retains the right to call on him for any or all of the unpaid portion of the value of his stock at any time. In case the corporation is forced into bankruptcy, the shareholder is liable for any of the uncalled value of the shares he owns, but there his liability ends.

For example, suppose that you bought a $100 par value share in a company and were required to pay only $25 for it at the time of purchase. If the company goes into bankruptcy, the receiver can call on you for the remaining $75, but no more.

The limited liability of shareholders and the transferability of shares give corporate stocks a wide appeal among those who have resources available for investment but who do not want to risk their entire personal fortunes, and those who may want to withdraw from the enterprise at a future date. In this way, huge quantities of capital are accumulated for the carrying on of business by gathering together the individual savings of large numbers of shareholders. At the same time, control of day-to-day business is concentrated in the hands of permanent management. These features enable

the corporation to expand its plant, extend the range of its products, plan large advertising campaigns, raising the required funds by new stock issues.

Profits are usually paid to the shareholders only in years in which profits are made. In a bad year, the corporation does not have to make any payments to its owners. This is more advantageous than having to pay interest on borrowed capital regardless of whether the year has been a profitable one or not. The corporation also possesses an assured continuity; it is not dissolved by the death of any of its shareholders or by the sale of shares by a shareholder.

Against these very considerable advantages must be set a number of disadvantages. It requires a considerable expenditure of time and money to organize a corporation. The advice of accountants and lawyers is essential and their fees must be taken into account. Again, the corporation is normally subject to a greater tax burden than other forms of enterprise (see section on taxation in Chapter 10). Not only are there taxes on corporate income, but dividends paid out to each shareholder are subject in part to personal income tax. The sale of shares is regulated by law. The corporation is, in fact, more closely regulated than other forms of business organization.

If you wish to organize your business as a corporation, you must decide whether to organize as a private or as a public company and whether to be incorporated by the Federal Government or by one of the provincial governments.

There is no very great difference between being incorporated by the Federal Government and being incorporated by one of the provincial governments. Federal incorporation gives one important advantage; provinces cannot enact regulations designed to affect the status of a company possessing federal letters patent.

That is, these federal companies may not be impeded by discriminatory legislation passed by any province. Federal companies, however, are subject to provincial laws of general application.

If you decide to secure federal letters patent, you should write to the Department of Consumer and Corporate Affairs, Ottawa, Canada, and if you desire provincial letters patent, you should write to the Provincial Secretary or the Registrar of Companies of the appropriate province to obtain the proper application forms. You should fill these out and return them. After the application has been approved, and your company has been incorporated, you may proceed to organize your business.

Fees payable to the Department of Consumer and Corporate Affairs, Ottawa, upon filing of an application for letters patent, are based upon the authorized capital requested, and are on a sliding scale beginning at minimum of $100 for an authorized capital of $50,000 or less.

The Co-Operative

The final form of organization we shall consider here is the co-operative. In this type of organization, capital is raised by the sale of shares to members. But whereas in the corporation the number of votes a shareholder has is in proportion to the number of shares he owns, in the co-operative the principle is that of allowing one member one vote only, regardless of the number of shares he holds. Management is in the hands of a board of directors elected annually by the members. The co-operative can be and should be organized and registered as a corporation in the province in which it does business. If it is incorporated, its members receive the benefit of limited liability with all the

protection which this implies. The overwhelming majority of co-operatives are organized as corporations for this reason.

The co-operative store buys its goods from ordinary wholesale houses or from the wholesale co-operatives which are owned by retail co-operatives. These goods are sold at the retail price prevailing in that particular area. At the end of the year, after the expenses of operation and reserves have been deducted from net sales, any surplus which is left over is paid out to members in the form of patronage dividends. These dividends are proportional to the volume of business which the members have done with the co-operative. They are not related to their holding of shares in the co-operative.

Co-operatives are also organized in the packing and processing industries. Creameries are often owned co-operatively by farmers who have dairy herds, and the packing of fruit is often organized co-operatively by fruit growers. In these cases, patronage dividends are paid out to members in proportion to the quantities of cream or fruit they have delivered to the co-operative for processing or packing.

The advantages of being a member of a co-operative are quickly stated. In the case of the retail co-operatives, a member benefits from being able to buy his goods at prices below the independent retailers' prices—if you take into account patronage dividends. In a producers' co-operative, the members receive any profits made on the processing or packing of their products. If the co-operative is incorporated, the members are protected by the limited liability feature. An incorporated co-operative has continuity of corporate existence. As regards income tax, the co-operative is in a middle-of-the-road position. The co-operative is not taxed on patronage dividends paid out to members, but it is taxed on those profits retained within the co-operative.

The weakness of the co-operative lies in the danger of the management being inexperienced, or not having sufficient financial investment to put forth its utmost efforts. As co-operatives have their greatest popularity in small towns in rural areas, the management is likely to be drawn from the local membership, and may lack thorough training in business.

Several of the provincial governments have taken an active role in promoting the organization of co-operatives. If you plan on organizing one, you should get in touch with the appropriate government department or bureau.

3 Location of Factories

In this chapter and the following one your attention will be drawn to planning the location of your business. Since the factors which affect the location of a factory are rather different from those which affect the location of a retail store, the discussion will be carried on in two parts. This chapter will deal with location of factories, and the following one with location of retail stores.

Choosing a location for your factory amounts to finding such a locality and site as will make the profits from your operations as large as possible. To do this you must locate so that your net sales in relation to your costs are as favourable as possible. You cannot afford to neglect any factor which will affect either your sales or your costs. Raw materials, labour, power, fuel, and transportation costs must all be considered. So must such important items as market area, amount and quality of competition, available distribution facilities, and local laws and taxes. You must take a long-run view of all these matters because your factory, once erected, will have to be operated under favourable conditions over a long period if it is to be a profitable investment.

Valuable assistance in choosing a factory location can often be obtained by contacting municipal industrial commissions and provincial development agencies. The latter are discussed in Chapter 7 of this book. In addition, the Dominion Bureau of Statistics, as discussed in Chapter 12, can provide a wide range of information which could prove helpful.

Production Materials

An important matter is the availability of raw materials and semi-manufactured goods used in making your product. The closer you are to the source of production materials, generally speaking, the lower will be the cost of transporting them to your factory, the lower will be your cost of production, and the greater will be your ability to compete.

You should first of all find out what quantities of your particular raw materials are available in the district. You should also find out the quality of these supplies, for if they do not come up to satisfactory standards, it may pay you either to ship in raw materials or to locate in a different area. Another important matter is the cost of obtaining raw materials. Raw materials of good quality may be obtainable in sufficient quantities over a long period, but only at prohibitive cost. If you will be using natural resources, such as timber or minerals, you can usually expect that the cost of obtaining them will rise after a time as the more easily obtained supplies are used up and you have to depend upon supplies which are farther away, deeper in the ground, or poorer in quality. If these raw materials are partly processed by other firms, you should find out their annual production, the fraction which would be available for your operations, the cost of this supply, and the probable future trends of supply and price. You should make a careful comparison of costs (including freight) from alternative sources of supply. Another thing to check is whether any firm or any small group of firms has substantial or complete control of raw material vital to you. If some firm is in such a position, it will be able to raise the price of the raw material substantially, cutting deeply into your profits. You should also learn whether there are any seasonal irregularities in the production or delivery of these raw materials.

Similarly you should investigate the supplies of any semi-manufactured goods which you may require for your product. Find out the annual production of the firms in the area, its quality, its costs, and the extent to which manufacturers will produce to your specifications. Compare the cost of this local supply with the cost of supplies in other areas, and the cost of bringing these supplies to your proposed location. Note any seasonal irregularity in production or delivery.

Information on the location, chemical and physical composition, and quantities of various natural resources can be obtained from the following sources in Ottawa:

Department of Indian Affairs and Northern Development

Department of Fisheries

Department of Energy, Mines and Resources

Dominion Coal Board

Department of Forestry and Rural Development

Information may also be obtained from the corresponding departments of the provincial governments.

Information on the location of manufacturers of semi-finished goods, supplies, and equipment can be obtained from the Canadian Trade Index, published by—Canadian Manufacturers' Association, Toronto; from Fraser's Canadian Trade Directory, published by —Fraser's Trade Directories Limited, Montreal; and from publications of the Dominion Bureau of Statistics, Ottawa. Additional sources of information are: Industrial Promotion Division, Department of Industry, Ottawa, and the Industrial Development offices of the various provincial governments as listed in Appendix A. Local information can be obtained from the Chamber of Commerce, Board of Trade, or Industrial Commissioner in the area.

Manpower

Another important consideration is the labour supply in the area. If your enterprise is going to employ a considerable number of people, you will want to locate in an area in which large numbers of people already live within easy reach of the factory. Otherwise, you will probably be forced to go to the expense of bringing in workers. You should find out the number of males and females of labour force age in an area within which workers can go to and from the factory with ease each day. Determine the numbers of unskilled, skilled and semi-skilled workers of the type required in your factory, and compare them with the numbers available in the area. Of primary importance are the prevailing wage-rates for the types of labour you need. You should find out if there is any seasonal migration of workers, or any seasonal division of workers' time between industry and agriculture. You should also be aware of the extent of labour organization and of labour turnover in your proposed locality or intended industry.

The best source of such information on the labour market is the Canada Manpower Centre in the locality in which you plan to establish. The federal Department of Manpower and Immigration maintains more than 250 of these Manpower Centres at strategic locations throughout Canada and each has up-to-date information based on intensive research into the labour market.

The Canada Manpower Centre can also help you recruit the staff you need and supply you with con-

tinuing service in all areas relating to the utilization or development of the working force.

The Department of Manpower and Immigration supplies labour market services to both the workers and the employers of Canada. The objective of the Canada Manpower Centre, in general terms, is to promote full employment and optimum manpower utilization in Canada. Many of the Department's services and programs are designed directly for the assistance of the employer while others benefit the employer at the same time as they help the worker improve his employment prospects.

Foremost among the direct services is the assistance the CMC can provide to the employer in finding and selecting suitable and competent workers. The Manpower Centre counsels and screens candidates for employment before referring them to the employer. It will also make space available in its premises for employer interviews.

Each Canada Manpower Centre has listings of available workers in its local area and, in addition, is linked by telex with all other centres across Canada. Thus, if suitable workers are not available locally, the full national resources of the Department can be brought to bear to locate workers with the qualifications sought by an employer. If suitable workers cannot be found in Canada, the Department can also offer the employer assistance in arranging to get skilled workers from other countries.

The Canada Manpower Centre can also assist and advise the employer in establishing employee training programs. In some cases, it can offer financial assistance under the Occupational Training for Adults (OTA) program in the operation of in-plant training programs.

Besides offering this direct assistance, OTA also benefits Canadian employers by upgrading the overall skills of the working force. This program, which purchases training for workers and pays them living allowances while they are in training, is designed to help the worker acquire skills which are currently in demand in Canada's changing economy. The Department carries on consultations with employers to ensure that workers are referred to training courses which have immediate application in the working force. Thus the program ensures employers of a continuing flow of workers trained in modern skills.

The Manpower Mobility Program, which helps pay a worker's costs on moving from an area of declining opportunity to an area where job opportunities are better, assists the employer by encouraging a flow of workers from areas of labour surplus to areas of shortage. While the program is not designed as a recruiting tool for an employer, it can nevertheless make available to him workers whose skills might otherwise be wasted.

The Department also offers other specialized services of direct benefit to the businessman. A Manpower Consultative Service is available to smooth out management-labour adjustments to technological and economic change. A Business Management Program develops and prepares business courses designed to upgrade managerial and supervisory personnel. These courses, while prepared by the Department, are normally offered under the auspices of provincial Departments of Education and in co-operation with Chambers of Commerce or individual business enterprises.

Living Conditions

Closely related to the last topic is the factor of living conditions. The conditions under which employees live will have an effect, either good or bad, upon their performance in your factory. In the long run, living conditions will affect your rate of labour turnover, since people will tend to move away from a bad area. Workers housed in clean, comfortable homes in residential areas provided with parks and recreational facilities are more likely to be steady and highly productive than those who are forced to live in slums. Discontented workers are liabilities, both to themselves and to their employers.

Therefore, it is advisable to look into this matter carefully. You should get specific information on the housing and shopping districts, on hospital, religious, educational, and recreational facilities, and on professional services available in the area in which you propose to locate. Information can be obtained through conversation with local civic officials. Personal inspection is recommended.

Climate will play a part in the overall picture of living conditions. You should find out the average temperature and precipitation for all seasons as well as the extremes of temperature in both winter and summer. You should seek data on the number of hours of sunshine per year, the average relative humidity and wind velocity for each month, for the past ten years.

Information on climate may be obtained by writing to local civic officials, or to:

The Director,
Meteorological Branch,
Department of Transport,
315 Bloor St. West,
Toronto 5, Ontario.

Sites

Important considerations when thinking of factory location are the amount and kind of land available for industrial purposes. If such land is scarce, you may be able to get enough to build a small factory, but not enough for additions in the future. If land is scarce, its price or rent is likely to be high. If the land is to be rented, you will want to know the terms on which lease will be granted and the length of time for which it will run.

An important feature of many towns and cities from the industrialist's point of view is the existence of laws which divide the total area into residential and industrial zones, prohibiting factories in residential zones and residences in industrial zones. Because such laws may restrict the amount of land available for factories, it is advisable to obtain details from the proper civic authorities before proceeding to examine sites.

In addition to the actual amount of land available for industrial purposes, you will want to know a great deal about the location and characteristics of the land. You should know if it is hilly or flat, dry or swampy. If the land is hilly, you may have to spend money to have it cut and filled to provide a flat area of suitable size. If the subsoil is soft, it may be necessary to sink concrete piles to support the weight of the factory building. If the land is near a river in which the depth of water varies seasonally, the soil may contract and expand with its moisture content, and affect the foundations of your building. Freedom from floods is naturally desirable. All such matters should be carefully investigated.

The improvements in the area should be noted. You should find out whether fire protection, sewers, drinking water, gas and electricity are provided, and the system of rates which are in effect for industrial users. The location of the factory with regard to street transportation will be important in enabling employees to reach the plant. A location near railway spurs, or near main roads, or on good roads leading to highways, will make it much easier to bring in production materials and ship out finished products.

Finally, you should investigate the amount of available space in existing buildings in the area. In doing so, you should bear in mind all the factors mentioned above. You would be well advised to consult a competent industrial architect to determine suitability for your purpose. He should carefully inspect the buildings to determine the condition of foundations, walls, floors, electric light wires, power cables, boilers, steam heating systems, fire protection devices, ventilation, and lighting. If the building needs considerable repair, the architect should prepare an estimate of cost, and you should take this into account when you consider the price or the annual rental of the building.

Fuel and Power

You should investigate the various types of fuel available in the area. It may be possible to use either gas, coke, coal, oil, wood, chips, sawdust, electricity, or steam on contract, as fuel in your plant. Your choice will depend partly on technical factors, partly on the cost of the fuel itself, and partly on the cost of the particular equipment you must use with each. Before deciding to use a particular fuel, you should know the degree of regularity and dependability of the supply. Learn the sources of supply, trends in current production, methods of transportation, and heating characteristics, of all the alternative types. The initial cost of buying and installing the equipment to be used with each fuel—for example, stokers and automatic grates with coal—should be calculated along with maintenance and repair costs, length of life, and reliability.

You may also be able to use any one of a number of kinds of power in your factory—gasoline, diesel, or steam engines, or electric motors. The cost of installing and maintaining these engines and any accessory equipment such as fuel storage tanks or transformers must be considered along with any special rates to industrial users of electricity, fuel oil, gasoline, or coal.

Water

Certain industries require large amounts of water in the manufacture of their products, and, in some, requirements with respect to impurities are critical. For example, soft water is an absolute necessity for the textile industry, and water free from contamination is needed by all of the food industries. If this is the case in your industry, it is important to find out just what quantity of water is available, its chemical composition, its rate of flow, temperature, seasonal variation, and cost. For information write to:

Water Quality Division,
Inland Waters Branch,
Department of Energy, Mines and Resources,
Ottawa, Canada.

Transportation Facilities

An important factor influencing many aspects of factory operation is the transportation facilities serving the place in which you build your factory. The rates on fuels, raw materials, and semi-manufactured goods shipped in, and on finished goods shipped out, will affect your costs and your ability to compete with other producers. The regularity, dependability, and frequency with which the various carriers operate will be of great importance to you. In certain lines of business, speed of delivery is essential, and you should therefore look carefully into the adequacy of the carriers' terminal facilities and the promptness of their delivery services. Make certain of any seasonal changes in the adequacy and dependability of transportation services in the area. Estimate the carriers' ability to carry an expanding

tonnage. You should investigate all types of carrier—rail, water, highway, pipeline, air—and compare not only their rates, but the speed, frequency and dependability of their shipping schedules and any accessory services, such as delivery or storage. You should check services and rates, not only on shipments from suppliers to your factory, but from suppliers to your competitors' factories; and not only from your factory to your chief potential sales areas, but also from your competitors' factories to these same sales areas.

Railway Freight Services—Since a certain proportion of your production material and finished product is likely to move by rail, you should seek exact information on railway freight rates, both those for carload lots, and for less-than-carload lots, and for both inbound and outbound traffic. You should also check rates for Trailer on Flat Car (T.O.F.C.), commonly known as "piggyback". Some parts of Canada have lower rates on a given commodity for a given mileage than do other parts. This may be due to a greater density of traffic in these areas, or the presence of highway or water competition, which forces the railways to reduce their rates between particular points. It will be beneficial to your business, other things being equal, to be located at a point from which you can ship on one of these reduced rates to large wholesale or retail buyers.

There are several types of special low rate, any one or more of which may be applicable to shipments to or from your proposed location. Wherever you are in Canada, you should find out whether the rates known as "agreed charges" can be negotiated, and whether they have been granted to any of your competitors. In Eastern Canada, you should check on the existence of areas in which cities and towns are "grouped" or "blanketed" for freight rate purposes.

You should talk over all matters concerning railway freight rates with divisional or district freight agents, with freight traffic managers in Moncton, Montreal, Toronto, Winnipeg or Vancouver, or with the Canadian Freight Association at Montreal or Winnipeg. Both the C.N.R. and C.P.R. have traffic officials specially assigned to freight rate matters.

Water Freight Services—Inland water transportation is particularly important on the Great Lakes and the St. Lawrence River. Two types of freight services are provided, one for bulk freight and one for package freight. For rates on bulk cargoes you should consult individual steamship companies. Rates on package freight are published in the form of tariffs, which may be obtained at the principal carriers' offices at various St. Lawrence and Great Lakes ports. Some bulk cargo rates are also published in the form of tariffs. You should also check on the regularity, dependability, and speed of the services provided.

Highway Freight Services—Only a portion of the freight rates charged by highway carriers are published in tariff form. In many cases, carriers do not publish their rates, and where this situation exists, you must consult individual operators to determine charges. Again, you should carefully examine the regularity, dependability, and speed of the services provided.

Air Freight Services—Air freight services are provided by both scheduled and non-scheduled operators. Air Canada and Canadian Pacific Airlines are the principal scheduled operators. Their rates, which are published in tariff form, may be obtained through their local offices at principal airports. Non-scheduled operators also provide a variety of services between various points in Canada. In recent years, there has been a noticeable increase in the number of private operators

in this field. You can obtain information on their rates and services directly from individual carriers. The Air Industries and Transport Association of Canada, 116 Albert Street, Ottawa, includes in its membership both scheduled and non-scheduled operators, and can provide the names and addresses of operators rendering non-scheduled services. A second source of information on air services generally is:

The Secretary,
Air Transport Board,
Hunter Building,
Ottawa, Canada.

Further information and guidance is available from the Transportation Division, Trade Services Branch, Department of Trade and Commerce, Ottawa.

Market Area

A factor of first-rate importance is the volume of sales you will be able to make. You and the other producers located near you will tend to sell in a certain district surrounding your factories; this district is called your market area. It may be almost purely local in extent, or it may be hundreds of miles in diameter, depending upon circumstances. You will want to locate in a place such that both the market area and the portion of it which you can secure for yourself, will be as large as possible. A vast number of things will influence the size of your market area, two of them being your costs of production and transportation, both of which have been treated already. A third is the number of your competitors, together with the vigour of their competition.

A fourth influence on the size of your market area will be the numbers and wealth of the population in the area surrounding your factory. Find out something about the proportions of the various income groups in the area. Determine whether it is likely to attract new industries in the future; if new industries arrive, population and incomes in the area will grow. It is well also to investigate the consumption habits of the population in the area.

If your product is one which is used by industrial firms, it is obviously desirable to locate near an industrial area, other things being equal.

If possible, you will want to locate in an area in which there are well developed distribution channels. You should make a survey of the retail and wholesale outlets in the area and find out something of the volume and range of their operations, especially in the type of product you will be making.

A further guide in determining the extent of the market you can reach is to find out the location of the wholesale firms throughout the country who are supplied by the manufacturers of your type of product in the area of your proposed location. Bear in mind that it may not be easy to draw customers away from their accustomed suppliers. But if you can produce at an especially low cost, or if you can locate so as to get the benefit of somewhat lower freight rates, you may be able to extend this market area or win customers away from your competitors with greater ease.

Local Laws and Taxes

The various places in which you are thinking of locating should be carefully compared as to number, kind and incidence of taxes, as well as methods of payment. You should find out the scale of licence fees

or the rates of business tax applicable in various locations. Get information on provincial, county and local taxes on property and sales, as well as the reaction of local industry to the existing tax structure.

It is essential to learn of any local restrictions upon industry, such as laws prohibiting the pollution of the atmosphere with smoke or noxious gases, or of rivers with liquid wastes. Find out how existing industry reacts to these laws and their administration. At the same time, it is well to get some idea of the general attitude of provincial, county or civic governments towards industry and industrial development and any significant trends in the policies of these governments.

Over-All Appraisal

No one of these factors can be considered by itself and apart from the others; they must all be considered together. For instance, you may find that at location A, your cost of production would be low due to the closeness of production materials, cheap and good sites, and favourable fuel and power costs. But because A is relatively far from market, the railway freight to your customers would put you at a disadvantage as compared with your competitors. At location B, you may find that taxes would be lighter, you would be in the middle of a large market and also in a wholesale centre from which you could ship to customers on distributing rates. But you may find that labour costs are higher, sites more expensive, and the area has a record of industrial unrest. You must then set to work and estimate the influence of all these factors upon costs and sales in the two locations, and come to a decision on that basis.

Additional Sources of Technical Information

If questions of a technical nature should arise when consideration is being given to the establishment of a business or industry, the Technical Information Service of the National Research Council is prepared to offer certain kinds of assistance. This organization maintains field representatives across the country at the addresses given in Appendix B. They will assist by putting you in touch with local authorities, or with other sources of information, or by forwarding your enquiry to the Ottawa office. As well, enquiries may be sent direct to the Chief, Technical Information Service, National Research Council, Ottawa.

Apart from the technical services provided by various agencies of the Federal Government, facilities for research are maintained directly by some of the provinces, or are supported at provincial universities. The proper addresses will be supplied through the offices listed in Appendix A.

4 Location of Retail Stores

When establishing a retail store, one of your most important problems is that of selecting your location. A store's location can make it or break it. Large firms select their store locations with great care, spending months in careful research, and then, sometimes, waiting years for the desirable location to become available. If you are an average small proprietor, you cannot afford to make elaborate surveys or wait for long periods of time, but you should consider the matter of location carefully. Bear in mind some general principles, and use some simple, reliable devices.

An important initial step would be to contact your local Canada Manpower Centre and avail yourself of the many services they have to offer. These are discussed in Chapter 3.

Selecting a Town

You may have decided on a town in which to go into business. Perhaps you are well known and well liked in the town where you live, and have decided to stay there. But you may have a number of other towns in your district in mind and are trying to choose between them, or you may have heard of some opportunity in a distant town and are trying to form an opinion of it. In either of these cases, the following paragraphs will be valuable to you.

The first aspect of a town to appraise is its general economic condition. You will want to know whether the population is predominantly commercial, industrial, agricultural, administrative, or a mixture of all four. Find out whether the town is old and well established, young and uncertain, declining or stagnant. Look for new housing and apartment buildings, new street developments and highways—signs that a community is expanding. Gather some opinions as to how long the cause of this expansion will continue to exert its influence. If the level of business activity and employment are stable, the town will be a better place to locate than if it is subject to wide variations in employment. Note any variations in seasonal employment or any experience of long work stoppages; they will mean that a considerable part of your sales will fall off and you will be expected to extend credit. A place in which the population draws its income from a variety of sources will assure you of a steadier volume of business than a place in which one source of income predominates and is subject to wide fluctuations. You should also get an idea of the general income level, for the wealthier the people the more goods they will buy. Also, wealthier people will buy more of the higher priced, high margin items, and will exert less pressure for price reduction. They will want more credit and delivery service, representing an opportunity for the small businessman. If the town you are considering is one in which people draw their income from other towns or cities, you must look at business conditions in these other places. Try to get some idea of the extent to which such people shop in the cities where they work, rather than where they live. There may be an opportunity for you in such a "shop-away-from-home" community, but only if the habit is not too deeply set and is due to lack of adequate firms at home.

The next matter to investigate is the composition of the population of the town, a matter which will have an important effect on the type of sales which you store can make. For instance, a population which lives predominantly in apartments will not cultivate small gardens but will buy all its food. The population of a small town, however, will probably raise a large proportion of its own vegetable supply. If the population of a town habitually buys a large part of its requirements in another town or city, or if it is accustomed to buying on credit, the prospective proprietor should learn these facts before he sets up his store rather than find out by bitter experience that he cannot operate successfully, because he has overlooked an important factor. If the population is foreign born, its buying habits may be markedly different from those of people who have been raised in Canada. If some foreign language is spoken you may find yourself at a decided disadvantage unless you also can speak it. Religious considerations may affect the buying habits of a population, particularly in food and clothing.

Another factor which will influence your choice of town will be the size and type of store you are going to establish. Certain kinds of stores, such as the shoe store or the sporting goods store, can be operated profitably only in towns of a certain minimum size. Some others, for example those selling artists' supplies or foreign books, can be operated successfully only in very large cities. Grocery or general merchandise stores are more generally capable of profitable operation in very small towns. Obviously, you will not establish a large department-type drug store in a town of 500, or a luxury restaurant in a farming community.

The matter of rentals needs careful consideration. The larger the town or city, the higher the rents in the business district are likely to be. The rent level should be compared with your estimated sales volume. High rents may be worth paying if the town yields a large sales volume, while low rents may be an evidence of a low level of business activity. The thing to avoid is locating in a town in which you cannot hope to do enough business to pay the prevailing rents.

In smaller towns, an important consideration is the town's ability to draw customers from the surrounding area. However, while the small town draws customers from rural areas, it also loses customers to larger centres if within about 40 miles of a larger community. The closer a town or small city is to a large one, the greater will be the extent to which it will lose trade to the larger one. Conversely, the further a small town is from a large city, the greater will be its ability to retain the trade of the surrounding area. The smaller town tends to lose trade in women's apparel, jewellery and silverware, to cities at least twice its size within a radius of 40 miles, but it tends to gain more trade in furniture from the smaller towns than it loses to larger ones. Towns within a 40 to 70 mile radius of urban centres twice their size can compete successfully for the business of the area in jewellery, clocks, silverware, and women's apparel.

To locate the boundaries of a town's trading area and estimate the potential sales in it, you could use figures on local newspaper circulation. Or, you could take down the licence numbers of automobiles parked in a given town and check the location and ownership of these numbers with provincial auto licence bureaux.

Another factor to consider in the town is the amount and kind of competition. Even if there is keen competition, there may be room for another store if it handles different lines of goods or different price ranges, stays open longer hours, provides better credit or delivery service, or adopts more aggressive sales promotion and advertising policies.

Selecting a Community

If you have decided to establish a store in a particular city or large town, the next step is to choose the section of the city in which to locate. In a small town this problem does not exist since there is only one shopping centre—the main street. But as a town develops into a city, and as a city grows, certain definite shopping areas appear. In making your choice, you should consider all those factors which were dealt with in the previous section, and a number of others in addition.

Because three terms will be used frequently in the following paragraphs, it will be well for you to become acquainted with them. They are "shopping goods", "specialty goods", and "convenience goods".

"Shopping goods" are those goods which involve comparatively large money outlays and which are bought at infrequent intervals. Because they are costly and because they are used for long periods of time, customers select them with great care. They find out what various stores have to offer, and carefully compare quality, style, and price, before making a purchase. Examples of shopping goods are shoes, dresses, suits, furniture, radios and automobiles.

"Specialty goods" are those which are not in the heaviest regular demand. The term includes items which are either rare, exceptionally fine, expensive or elaborate and therefore not carried by the merchant interested in customers with less specialized or less highly developed tastes.

"Convenience goods" include both natural commodities and those manufactured goods which are available in a number of well-known and widely distributed standard brands. Since a shopper can buy these commodities at a large number of stores without having to pay close attention to quality or price (both of which are standardized), the matter to which he gives the most consideration is that of the place most convenient to buy them. An outstanding example of convenience goods would be groceries, whether eggs, bananas, and other natural foods, or tinned meats, fruits, vegetables, etc. The important consideration in the mind of the person shopping for groceries is how to get them home. Except where shopping by auto, or delivery by the grocer is the rule, this usually means that the shopper buys his groceries as close to home as possible—where it is most convenient to do so.

The Central Business District—The central business district is the main business area of a large city. Located at the focus of all transportation routes, it is sub-divided into specialized districts—wholesale, retail, financial, entertainment, etc. It draws business from the whole area of the city. Both pedestrian and vehicular traffic are high. Stores are narrow-line shopping stores. Shopping, specialty and convenience goods, in that order, constitute the merchandise sold. The most successful types of store located in this area are cigar, department, drug, jewellery, men's clothing and women's clothing. Operating expenses in this district for all retail business combined are higher than they are in outlying areas, but this is not true of department, variety, millinery, custom tailor, radio and electrical shops and highly specialized shops. Rents are high, although they are lower in relation to volume of sales for restaurant, general merchandise, and second-hand stores. Competition is widest in scope and

highest in intensity here. The basis of business is price, selection and service.

If your capital is modest, it is unlikely that you will be able to set up a store in the central business district which would get a sufficient volume of sales to pay the high rent demanded. A good location is the most profitable one; this comes from a proper balancing of costs and sales. Your net profits may be higher at a low rent site with lower sales volume unless you can operate on a fairly large scale.

Outlying Shopping Areas—Most large cities have not only a central district but several major outlying districts as well. These are located at important mass transportation intersections or terminals. The vehicular traffic is moderate to high. Pedestrian traffic is heavy, the percentage of customers in it is medium to high and is composed of both residents and non-residents. Stores are seldom large. The sale of convenience goods predominates here, but shopping goods are growing in importance. Stores emphasize service and price.

Neighbourhood Locations—Small clusters of stores are scattered over most of the residential districts of larger cities. Pedestrian traffic is low, but the percentage of it composed of customers is high. Shoppers are mainly resident. The vehicular traffic is sparse to moderate and mass transportation facilities are limited. Convenience goods are the main type sold, and there is generally a fair number of service establishments as well. Competition is narrow in scope and not very intense. The stores, which are seldom large, emphasize convenience and service. Their business comes from the immediately surrounding area and therefore depends on the density of the population, its income, its religious and ethnic characteristics.

String-Street Locations—These are located on principal streets, either cross-town or radial. Traffic in such streets, both vehicular and pedestrian, is usually high, but the percentage of customers to total traffic is low. This is because these streets are main traffic routes for both private and mass transportation facilities. Patronage is both non-resident and resident. Competition is narrow in scope and high in intensity the basic elements being price, service and convenience.

Shopping Centres—Shopping centres constitute important business areas especially for the retail merchant. They may be divided into three types neighbourhood, community and regional.

The neighbourhood centre, the smallest of the three, provides mainly for the sale of living needs such as foods, drugs, sundries and personal services. This centre usually includes up to fifteen stores of which a supermarket or a variety store is the largest. The neighbourhood centre requires a consumer population of 7,000 to 10,000 people.

The community shopping centre, the middle-sized type, in addition to providing for daily living needs, also includes stores selling family apparel, hardware, and household appliances. The community centre includes up to 30 stores and requires a consumer population of 30,000 to 40,000 people.

The regional shopping centre is the largest type. It offers all types of merchandise in full variety, including fashion items and house furnishings. Such a centre contains 50 or more stores and requires a consumer population of 200,000 to 300,000 people.

Shopping centres are established only after the most careful study by the promoters. Centres are designed to appeal strongly to the customers owning a car, much thought being given to location, parking facilities and traffic circulation. They also provide for

the pedestrian's safety and convenience. Centres are planned so that the group of buildings has a unified and pleasing appearance and a maximum interplay between the store units.

The management of a shopping centre leases out space to carefully selected business firms. Generally the rent is based on a percentage of the tenant's gross sales, with provision for a certain guaranteed minimum annual rental. The management of the centre provides services such as general housekeeping, parking lot lighting, snow removal, and sometimes even heating and air-conditioning, the tenants being charged for these in proportion to their size. The management of the centre co-ordinates the activities of the merchants association, and generally contributes to the promotional funds of the centre.

Estimating Potential Sales—Before locating in any particular shopping area, you will want to have some idea of your potential sales. For the central shopping district and outlying shopping areas, sales for a new business are rather difficult to forecast except for men with considerable experience. For a neighbourhood store the problem might be approached in the following way.

The potential sales volume of a neighbourhood store will depend upon the size of the market area surrounding the location, the number of families in it, the total annual expenditures of those families, the division of these total expenditures between food, clothing, housing, etc., and the number of stores competing in the market area.

Suppose that we examine the concrete example of a neighbourhood grocery store. In congested urban areas, grocers have found from experience that most of their business comes from within one quarter mile of their stores, with a fair amount coming from within a second quarter mile. You should, therefore, examine the population of an area one half mile in radius, with your store as centre. Suppose that you find the number of families living in this area to be one hundred. From real estate agents and the housing and apartment advertisements of local newspapers, find out the rentals paid in these areas.

For the years 1964 to 1966 inclusive, shelter (exclusive of fuel, electricity, gas, telephone and other similar expenses) averaged 15.3 per cent of total consumer expenditures in Canada. Fuel, electricity, gas, telephone and other expenses averaged another 7.8 per cent. Thus housing expenses came to 23.1 per cent of total consumer expenditures. If you find that the usual rental including fuel, electricity, gas, telephone and other items charged in the market area is $150 per month, or $1,800 per year, you can then calculate the total family expenditures for a year. They will be $1,800 x 100/23.1 = $7,793. Multiply this figure by the number of families, 100, to arrive at total expenditures in the area of $779,300.

During the years 1964 to 1966 inclusive, food expenditures in Canada averaged 22.0 per cent of total consumer expenditures. The potential volume of food sales in the area described above should be, therefore, 22.0/100 x $779,300 = $171,446. If there should be already four food stores in the area, this total potential sales volume should be divided by five (to include the store you intend establishing) to arrive at a potential sales volume for your store of about $34,289. Of course, this assumes that all food is bought in the neighbourhood, and that sales are shared equally among all stores in the area. If many of the families in the area have cars, you should allow for their buying food elsewhere, especially at supermarkets on string-street locations or in outlying shopping areas.

It would therefore be wise to revise the above figure downward. Remember that the revised figure represents only a potential sales volume. Whether you can achieve it depends on how well you meet the competition of the other food stores in the area, and on the extent to which you can draw customers who previously traded in other areas.

For other types of store, the following table will be an aid in estimating the volume of potential sales in a given community.

PERCENTAGE OF TOTAL CONSUMER EXPENDITURE SPENT ON VARIOUS GOODS AND SERVICES

(Average of the Years 1964, 1965 and 1966)

Food	22.0
Tobacco and Alcoholic Beverages	6.5
Tobacco products and smoker's accessories	2.7
Alcoholic Beverages	3.8
Clothing and Personal Furnishings	9.2
Men's and boys' clothing	2.2
Women's and children's clothing	3.9
Footwear	1.1
Laundry and dry-cleaning	0.7
Other	1.3
Shelter	15.3
Gross rents paid by tenants	4.2
Expenses (taxes, insurance, etc.) paid by owner occupants	6.5
Net imputed residential rent and imputed residential capital consumption allowance	3.6
Other	1.0
Household Operation	12.1
Fuel	1.5
Electricity	1.3
Gas	0.6

Telephone	1.5
Home Furnishings	1.2
Furniture	1.2
Appliances, radios and television sets	1.9
Other	2.9
Transportation	12.6
Street Car, railway and other fares	1.7
New automobiles, used automobiles (net) and house trailers	6.3
Automotive operating expenses	4.6
Personal and Medical Care and Death Expenses	8.9
Medical and dental care	1.9
Hospital care, private duty nursing, accident and sickness insurance, prepaid medical care	4.3
Other	2.7
Miscellaneous	13.4
Motion picture theatres	0.2
Newspapers and magazines	1.0
Net expenditure abroad	0.3
Other	11.9
GRAND TOTAL	100.0
Durable Goods	12.2
Major durable goods	10.6
Miscellaneous durable goods	1.6
Non-Durable Goods	48.3
Services	39.5

Other sources of information on sales in an area are wholesale firms and trade organizations.

Selecting a Store Site

The final step is that of selecting the exact site. For a small independent operator who is going to locate in an established business community, this often amounts to taking whatever is available. But if there

is any choice at all, there are certain principles which you should follow. You should use a check list based on these principles together with an occupancy map of the community which you have chosen, in order to select the best possible among the available places. These occupancy maps may be obtained from commercial map companies or from real estate offices. They show the type of business situated at each site along each street.

Affinities—The first thing to consider is the matter of your neighbours. Certain retail stores seek to avoid other stores of the same kind for fear of losing sales to them. Other stores seek to locate near stores which are complementary to them and tend to increase their sales. In selecting your site, you should be guided by these "affinities" as the established "neighbour-seeking" characteristics of a store are called. Some of the more important affinities for central shopping districts are listed below.

Type of Business	Should Locate Near
Department Stores	Women's clothing, shoe, variety, men's furnishings, millinery stores.
Variety Stores	Women's clothing, shoe, department, jewellery, men's furnishings, millinery stores.
Furniture	Restaurants, men's furnishings, shoe, women's clothing stores.
Florists	Restaurants, women's clothing, drug, shoe stores.
Theatres	Restaurants, jewellery, men's furnishings, shoe stores.
Women's Clothing	Variety, department, shoe stores.
Millinery	Women's clothing, variety, shoe, department stores.

Men's Furnishings	Restaurants, theatres, furniture, men's shoe stores.
Haberdashery	Jewellery, men's furnishing stores.
Fur	Furniture stores, florists, shoe stores.
Candy Stores	Theatres, jewellery, variety stores, florists.
Tobacco Stores	Shoe and jewellery stores, theatres.
Restaurants	Florists, theatres, furniture, jewellery stores.
Curtain Stores	Furniture stores.
Paint Shops	Furniture stores.
Barber Shops	Florists, theatres, jewellery stores.
Shoe Repair Shops	Anywhere except near a department or variety store.
Drug Stores	Anywhere except near furniture stores.
Grocery Stores	Seldom in central shopping districts.

Traffic Flow—The importance of traffic, both vehicular and pedestrian, varies with the business. Some lines of business seek locations with maximum traffic flow because of the enlarged volume of sales this traffic brings. Nevertheless, the make-up of traffic rather than its mere quantity is the factor of prime importance. Some traffic, such as housewives who go downtown between 10 a.m. and 4 p.m., contains a large percentage of shoppers, while other traffic, such as office workers on their way to work, contains a low percentage. For certain types of shops, potential proprietors are interested in only a fraction of the total number of customers passing prospective locations. For example, if you are opening a women's hat shop,

you will be interested only in the number of female shoppers passing the site.

You may get traffic counts from municipalities, transit companies, real estate brokers, or from business research organizations who provide this type of service. Or you can make your own traffic count.

Methods of making traffic counts vary. Counts are usually taken for half hour periods at the ends of the block and immediately in front of the proposed site. Some firms take counts during the entire time the store is open, while other prefer to take counts only during the busiest hours. Some firms, selling a variety of merchandise, and therefore interested in many sorts of people, count all people who pass a given location. Specialty stores count only those who are potential customers. Vehicular traffic should also be counted and estimates made of the number of passengers in the autos. You should make several counts, in different kinds of weather, on different days of the week, and at different hours of the day. Holidays, local events, and construction in the vicinity of the proposed location will all affect the flow of traffic past it.

On the basis of such traffic counts, two or more sites can be rated from the point of view of the potential customers passing them. Give the highest customer traffic site a 100 percent rating and grade the others in relation to it. If your capital is small, it may be that when you consider the higher rent charged at a 100 percent location, you will find it more profitable to locate at a 75 percent, or some other location.

Transportation—Another important consideration is the availability of transportation facilities. Sites near important street railway intersections and transfer points are highly desirable, and are known as natural locations. They have definite advantages over other locations in bad weather. You should appraise transportation facilities in relation to other factors. For instance, if you are in the millinery or women's apparel business in the central shopping district or in an outlying shopping centre, try to locate on the right hand side of a traffic artery leading from a high class residential district. If you are opening a service station, your site should be on a main highway or traffic artery and should be clearly visible for a block in either direction. If near a traffic signal, the station should be on the far side rather than on the near side, so as to give traffic time to decide whether or not to stop.

Parking—Since an increasing number of customers shop by automobile, adequate parking space should be available. This is especially important for grocery stores, for people will not carry groceries any distance if they can avoid it.

Neighbouring Buildings—Some sites are undesirable because of the buildings next to them. Locations near factories, garages, cemeteries, railroad yards, bluffs and hills, should be carefully considered because they may be unattractive to customers. The age and condition of surrounding buildings should be considered as well as the type of customer they attract. Vacant buildings may be bad neighbours. It is well to know whether the building you are thinking of occupying was empty for any considerable length of time, and if so, why.

Lease—The type of lease available is an important consideration. The lease which provides for a fixed monthly or annual rental regardless of business conditions is advantageous to a businessman if times are good, but in a depression it can be a major handicap. The percentage lease partially overcomes this handicap. Still better is the graduated percentage lease in which the rental is a graduated percentage of the store's volume of sales. This means a higher rent in booms, and a lower one in depression.

The length of the lease is a matter to consider carefully. If you are just starting up in business, a lease of a year or two is probably the longest you should sign. This will give you time to try out the site and see if it is satisfactory. If you can obtain a lease which is renewable at your option, you can retain or give up the site as you wish.

5 Retail Store Policies

In retailing you need an overall plan which will assure that all your objectives are directed towards the same goal. Clear-cut objectives will help to prevent you from getting lost in a maze of detail. A specific goal with all aspects of policy contributing towards it will protect your firm against the unsettling effects of isolated or temporary influences. A sound retail policy aims at conserving your capital and expanding your sales. It also aims at conserving your own time and energy by giving employees guidance in making everyday decisions.

Characteristics of Sound Policy

A sound policy will meet the needs of the customers you wish to reach. Reaching your customers requires that policy be a planned development rather than a series of piecemeal decisions taken on the spur of the moment to gain a temporary profit. For the guidance of both your employees and your customers, these policies must be clear and definite. They should be consistently applied so as to prevent charges of favouritism. Your policy should promote a definite character for your store, not only to attract the customers you wish to reach, but also to give your store some protection against direct price competition. Finally, your store policy must have some degree of flexibility so that it can, without losing its distinctive

character, adjust to basic changes in the business world around it.

Scope of Retail Store Policy

Before going into a detailed discussion of the matters underlying your choice of particular policies, it might be well to indicate the scope of retail store policy.

A. Merchandise Policy
   1. Type of merchandise
   2. Number of lines
   3. Assortments within lines
   4. Quality of merchandise
   5. Style considerations
   6. Exclusiveness

B. Price Policy
   1. General: high or low prices
   2. Discounts
   3. Number of prices in a line of goods

C. Promotional Policy

   Your choice: highly promotional store or a more conservative type?

D. Service Policy
   1. Personal service or self-service
   2. Credit
   3. Delivery
   4. Returns and adjustments
   5. Telephone and mail orders
   6. Alterations
   7. Parking

Factors to Consider in Selecting Policies

A good store policy is not developed by chance: it is the result of careful thinking about a number of important factors.

1. Consider the Consumer Population You are Aiming at

Even if you had the inclination, you could not serve all groups of consumers or even one group with all its needs. So you must decide which group of customers you will serve[1]. Consider the income-level of the group you are aiming at; this will be important in determining the quality of merchandise you will carry. Age grouping may be an important consideration in certain lines such as apparel. One of the ways of developing a distinctive character is to cater to a particular age group. In some types of store it may be necessary to appeal to either men or women, but not to both, for sometimes members of the one sex do not care to buy certain articles in the same store as members of the other sex. Then again, the customers you aim at may have certain definite buying habits which you must take into account—such as a demand for delivery or credit or a preference for certain foods.

2. Adapt Your Policies to Your Capital

Another very important factor to consider in thinking out your store policies is the amount of capital you have available in the form of your own funds, bank loans, or trade credit. Sometimes retail failure, supposedly due to insufficient capital, is really due to a lack of policy or one that is unsound in relation to the capital available.

[1] See Chapter 4, pp. 43, for detail methods of estimating sales volume.

In adjusting your policy to your capital, you must consider four types of expense: fixed assets, current assets, operating costs, and losses during your initial period of operation.

Fixed Assets—Of course it is absolutely essential that you have a store building in which to carry on your business. It is sound policy not to build or buy a building if a suitable building can be rented. Suitable in this case means consistent with all other aspects of your store policy. A young business should be free of the added cost and responsibility of building ownership especially if the capital of the proprietor is limited. But it is most likely that the building you rent will require remodelling and redecorating and in most cases you will have to pay for this yourself. The appearance of the store, both inside and outside, should be of the type which will appeal to the group of customers you wish to serve.

Fixtures and Equipment—The number and kind of fixtures you have in your store will depend to a large extent on the type of store, the type of service rendered, and the number of lines of goods in the store. Obviously, the type of fixture required for a grocery store is different from that needed in a men's wear shop. In food stores, the type of fixture and indeed the entire layout will depend on whether the store is to be a self-service groceteria or not. If frozen foods are to be handled, special equipment will be necessary. Generally, any type of store which relies on customer self-service will require different fixtures than one in which the employees provide a great deal of personal service. If you sell on credit, you should plan on making some outlay on such things as ledgers, typewriters, accounting machines, adding machines, and files. Also, you should have a safe in which to store your accounts receivable and other documentation (e.g., unemployment insurance books and stamps, income tax deduction records, municipal or provincial sales tax records) which should be treated as carefully as cash.

Current Assets—Total capital requirements in retailing are very largely determined by merchandise inventory. Inventory size and type, in turn, are governed by the goals set for the business and by the expected sales volume. Different types of business need different amounts of inventory in order to produce the same volume of sales. For instance, the inventory required by a jewellery store to produce $1,000 worth of sales is many times the inventory required by a butcher shop to produce the same amount. From inventory-turnover ratios you can get an idea of the average inventory required to produce any given volume of sales for a particular type of business.

In Canada, individual reports are issued by the Bureau of Statistics in Ottawa on the operating results of a number of different types of independent retail stores. These may be ordered from:

The Queen's Printer,
Ottawa, Canada

at twenty-five cents per copy and up. From these reports you can find out a great deal about the cost of operating a small business.

Clear-cut objectives enable you to economize on your capital requirements. A specific appeal to a restricted consumer group may be more effective than a more general appeal to a larger group.

Again, if a credit business is done, capital will be required to finance your accounts receivable. This may be a considerable amount of money. If the amount needed is too high, it might be well to rely on a cash

sales policy even if it means that your potential sales volume will be lower.

Initial Period of Operation—You would do well to plan on having deficits during the first weeks or months of operation while your store becomes known and attracts a steady clientele. You will have operating expenses such as light, heat, and employees' wages during this first period, and your sales will probably be small and only grow gradually.

If your capital is limited, a proper choice of policy can help you reduce these initial losses. If a store is set up during a period of temporary depression, it will tend to have lower initial losses if its policy is one of economy rather than of quality and exclusiveness. Avoidance of novel goods or novel methods of operation will also help toward this end. Stores handling medium-priced shopping or convenience goods attract sales more quickly than specialty stores[1].

Stores which appeal to customers on the strength of quality and service will often have higher fixed costs, because those who buy on this basis prefer a store with an expensive appearance. Furthermore, establishing such a store's personality requires time, so that the period of initial losses is likely to be longer. Hence your capital requirements will normally be higher for this type of store than for one featuring economy prices.

3. Adapt Your Policy to Your Own Abilities

Your policies ought also to be adapted to your personal ability, your experience, and your knowledge of merchandise. This is a matter of crucial importance. Prosperous grocery businesses have been ruined when the proprietors added a fresh meat business without having any knowledge of how to buy, cut and sell. A

[1] For the meaning of the terms "shopping goods", "convenience goods", and "specialty goods", see Chapter 4, pp. 39.

person going into a credit business should have an aptitude and liking for bookkeeping and accounting; or if he has not, he should make sure that one of his employees has such ability. Many a successful business has grown out of a hobby, in which case, the owner's interests and abilities were of the type which could be used profitably in a particular business environment. It is very unwise to go into a line of business for which you are clearly unsuited.

4. Adapt Your Policy to Your Competition

Before you decide on exactly what kind of store you are going to establish, take a careful look at your future competitors in the area you have in mind. How well do they serve the customers' needs? Do consumers buy a large part of their needs out-of-town? Do they return a large fraction of their purchases? Are existing stores adequate in a neighbourhood which is growing rapidly? If consumers shop out of town to a considerable extent, or return many of their purchases, or if there is a very large new housing project being opened up in the area, there may be room for you to develop a satisfactory sales volume. Similarly, you may be able to attract a clientele if the existing shops give inadequate service, or price their goods too high, or have allowed their stock of goods to become obsolete. On the other hand, if a given area has what seems at first to be inadequate shops, this may be because the area is too small to support shops of the sort you have in mind.

When establishing a store in an area where there is already a successful business, you have two alternatives before you. The one is to imitate the successful store. This you should do only if there is a large enough consumer population. Remember that if two stores are much alike, consumers will shop on the basis of price. The other alternative is to develop a store different

from that of your competitor—different in service, quality or price level. Again, do this only if you are sure there is an adequate sales potential.

5. Adapt to Current Conditions

Your financial strength will determine the extent to which you can disregard current conditions in setting up your business. If your capital is limited, it is wise to cut your initial losses as far as possible. In a period of depression, do not establish a store which has a very high-price, high-quality, or high-service policy unless you are ready to stand losses for a considerable period of time. In a prosperous period, when customers are likely to "trade up", it is not wise to establish too low-priced a store. On the other hand, it is unwise to completely change the character of your store across the business cycle let us say, from a high-price, high-service store in a prosperous period to a low-price, low-service store in the depression in an attempt to get the best of both situations. Changing the character of a store will lose you one group of customers, and force you to compete for the trade of another group which customarily shops somewhere else. After you have established your store, a wise policy is to keep it in its place in the scale of high and low-price stores, lowering prices in a depression, raising them in a boom, but always staying in the same general place with respect to your competition which presumably will also be raising or lowering prices.

Integration of Policy

Location—As the question of where to locate your store was taken up at length in Chapter IV, the matter will only be mentioned here. The two chief things to keep in mind in integrating your location policy with other aspects of policy are: (1) locate your store so that it can reach the consumer groups it is intended for; and (2) keep your location consistent with other aspects of policy.

Building and Equipment—Make your building and equipment attractive to the group of customers you have in mind. A different type of building is required for a store appealing to a very wealthy clientele than for one appealing to those whose incomes are in the $4,000-$4,500 per year category. A men's clothing store should have an interior different from that of a store handling babies' and infants' clothing or shoes exclusively.

Again, if your promotional policy is one of high-pressure salesmanship, your store-front, signs, and price cards throughout the store should be in keeping with this policy. Crowded floor displays or window displays are suitable when your main appeal is low price, but are completely out of place if your policy is one of quality or exclusiveness.

The amount of floor space will have to be greater if patronage is uneven during the day than if it is uniform. The number of display fixtures will have to be larger and the type of fixture appropriate if you are going in for a customer self-service policy.

Type of Goods—You must decide what related lines you will have in your store, their quality, the number of units you will stock, and the proper inventory-sales ratio. Equally important decisions must be made about the emphasis to be placed on style. The quality and style of merchandise must be consistent with the customer group you aim at and also with your promotional policy. Heavily promoted, high-style clothing in a modernistic building will probably appeal to a younger group of men. It is not likely to have the same appeal for older men. Novelty goods will have

a higher mark-up than more staple types, because mark-downs or dead stock are likely to make up a larger fraction of your purchases.

Prices—An important group of decisions must be made about prices. The general level of prices must be related to your store's service policy and the income groups you intend to attract. If you wish to attract several income groups, you should have more than one price within a given line of goods. Usually, three price lines are carried. For example, a shoe store may carry men's brogues priced at $14.95, $19.95, and $27.95 to appeal to men of varying incomes in the middle-to-upper income brackets. A store aiming at lower income groups would probably carry men's shoes at $7.95, $10.95, and $12.95. The number of price lines must also be related to your working capital, for a large number of price lines raises your working capital requirements.

Again, there should be consistency as to price among all the different lines of goods carried in the same store. For example, you should not carry $40.00 men's suits and then stock men's shoes at $28.00 per pair, for the group which buys the one article will not buy the other; if your store appeals to the man who can afford the shoes, it probably would frighten away the man who wants the suit. Trying to appeal to too great a range of incomes is usually poor policy for it means that those shops which specialize in appealing to particular groups will have wider selections of the appropriate goods.

Prices must take account of competition also. You should or should not meet the lowest prices of competitors depending chiefly on circumstances. It may not be financially feasible for you to try to meet the prices of a much larger, stronger competitor. Again, doing so might destroy the reputation of your store for quality or exclusiveness. The more your store resembles that of your competitor, the greater the extent to which you will be forced to meet his prices.

Buying—Don't take advantage of any special offers unless the goods fit in with your merchandising policy. Buy goods to fit your overall plan.

An important question of policy arises when considering new goods. Here are a few suggested rules-of-thumb about these. Buy new goods only if they:

(1) will not interfere with the sale of merchandise you already carry;

(2) can be accommodated in your store without alterations to building or equipment;

(3) can be sold to your present customers;

(4) can be adapted to your promotional plan;

(5) will not make additional services necessary.

Occasionally, you will have to add merchandise which breaks one or more of these rules. Breaking of these rules-of-thumb should make you realize that you are thinking of a major change, not a routine matter, and that the change should be considered very carefully in relation to your overall policy. Apart from the above considerations, a new product should be added to your stock only if it is profitable. As a minimum, it should sell for a price that will cover direct costs and make some contribution towards your fixed costs. If the new product displaces one you already carry, compare the profitability of the two.

Sales Promotion—Sales can be promoted by window display, interior display, personal salesmanship, advertising and special displays. Advertising can make use of one or more of several media—newspapers, radio, television, mail or handbills—while special displays include those at fairs or exhibitions.

Your promotional policy should appeal to the consumer group at whom it is aimed, agree with the store character and its merchandise, and be consistent over a period of time. For example, groceries, drugs, or small household items can be promoted successfully by handbills, but if handbills were used to advertise furs or jewellery, they would tend to cheapen these items in the mind of the consumer. Expensive items can be promoted by direct personal mail. In durables, personal salesmanship is highly essential, although the advertising in many appliances and other durables is done largely by the manufacturers.

Credit Sales—As the subject of credit sales is dealt with at length in Chapter 8, little will be said about it here except to point out how it should be integrated in over-all policy. As credit service means higher prices, it does not easily go with economy prices. Certain groups of people such as fishermen or farmers may require credit over extended periods of time until the catch is landed and sold, or until the crop is harvested. Certain types of merchandise such as household durables often must be sold on credit (instalment buying) if they are to be sold in volume, while variety stores or restaurants do not sell on credit at all. Delivery service and credit sales usually go together, as customers expect them to.

Delivery—In larger centres you will have a choice of three types of delivery service: one owned by yourself; one owned and operated jointly by yourself and other businesses; and one owned by a separate concern which sells its services to you and to other businessmen. Compare the relative cost of each type of service and relate the cost to your price policy. Also, think of the type of service in relation to your promotional policy; a good way to build up goodwill is to have your own delivery service. If you operate your own delivery service, set limits to its scope; establish a minimum size of order and limit the number of deliveries per day or per week and the area in which delivery is made.

Miscellaneous Services—Much the same decisions should be taken with regard to such matters as merchandise returns, telephone orders, garage service or parking, and alterations and fittings.

In all of these, see that the service (or the lack of it) is in line with your general policy. Set limits to the amount of service provided free, or make it clear that there will be a charge for it.

REVISING YOUR POLICIES

Throughout the above paragraphs we have emphasized the need for consistency in store policy. Because the character of a store is established only in the long-run, policy changes should be held at a minimum. Policies well chosen can be profitable until basic conditions change, but when conditions do change, policies must be altered. Management's job is to see the difference between basic changes in the business environment and merely temporary, unimportant changes.

As the matter of new products has been dealt with above, it will not be discussed at length here. Try to find out if the demand for a new product is likely to be a sustained demand or a temporary fad. Find out if consumer tastes are changing by keeping a record of calls for merchandise not in stock, or any expression of dissatisfaction with sales or service. Watch the practices of your competitors, and read trade publications for news of new products or trends in general buying habits.

New retailing methods may be made necessary by changing conditions or a new competitor in the area.

But do not adopt blindly any new method of store layout that comes along; it may be better to wait and see how it works out in other businesses. If it is successful, ask yourself whether it is applicable to your type of business.

Another situation which may call for revised retail policies is a shift in shopping areas. Such a shift may occur because of altered urban transportation routes, changes in the character of the shopping area, shifts in residential areas of the type your store caters to, or the establishment in the area of manufacturing plants. When such changes occur, you face the choice of altering your store policies in conformity with the changed circumstances or of changing the location of your store. Often a policy change is more difficult in an old store than in a new one. If you decide to stay on in your old location and change other aspects of your policy, tell your customers of the change by all possible means—letters, personal interviews, radio and newspaper advertising. Try to explain to your customers how the change will be of benefit to them.

6 Records and Accounts

Maintenance of proper records and accounts is one of the factors essential to the success of a small business. Various surveys which have been made in an attempt to find out why so many small businesses fail show that a large percentage of those which have become bankrupt either kept inadequate records or none at all. While record keeping will not insure your success, it will keep you informed as to progress of your business and disclose faults in operation which might be disastrous if not detected in time.

There are many other reasons for keeping proper records. Suppliers and banks require financial statements before advancing credit, as would anyone interested in investing new capital or any prospective purchaser of your interest in the business. Income Tax regulations require definite supporting evidence of all transactions undertaken during the year, while the Customs and Excise Branch and various other government agencies, both Federal and provincial, with which your particular industry may be concerned, require that certain information be reported periodically.

In order to give all the information you require, records should not be complicated nor too greatly detailed, but should be as simple as possible and require a minimum amount of time to maintain.

It is recommended that you engage a reputable professional accountant, from whom you may expect the best and most up-to-date advice available as to accounting methods and procedure, in addition to providing auditing services. While specially printed forms are not essential, (standard ruled forms, punched to fit a loose-leaf binder being obtainable from any office stationery supply house), you and your auditor should not overlook the fact that there is available to you the advice and assistance of a number of nationally known makers of cash registers and the like, as well as designers of business forms. These makers have specialized in equipment and supplies individually suited to practically any type of business. Their products are designed to provide all necessary accounting information with the expenditure of a minimum of time and labour.

Accounting Records

The accounting records and procedures of a manufacturer or processor are somewhat more involved than those of a wholesaler or retailer who buys goods ready for sale. For the sake of illustration, the following is considered an adequate set of accounts and accounting records for a small or medium wholesale or retail sales business, dealing with its customers on the basis of both cash and credit:

1. Purchase Book or Accounts Payable Register

In this book should be recorded all purchase invoices. It should be a book containing approximately ten columns which could be headed up as follows:

Date	Voucher No.	Creditor's Name	Cr. Accounts Payable	Dr. Merchandise	Dr. General Expense	Dr. Maintenance and Repairs	Dr. Sundry Account

2. Cheque Register

In this book should be recorded all cheques issued. In each case, the bank is credited and the proper account debited. If in payment of an invoice which has gone through the purchase book, the creditor's account will be debited; in any other case the proper expenses account or asset account is debited.

Date	Cheque Payable to / Cheque No.	Cr. Bank	Dr. Accounts Payable	Dr. Petty Cash	Dr. Salaries	Dr. Sundry Account

If desirable, a separate payroll record may be maintained showing all deductions, etc.

3. Sales Book or Accounts Receivable Register

In this book should be recorded all charge sales. Probably only four or five columns will be required.

Date	Debtor's Names	Accounts Receivable Dr.	Accounts Receivable Cr.	Sales Dr.	Sales Cr.	Cr. Sundry Account

When a sale is made Accounts Receivable is debited and Sales credited and when a credit note is given Accounts Receivable is credited and Sales debited.

4. Cash Receipts Book

In this book, all cash received is recorded. When cash is received Accounts Receivable are credited if the sale had been previously recorded in the Sales Book described in (3) above or Cash Sales is credited. When a deposit is made in the bank, Cash is credited and Bank is debited.

Date	Received from	Dr. Bank	Cr. Accounts Receivable	Cr. Cash Sales	Cr. Sundry Account

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Note: The makers of business forms can provide a type of manually written continuous form automatic register which will handle all sales whether cash or credit, and the receipt and disbursement of cash. This record is used in conjunction with a cash register. The top copy of each individual slip tears out for customer use, but the carbon copy remains locked in the register to insure against loss of record. The authorized person unlocks the register, withdraws each day's carbon copies and summarizes same for entry by daily total only in a record which can combine such records as the sales book and cash receipts book referred to as items 3 and 4 above.

5. General Journal

In this book are recorded the opening entries, adjusting entries and closing entries. All entries should be supported by explanatory narrative. One debit column and one credit column are often sufficient.

Date	Accounts	Dr.	Cr.

6. Petty Cash Book

In this book are recorded minor disbursements. A cheque is usually drawn for petty cash for a round amount. When the fund is nearly depleted, another cheque is drawn for the amount spent.

Date	Description of Disbursement	Cr. Petty Cash	Dr. Merchandise	Dr. General Expense	Dr. Maint. and Repairs	Dr. Sundry
						Account

In addition to the foregoing, a memorandum record of all sales might be maintained for purposes of recording sales tax payable, showing the following information.

Date	Sales Cash	Sales Credit	Total	Non Taxable	Taxable	Amount of Tax

7. Ledgers

(a) General Ledger. In the general ledger is kept a separate account for each asset, liability, capital account, income account and expense account. Totals are posted from each of the books of original entry at the end of each month.

BANK

Date	Folio No.	Dr.	Cr.	Balance

It is very important to insert the date and the folio number when posting the ledger. The folio number enables you to trace the entry back to the book of original entry.

(b) Accounts Payable Ledger. A separate account is kept for each creditor. Postings are made usually from the purchase book and the cheque register.

An accounts payable ledger may be dispensed with if accounts are paid regularly and periodically by serially numbering the vouchers and entering the number in the cheque register when paid and entering the cheque number on the voucher.

(c) Accounts Receivable Ledger. A separate account is kept for each debtor. Postings are made to individual accounts from the sales book and the cash receipts book.

For a small cash business, the purchase book, sales book, accounts payable ledger and accounts receivable ledger may be dispensed with.

Inventory Accounting

Cash in hand, cash in bank and customers' accounts receivable are assets which lend themselves readily to control and safeguard. Inventories on the other hand, depending on their size and variety, can be a source of serious loss to a businessman by theft, deterioration, simple failure in recording, or other causes. Subject to the advice of the professional accountant you engage, you should maintain a detailed and up-to-date written record of your *main* stock; and check and verify it by physical count if not completely once a month, then at least on the basis of a continuous count to ensure that each item will be counted and reconciled with the record at least once per year. Your store or showroom stock, from which sales to customers will be drawn, must be physically counted and valued as of each month end.

The aggregate value of the main stock, prepared from the written record, and the store stock will provide the total worth of your inventory for purpose of your month end statement of profit and loss and your balance sheet.

Profit and Loss Statement

In a Profit and Loss Statement, income from sales is set off against the cost of goods sold and other expenses for the same period. Through this comparison of income and expense, you may determine the net profit earned during that period. The Profit and Loss Statement summarizes the business operation as follows:

Sales	$
Less: Cost of Goods Sold	
Gross Profit on Sales	$
Less: Total Operating Expenses	
Net Profit on Sales	$

The Sales figure for the period is obtained by taking the total of sales charged to customers as per the Accounts Receivable Register less any returns or allowances, plus sales made for cash as shown by the Cash Receipts Book, less any refunds or allowances made in cash.

The Cost of Goods Sold figure is determined by taking the total cost of the inventory of merchandise on hand at the beginning of the period, adding thereto the cost of merchandise purchased during the period, and deducting from that total the total cost of the inventory on hand at the close of the period, as per the following summary:

Cost of Goods Sold:

Inventory, January 1, 19—	$
Add: Merchandise Purchase January 1-31, 19—	
Less: Inventory, January 31, 19—	$
Cost of Sales for January, 19—	$

By deducting the Cost of Goods Sold from Total Sales, the Gross Profit on Sales is ascertained.

From the Gross Profit on Sales are deducted the Total Operating Expenses, as shown by the various expense accounts in the General Ledger, to give the Net Operating Profit or Loss for the period.

From this figure is deducted (or added) the net amount of any Other Income and Expense not related directly to the operation of the business, such as Cash Discounts Earned, etc., to give the Net Profit or Loss for the period.

Profit and Loss Statements should be prepared monthly in order to provide regular information as to the margin of profit which the business is currently earning, and the trend of such profits. In this way, immediate action may be taken in the event of the profit margin falling below what is considered to be a satisfactory or safe percentage of profit in the particular type of business.

A useful analysis of the Profit and Loss Statement may be made for purpose of making monthly comparisons, by taking each item in the Statement and expressing it as a percentage of Sales. For example:

			% of Sales
Sales		$10,000	100.0%
Less: Cost of Goods Sold		8,000	80.0%
Gross Profit on Sales		$ 2,000	20.0%
Less: Operating Expenses:			
Wages	$800	......	8.0%
Rent	200	......	2.0%
Advertising	50	......	.5%
Operating Supplies	50	......	.5%
Bad Debts	25	......	.25%
Depreciation	50	1,175	.5%
Net Profit on Sales		$ 825	8.25%

By carefully watching the various items of expense from month to month, and, if possible, by comparison of your percentage with those of other firms known to be well established in similar businesses, it is possible to note immediately any item of expense which is out of line and should be reduced, or any item which should be increased, as the case may be, to result in a more successful operation of the business.

From this Statement you may also ascertain the rates of Inventory Turnover, i.e. the ratio of total cost of sales for one year to the average inventory carried from month to month will give the number of times that the stock was turned over during the year. This ratio will vary with different types of businesses, but should be carefully watched and compared with the known results of operations of successful firms engaged in business of a similar nature.

The Balance Sheet

The Balance Sheet gives a summary of the financial position of a business at a given date, showing, on one side, all assets of the business such as cash, accounts receivable, merchandise inventories, and fixed assets, e.g. buildings, plant and equipment, trucks, etc. On the other side of the Balance Sheet are shown the liabilities of the business, such as accounts payable to creditors, amounts due to the bank, amounts due on long term credit, e.g. notes payable, mortgages payable, bonds, etc. The difference between the total assets and total liabilities represents the Net Worth of the business, or the value of the proprietor's interest therein.

The figures for the Balance Sheet are taken from the General Ledger accounts described in the previous paragraphs. The following is a simple example showing the general set-up and the items which make-up a balance sheet.

Balance Sheet as at December 31, 19—

Assets

Current Assets:		
Cash	$	—
Accounts Receivable		—
Merchandise Inventory		—
Total Current Assets	$	—
Fixed Assets:		
Plant and Equipment	$	—
Less: Reserve for Depreciation		—
Delivery Equipment		—
Less: Reserve for Depreciation		—
Total Assets	$	—

The item of Cash should represent the total of cash on hand and cash in bank, after having made a reconciliation of the actual bank balance with the General Ledger Bank Account, taking into account outstanding cheques, outstanding deposits, etc., at the balance sheet date.

The figure of Accounts Receivable represents the total of all balances owing by customers at the date of the balance sheet. If an Accounts Receivable Control Account is maintained, this figure should be checked by making a list of the balances in the customer's ledger and agreeing this total with the Control Account.

The value of the merchandise inventory is obtained by taking a physical count of the stock and valuing it at cost or market price, whichever is lower.

In certain instances, inventory book figures may be used where it is not practicable to take a physical inventory each month.

Liabilities

Current Liabilities:		
Accounts Payable	$	—
Bank Loans		—
Notes Payable (due within 12 months)		—
Total Current Liabilities	$	—
Notes Payable (due beyond 12 months)		—
Capital (Net Worth):		
Capital Stock	$	—
Proprietor, personal		—
	$	

The figure of Fixed Assets represents the original cost values taken from the individual record of permanent equipment, usually known as the Plant Ledger. The total of the accumulated reserves for depreciation should also be obtained from this record which should show the amount of depreciation charged during each period.

The amount of Accounts Payable represents the total of all invoices covering goods or services received but not paid for at the balance sheet date.

Bank Loans and Notes Payable represent amounts due to the Bank and to other creditors holding notes of the business payable within twelve months of the date of the Balance Sheet. Longer term liabilities, such as Notes due beyond twelve months from balance sheet date, or Mortgages payable over a period of years, are segregated from current liabilities and shown separately on the liability side of the Balance Sheet.

The Capital section of the Balance Sheet indicates the owner's investment in the business. Capital stock, or invested Capital represents the permanent investment in the business, while the proprietor's personal account represents the accumulated profit or loss on operations to date less any withdrawals therefrom by the owner.

The Balance Sheet, like the Profit and Loss Statement, may be used as an aid to management. The use of Balance Sheet ratios is similarly the most convenient form of analysis.

The ratio of Current Assets to Current Liabilities is a most important comparison to watch, since it indicates the ability of a business to meet its current obligations, i.e. those maturing within one year. A current ratio of 2:1 is usually considered satisfactory, but some consideration should be given to the degree of liquidity of the items comprising the current assets and to the urgency of meeting the current liabilities. For example, merchandise inventories might not be convertible to cash for six months to a year, while certain accounts payable might be due immediately or within thirty days. A study of the current ratio should therefore be supplemented by a cash budget, showing the cash which will be available to meet cash requirements within a given period.

Another important ratio is the Ratio of *Net Worth to Fixed Assets*. Many small businesses get into serious financial difficulties by purchasing plant equipment and other fixed assets without sufficient permanent capital investment. In general, the proprietor should have at least enough capital invested to pay for most of his fixed assets, so that a ratio of net worth to fixed assets

of 1:1 would be considered satisfactory in most cases. If equipment requires replacement at regular intervals, the Fixed Assets should be valued at replacement cost in computing this ratio. Depreciated values may be used where it is not considered necessary to replace the assets provided they are properly maintained.

The Ratio of *Net Worth to Total Liabilities* indicates the adequacy of the amount of capital invested in the business. Generally speaking, the proprietor should have at least as much invested in the business as the total amount owed to creditors, so that a Ratio of Net Worth to Total Liabilities of 1:1 would indicate a satisfactory condition.

Finally, one of the more important ratios from the point of view of the proprietor, is *Net Profits to Net Worth Ratio*, which indicates the rate of return which he receives on his capital investment. This ratio, expressed as a percentage will enable the proprietor to assess the value of his business in terms of its earning power, and to compare his operations with others of similar type. It will also permit him to compare his own business with any other type of investment for which the earnings are known.

Careful analysis of the Balance Sheet by use of the foregoing ratios may reveal an unfavourable combination of circumstances which, if known, may be remedied before too late. It will also assist in making the most effective use of resources at the proprietor's disposal.

7 Uses and Sources of Credit

The term "credit" indicates belief in a man's ability and willingness to pay a debt. Whenever any other businessman sells you goods or lends you money on the understanding that you are to pay for the goods or repay the loan at some future date, he is extending you credit. He is your creditor, and you are his debtor. It is then your duty to manage your business so that you can repay the loan or discharge the debt on the date on which you and your creditor have agreed. Among other things, you must know when and how to use credit, and terms on which to accept it.

The discussion which follows gives a somewhat simplified picture of the use of credit and the services of credit institutions and is intended only as an introduction to these matters. It should be realized that there are many exceptions to the interest rates mentioned throughout the text. Particular circumstances and personal factors enter into the making of loans, and the rate on any particular loan is a matter for negotiation between lender and borrower.

How to Use Credit

Use credit as a money-making tool. You should treat credit as you would adequate lighting, a new machine, or a more efficient display counter. Each of these things costs money, and you would install and use any one of them only because it would increase your net sales more than your costs. Similarly, you should use credit only when its use will increase your net sales by an amount greater than the total cost of accepting such credit.

The only time you should break this rule is when your firm runs into a serious but temporary financial reverse. Then you may have to borrow merely to pull yourself out of the difficulty. You should make sure, however, that the reverse is purely a temporary one. Perhaps your competitors are marketing an improved product and you must follow suit in order to compete. Or, perhaps they have added some device for shoppers' convenience which you must meet if your store is to continue to draw trade. You must react quickly to these situations to stay in business and you may need to borrow to do it. But you cannot make up for inefficient employees, sloppy business practice, or poor location by financial pump-priming. Such deep-seated difficulties need more radical treatment than the temporary "lift" given by a loan.

As a safeguard against financial reverses, you should look ahead for five or more years. You should draw up alternative sets of plans to meet varying business conditions, and decide what types and amounts of credit are necessary to put these plans into operation.

When to Use Credit

There are two main purposes for which credit is used. The first of these is the acquisition of fixed assets. Fixed assets are physical objects which are not ordinarily sold in the course of business, but which are retained in it and worn out gradually during their period of use. The cost of such objects is a fixed cost, because once you have bought them, their cost remains constant regardless of your sales volume. Included in the category of fixed assets are land, buildings, office equipment, machinery, lighting fixtures, and display counters.

You may acquire the funds necessary to purchase fixed assets in one or more of three ways. Firstly, you may relay partly or wholly on equity (or ownership) capital by contributing your personal funds or by selling a partnership interest or capital stock to someone else. Secondly, you may finance your fixed assets internally from net profits, provided they are sufficient. Thirdly, you may borrow the money from a financial institution, from other businessmen, or from personal friends. It is only with this third method of acquiring funds that this chapter is concerned. Loans for the purchase of fixed assets are normally for terms longer than loans for other purposes.

The second main purpose for which credit is used is for working capital. Working or operating capital is a term used to designate those funds used to pay the salaries or wages of employees, to purchase supplies and stocks of goods, or to extend credit to customers. Working capital may come out of ownership capital; in fact it is usually good policy for a firm to provide for its normal working capital requirements in this way. Additional working capital, required for seasonal or other unusual requirements, may be borrowed, the chief source being suppliers' trade credit and loans from the chartered banks.

Financing Safely

Once you have applied for and accepted a loan, you place yourself under the obligation of making interest payments during its term and of repaying the principal at maturity. Because these payments must be made whether your operations are profitable or not, and because the amounts payable do not vary with your sales-volume, these payments belong to the category of fixed costs.

As compared with the fixity of such costs there is the likelihood that your sales revenue will fluctuate from month to month, and from year to year. You want to be sure that even in those periods during which your sales revenues fall to their lowest levels, you will be able to make your interest and principal payments in addition to meeting all the other expenses of operating your firm. This means that you must keep your borrowing in check and relate it closely to the needs or characteristics of your business.

Another safety rule is to relate the term of the loan to the useful life of whatever it is used to finance. If you buy inventory (stocks of goods) which will be sold in three months, equipment which will last for ten years, or a building which will need replacement in twenty years, then any borrowing you do should be related to these time-periods. For instance, any loan which you use for purchasing the above-mentioned inventory should not be for a term of more than three months. Furthermore, the inventory must produce sufficient profit within the three-month period to more than cover the interest charges. Similarly, the above-mentioned equipment should have produced enough money within the ten-year period to cover the interest charges and principal repayment of the loan used to purchase it. It would be a serious error to use a ten-year loan to purchase equipment which wears out in five. If the building is going to wear out in twenty years, the mortgage on it should not run for more than twenty years.

Before borrowing, you should compare the terms quoted to you by all the available sources of credit. Compare not only the interest rates, but also any minimum balances, collateral, mortgages, investigation charges, etc., required by each. Accept the loan which provides the type of accommodation best suited to your needs at the lowest cost.

In comparing costs, reduce each to a percentage per year. There are many different ways of quoting interest, and the picture is complicated by investigation charges, minimum deposit requirements, service charges, etc. The way to make all costs comparable is to reduce them to a percentage per year on the average available unpaid balance.

For example, suppose you obtain a loan of $1,200 for twelve months, with interest at the rate of five per cent deducted in advance, and with the requirement that you repay the loan in $100 monthly instalments. The interest deduction is 5/100 of $1,200, or $60.00. During the term of the loan, you have the use of the following sums of money:

1st month		$1,140
2nd	"	1,040
3rd	"	940
4th	"	840
5th	"	740
6th	"	640
7th	"	540
8th	"	440
9th	"	340
10th	"	240
11th	"	140
12th	"	40
		$7,080

Divide by 12, and you find you have the use of a monthly average balance of $590. You are paying $60 for the use of $590, or 9.8 per cent per year.

Or, suppose you borrow $1,000 at a rate of six per cent, and are required to maintain a minimum deposit balance of $200 and repay principal and interest at the end of 12 months. The interest payment is $60. Since you have the use of only $800, the effective interest rate is 7.5 per cent per year.

You should be careful to notice what you are paying for trade credit. The cost of credit extended to you by your suppliers does not appear in your accounts but it exists nevertheless. Suppose your supplier's terms are three per cent, ten days, net 30 days. That is, if you pay the bill within ten days, you get a three per cent discount, but if you pay the bill after ten days, you pay the full amount. This means that for 20 days extra credit you are paying three per cent, or 365/20 x 3/1 = 54.75 per cent per year. Credit which is as costly as that should be reduced to an absolute minimum.

Of the two types of capital tied up in a business, ownership capital and creditor capital, the former should generally be substantially larger. Owner's funds are provided without obligation, whereas creditors' funds always involve payments of specific sums of money on specific dates. Greater safety, freedom and flexibility result from relying mainly on your own funds to finance your business. Even short-term credit should be used for carrying only your peak working capital requirements. You should rely on equity capital to take care of your normal short-term needs.

Flexibility is also a desirable feature of your financial structure. The terms on which you borrow should not be so rigid as to hamper you in the management of your enterprise. You should try to keep such things as date of repayment and security required by your creditor as flexible as possible. For instance, if you can repay a loan before the date on which it is due, you may be able to clear off the debt in a period of prosperity, leaving your firm unburdened in case business conditions deteriorate. Moreover, the fact that a loan is repaid somewhat before maturity tends to add to your standing with credit-granting sources. Businessmen who are in a position to grant credit are quick to note unfailing reliability on the part of borrowers in meeting or even going beyond the terms of their loans.

The Credit-Worthy Business

Before dealing with the detailed features of the various types of loan, it will be useful to indicate briefly the characteristics which financial institutions look for in prospective borrowers. Firstly, the firm's sales volume must be such as to yield an adequate margin over costs, including taxes. In other words, the demand for the firm's product or service must be steady and large enough to assure profitable operation and prompt repayment. Secondly, there must be a sufficient amount of ownership capital invested to provide a margin of safety for the loan. A large equity capital helps to ensure, although it does not guarantee, that earnings will be larger than interest charges. Thirdly, the system of records and accounts which the firm keeps must be accurate and adequate to show the exact condition of the business.

The Chartered Banks

The eight chartered banks of Canada are the primary source of short-term loans. The banks' function in the lending field is to make working capital loans to businessmen for purchasing inventory, carrying accounts receivable, and meeting payrolls and other expenses. In recent years the banks have moved into the intermediate credit field, in part by granting

term loans for periods exceeding one year, and in part by buying bonds and debentures. The chartered banks seldom make long-term business loans (i.e. loans with a term of more than five years), are prohibited by law from making loans on the security of real estate (in excess of seventy-five per cent of the value of the property), and enter the long-term credit field only to the extent that they purchase securities for their investment portfolios.

Short Term Loans—The requirements which a business firm must meet in order to qualify for a short-term loan vary with the type, size, and condition of the firm.

A bank always requires that the borrower be a satisfactory moral risk. This is especially important in the case of a small business, in which the success of the firm is so dependent upon the character and reliability of the proprietor(s). A bank does not want to have to police a loan, or seize and sell the firm's assets in order to secure repayment. Therefore, the bank lends only to those in whose integrity it has confidence.

A bank also requires that the borrowing firm be financially sound and it places a great deal of emphasis on management ability. Your business prospects must indicate that you will have no trouble in repaying the loan. A study will be made of your past business record, including the efficiency of the various departments of your business, the care with which you watch your operating expenses, and the extent to which you have withdrawn profits for personal use thus reducing the funds available for carrying on the business. The banker will analyze your business with the object of determining how the loan will increase your firm's income.

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Unless a borrower's financial position is reasonably strong, the bank will look at the relationship between the amount of the loan and the material available as collateral. If the loan is to be secured upon your accounts receivable, the bank may examine the credit rating of your debtors. The bank may also be interested in the distribution of your receivables. If the loan is to be secured on inventory, the bank will have preferences as to the type of goods and the way in which they are stored. The bank prefers inventory which is marketable and safe.

The usual type of short-term loan is a demand loan made under a line of credit arrangement. A demand loan is one on which the bank can demand repayment at any time. A line of credit is an arrangement whereby the borrower is allowed to borrow up to a certain maximum amount for a certain period of time, say one to twelve months. One advantage of a demand loan is that the amount outstanding need never exceed the actual requirements of the borrower since he can reduce the amount of the loan outstanding at any time that he has surplus cash. The bank, however, may demand repayment of the loan if it believes the borrower's financial position has become precarious or if he has violated some provision of the loan agreement. When repayment of a loan is completed satisfactorily, a renewal credit can usually be arranged without difficulty.

Other types of short-term loans can be obtained from a chartered bank—loans on which repayment may be made in one final payment at the end of the credit period, or in instalments during the term of the loan. In the latter case, the repayment schedule may be rigid or flexible, depending on the bank's confidence in the business, the collateral provided, the amount of equity capital invested and the profitability expected.

The amount of short-term money which should be borrowed will depend upon the amount of equity capital committed and the profitability foreseen, but the upper limit is set by the maximum which can be handled in demand form. As mentioned above, you would be wise to confine your short-term borrowing to your peak requirements for working capital.

The Bank Act, as assented to on March 23, 1967, sets a maximum interest rate of seven and one-quarter percent up to December 3, 1967. After that date, maximum interest charges will consist of one and three-quarters percent plus the quarterly average of the market to yield on short term bonds of Canada. No maximum rate of interest is in effect for loans secured by real or immovable property.

Term Loans—Under normal economic conditions chartered banks make term loans, but unless the circumstances are exceptional, the term seldom exceeds five years. Term loans are for the purpose of investment in fixed assets, and may be granted for any one or more of the following purposes: buying special or additional machinery, re-arranging a firm's finances, expansion, or acquisition of other business firms. The primary source of repayment is retained earnings. The collateral which is suitable for securing working capital loans is also suitable for securing term loans. Also eligible as collateral are: bonds and debentures secured by a specific mortgage or lien on fixed assets and a floating charge on current and all other assets, and debentures secured by a first floating charge on fixed, current, and all other assets with an agreement that the borrower will not give a specific mortgage or lien on fixed assets without the bank's consent. The rates on term loans differ only slightly from those on short-term loans. Because of the greater risk attached to such loans, the bank will usually insist upon placing certain restrictions upon the operations of your business in order to safeguard its loan.

Loans to Small Businesses

The Small Businesses Loans Act as passed by the House of Commons, November 30th, 1960 and assented to on December 20th, 1960 was brought into force by proclamation with an effective date of January 19th, 1961. This Legislation provides for loans to be made by the chartered banks under a Federal Government Guarantee to assist small business enterprises engaged in manufacturing, wholesale trade, retail trade, construction, transportation and most service businesses in the improvement and modernization of equipment and premises.

A small business enterprise is defined for the purpose of the Act as one in which its estimated gross annual revenue for the fiscal year in which an application for a loan is made did not exceed $500,000. The maximum loan is $25,000 or an amount equal to that made up of the aggregate principal outstanding in a multiple of loans. The bank may, after taking into account the amount borrowed and other relevant factors, allow up to 10 years for the repayment of a loan. The maximum rate of interest to be charged on these loans by the chartered banks has been set at 5½ per cent, but it is in the process of being increased. However, because the government guarantee limits the risk for the lender, the loans will generally be made at rates somewhat less than those prevailing on the open market.

The Regulations governing the Act provide for three main classes of loan, namely:

(a) fixed equipment loans for the purpose of financing the purchase, installation, renovation, improvement or modernization of equipment of a kind usually affixed to real or immovable property;

(b) movable equipment loans for the purpose of financing the purchase, renovation, improvement or modernization of equipment of a kind not usually affixed to real or immovable property;

(c) improvement of premises loans for the purpose of financing the renovation, improvement or modernization of premises or the alteration or extension of premises.

Under all three classes of loans a tenant or owner may borrow, but in (a) and (c) a tenant borrower must have right of tenancy extending at least two years beyond the term of the loan. In the case of both fixed equipment and movable equipment, the banks may grant loans up to eighty per cent of the cash purchase price of such equipment including the cost of installation or the cost of the project.

In the case of loans for the improvement of premises or buildings, the banks may grant up to 90 per cent of the cost of the project.

Loans are granted under this Legislation in accordance with Government Regulations but the matter of judging the eligibility for a loan and granting the credit thereunder is the sole responsibility of the banks through which these loans are made.

The Department of Finance is responsible for the administration of the Act and further details may be obtained from the Supervisor, Small Businesses Loans Act, Department of Finance, Ottawa.

Industrial Development Bank

The Industrial Development Bank was established by Parliament in 1944 to help finance Canadian businesses where required financing is not available from other sources on reasonable terms and conditions. IDB financing usually takes the form of a term loan secured by mortgage on the buildings and equipment of the borrowing business.

GENERAL REQUIREMENTS

IDB can consider an application for financing when these general requirements can be met:

1. THE FINANCING IS REQUIRED FOR A BUSINESS IN CANADA:

IDB can provide financial assistance to almost every type of business, including manufacturing and commercial businesses, wholesale and retail trade, primary and secondary industry, tourist, recreational and service businesses, construction trades, professional services, transportation, and other businesses as well. There are only a few types of businesses which are not regarded as appropriate for IDB assistance.

2. THE REQUIRED FINANCING IS NOT AVAILABLE FROM OTHER SOURCES ON REASONABLE TERMS AND CONDITIONS:

IDB's function is to supplement the services of other lenders. Where there is a possibility that required financing can be obtained on reasonable terms and conditions from sources other than IDB, such possibilities should be investigated before an approach is made to IDB.

Other sources of funds include financial assistance provided for certain categories of business by legislation such as Small Business Loans Act, Farm Improvement Loans Act, Fisheries Improvement Loans Act, and Farm Credit Act.

IDB gives particular consideration to the financial needs of small businesses. About 70 per cent of loans approved by the Bank are for amounts of $50,000 or less. The Bank also makes larger loans, but the larger the amount required the greater is the possibility that the required financing is available on reasonable terms and conditions from other sources, such as from other lenders or by public financing.

3. THERE IS A REASONABLE AMOUNT INVESTED (OR TO BE INVESTED) IN THE BUSINESS BY PERSONS OTHER THAN THE BANK.

4. FUTURE EARNINGS OF THE BUSINESS ARE EXPECTED TO BE SUFFICIENT TO REPAY IDB AND TO PROVIDE FOR OTHER NEEDS OF THE BUSINESS:

The Bank must be satisfied that the proposal is sound and that management is capable.

5. THE ASSETS OFFERED AS SECURITY WILL PROVIDE REASONABLE PROTECTION FOR THE BANK.

PURPOSES FOR WHICH IDB LENDS

IDB provides financing to help establish, expand and modernize Canadian businesses. IDB loans are usually for one of the following purposes:

1. TO FINANCE THE PURCHASE OF FIXED ASSETS.

Most IDB loans are used to purchase land and buildings, to alter or extend existing buildings, to construct new buildings, or to purchase machinery and equipment.

2. To strengthen working capital.

As a general rule, IDB does not provide funds to finance inventories or receivables as an alternative to seasonal borrowings from chartered banks or from other sources of current financing. However, where a business lacks working capital and there is a basis for a term loan secured by mortgage, the Bank will consider an application for working capital loan to supplement current financing from other sources.

Where a business finds that purchases of equipment—or other capital expenditures—have reduced working capital to an unsatisfactory level, IDB will consider a loan to restore working capital.

3. To finance establishment of new businesses.

IDB is particularly interested in participating in the initial financing of promising, soundly conceived new businesses.

4. To finance change of ownership.

The Bank will consider applications to help finance a change of ownership of a business in some circumstances, for example, when it is clear that the business will benefit by the change.

TERMS OF IDB LOANS

1. Rate of Interest

The Bank's rate of interest on new loans changes from time to time in keeping with the general level of interest rates in Canada. The rate of interest currently applicable to new I.D.B. loans may be ascertained upon enquiry at any office of the Bank. Interest is calculated on the outstanding loan balance. The interest rate normally applicable at the date of preparation of the current edition of this book (December, 1967) was 7½%.

2. Repayment Terms

The repayment of an IDB loan is usually by way of monthly instalments of principal and interest. The length of the repayment period is tailored to suit the circumstances and depends among other things on the prospective earnings of the business; the extent to which the business may need to use future earnings to finance the purchase of equipment or other fixed assets, or to improve working capital; and the nature of the assets pledged as security.

Experience has shown that most loans can be repaid quite readily within a range of about seven to ten years. In some cases a longer period is appropriate while in other cases repayment may be required within a shorter time. In keeping with general lending practice, a loan may be prepaid at any time before maturity, if the borrower wishes, upon payment to the Bank of a standard prepayment fee.

3. Security for the Loan

As a general rule, the security for an IDB loan takes the form of a first charge on the fixed assets of the borrowing business. To enable the Bank to obtain this security, it may sometimes be necessary to retire a remaining balance of an existing mortgage debt. The method of taking security varies from loan to loan and according to the laws of the various provinces. It is usually by realty mortgage, chattel mortgage or mortgage bond. The Bank also can enter into conditional sales agreements, and in the case of transportation equipment can purchase equipment trust certificates.

Where a corporate borrower is a subsidiary of another corporation or is closely related to other companies, it may be necessary for the parent or affiliated company or companies to guarantee the loan. The personal guarantee of the owner of the business for a portion of the loan may be required.

It is necessary for borrowers to maintain adequate insurance on the assets mortgaged to the Bank and, in some instances, insurance is required on the life of the owner of the business.

EQUITY FINANCING

Where the Bank provides part of the financing required by a company in the form of a term loan secured by fixed assets, the Bank may in appropriate cases provide a further portion of the financing by purchasing, with a view to resale, some of the company's common shares or preferred shares (which may or may not be convertible into common shares) or convertible debentures. The Bank would not normally acquire more than a minor portion of the common shares of any company.

PARTICIPATION IN UNDERWRITING AGREEMENTS

IDB can enter into underwriting agreements in respect of an issue of stock, bonds, or debentures of a corporation which requires financing for a sound, credit-worthy proposal for which a public issue would be the appropriate method of financing but could not be marketed on reasonable terms and conditions without the participation of the Bank.

IDB OFFICES

Businessmen interested in finding out more about the Bank's services should enquire—by telephone or mail, but preferably by calling in person—at the nearest IDB office. The Bank has twenty-eight offices

across Canada, as listed in Appendix C. A booklet describing the Bank's services in more detail is available upon request.

Provincial Assistance

An important source of financial assistance for enterprises not in a position to borrow through normal channels is provided by provincial governments. The assistance provided by provincial agencies are of two general types: (1) direct lending, in which the public agency extends credit to the business concern, and (2) guarantees of loans obtained from other sources. These public agencies supplement rather than compete with the activities of the chartered banks and other lending organizations. They normally work in close co-operation with lending institutions in helping sound industrial projects, especially in those cases involving guarantees of loans. The facilities offered by the provinces are outlined hereunder.

ALBERTA

Alberta Commercial Corporation

The Alberta Commercial Corporation, a Crown Company, established under the Alberta Commercial Services Act, provides financial assistant in various forms to Alberta industries unable to obtain suitable financing through other sources.

The type of assistance available can be tailored to suit the needs of individual companies and includes, but is not limited to, the financing of production equipment and facilities and/or inventories of raw materials used in the manufacturing process.

The financing of raw material inventories has been carried on for a number of years with considerable success under the Provincial Marketing Board. In general, assistance is limited to the purchase of materials used in a manufacturing process, such as raw materials, component parts, etc. Ownership of the inventory remains with the Corporation until it is withdrawn and used by the client company.

In practice the plan works in the following manner. Following a successful application for assistance, during which all available information about the business is examined by the Corporation, the inventory is purchased and delivered to warehouse or storage areas leased from the client company and accessible only to an agent of the Corporation. Goods can be withdrawn from stock as required in the manufacturing process, payment being made for the material at the time of withdrawal. Interest, at ¾ of one per cent, is charged on the month-end balance of each account.

The address of the Corporation is, 1810 Centennial Building, Edmonton, Alberta.

MANITOBA

Manitoba Development Fund

The Manitoba Development Fund was established under the authority of the Business Development Fund Act which came into force on 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, but through borrowing facilities authorized by the Act, monies available for loan purposes could amount to $100 million.

In considering applications for financial assistance the M.D.F. is influenced mainly by sound business considerations and the potential contribution to the economic growth of Manitoba. Given these conditions, 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 per cent 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 20 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.

The Manitoba Development Fund is not intended to compete with banks or other private lending institutions so that any loan it extends should be distinguishable as to cost, terms or special circumstances.

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 the approval of the Lieutenant-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. Assistance is also premised on the best interest of the economy of the province and on the competitive situation in the industry concerned. The amount of any loan or guarantee is limited by regulation to approximately the amount of the capital invested by the applicant. The operation must, of course, show promise of commercial soundness.

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 due to probable competition with existing enterprise, although exceptional cases can be considered by the Board where it would bolster the economy of an area.

Security is usually in the form of first mortgages. The rate of interest on any bond issue guaranteed by the Board and on bank loans guaranteed by the Board, must not exceed the prevailing rate for similar, but unguaranteed, loans.

Inquiries should be directed to the Department of Industry and Commerce, which offers additional service of plant location and technical advice.

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 commerical 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 per cent. However, the interest rate applied on 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.

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.

Co-operative Development Loan Board

This Board, established in 1959, 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.

NOVA SCOTIA

Industrial Loan Act

The Industrial Loan Act was passed by the Nova Scotia Legislature in 1951. It established the Industrial Loan Board and the Industrial Loan Fund.

The Act represents one of the most important sources of term capital available for the establishment and development of specified industries in Nova Scotia.

There is no statutory limit on the amount of money available for 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 Industrial Loan Board is empowered to approve loans or guarantees of loans to companies engaged in certain specified industries for the purpose of acquiring land buildings machinery, implements, plant or equipment. It may also approve loans or guarantees of loans for replacing working capital used

for these purposes within the last three years. In reaching a decision, the Board not only considers the possible success or failure in strictly a business sense, but also takes into consideration the desirability of taking a lesser or greater risk from the point of view of the over-all good of the economy. Thus, it is difficult to determine in advance whether a specific proposal will receive the Board's approval.

Industrial loans can now be made for periods of up to 15 years and tourist accommodation loans for up to 20 years. The following are designated as industries or types of industries eligible for assistance: Manufacturing, processing and other industries as defined by the Board from time to time; fish processing plants including lobster pounds; green-houses; furbearing animal ranches; peat moss industries; hotels, motels, cottages and cabins for tourists, hunters and fishermen; camping and trailer sites and picnic grounds; marinas; restaurant facilities where a need for such is shown; and recreational facilities where a need is shown.

The amount of any loan shall not exceed 75% of the current appraised value of land, buildings, machinery, equipment, furnishings, and other chattels.

Enquiries should be directed to: The Secretary, The Industrial Loan Board, Department of Trade and Industry, P.O. Box, 456, Halifax, Nova Scotia.

Industrial Estates Limited

Industrial Estates Limited is a Crown Corporation of the Province of Nova Scotia established by an Act of Legislature in 1957. It is a non-profit corporate entity with a Board of Directors comprised of prominent Nova Scotians in business, finance and industry. In addition, there is an Advisory Council of leading international businessmen.

Industrial Estates Limited has two main functions, i.e., to promote the development of new secondary manufacturing and to promote the expansion of existing industries within the province.

For industries that qualify for assistance, I.E.L. will finance 100% of the cost of land and buildings, either on a long-term lease or on a mortgage basis. The client may select a plant site anywhere in the province and have a building designed and constructed to his specifications. A leased plant may be purchased without penalty at any time during the term of the lease at depreciated book value. Industrial Estates Limited will also finance a large portion of the installed cost of new equipment in an I.E.L. financed plant.

Industrial Estates Limited has tax agreements with most municipalities in Nova Scotia limiting the municipal tax for a ten-year period to 1% of the cost of buildings only. There is no municipal tax on land, equipment or inventory during this period.

Write to: Industrial Estates Limited, Suite 503,
1709 Hollis St., Halifax, Nova Scotia.

Ontario

Ontario Development Corporation

The Ontario Development Corporation was established for the purpose of stimulating economic and regional development in Ontario. It is authorized to make loans for both long-term capital and working capital requirements to qualified industries locating or located in Ontario. Long-term capital funds are available for the construction of new buildings, the remodelling and extension of existing buildings, and for the purchase of new equipment which will substantially add to employment.

In order to obtain assistance, the Corporation must be satisfied that the applicant has been unable to obtain its financial requirements from conventional sources and that it is engaged in an activity which will contribute in a substantial manner to the economic development of Ontario.

Loans are available to secondary manufacturing industries and in certain instances where it can be demonstrated that substantial additional employment will result, to service industries. Corporate funds are not available to primary industries such as mining, logging, agriculture and fishing. Industries where adequate capacity already exists in Ontario and Canada for its goods or services are likewise not eligible for loans.

Applicants must prove that the management is capable of operating the business successfully and give evidence of the soundness of the venture and the ability to repay funds which may be provided. Applicants must have sufficient equity in the business to warrant financial assistance through the Corporation.

The maximum limit for long-term loans is normally $200,000 although applications for loans in excess of this amount may be considered in exceptional circumstances. Loans are not available for consolidating debts or for refinancing existing mortgages.

In addition to providing funds, the Corporation can provide managerial, technical, or other advisory services where it deems appropriate.

The program was expanded in 1967 to authorize incentive grants to industries locating in certain designated slow-growth areas of Northern and Eastern Ontario which are not already designated in the Federal Area Development Program. The grants take the form of loans which are forgiven over a six year period.

For further information, write to: Ontario Development Corporation, 950 Yonge Street, Toronto 5, Ontario.

Prince Edward Island

Industrial Enterprises Incorporated

Industrial Enterprises Incorporated was set up in 1965, with wide terms of reference and broad powers, in order to provide assistance to established or establishing industries. The Board of Directors is composed of representatives from industry, and managerial assistance is available in addition to financial assistance.

Financial aid can be in the forms of guaranteed or direct loans. Rates of interest are flexible and payments can be stretched up to twenty-five years, depending mainly on the size of the loan.

First mortgage on real estate and chattel mortgage on machinery and equipment are the standard forms of security required by I.E.I., but personal guarantees of the individuals concerned or of a parent organization can also be requested. A second mortgage position may be taken by I.E.I. if the first mortgage is held by the Industrial Development Bank or some other federal government agency.

Its flexible approach can also provide for interim financing (i.e. during the process of obtaining a loan from the Industrial Development Bank), or loans for working capital in special circumstances, in addition to the service of guaranteed or direct loans.

Any person or firm wishing to obtain further information on I.E.I. or about the other provincial agencies, such as the guaranteed Business Improvement Loans, or the Tourist Accommodation Loan Board, can write to Industrial Enterprises Incorporated, 129 Kent Street, Charlottetown, Prince Edward Island.

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 Board established by the Act is authorized to make loans with its loan budget of $2 million.

The Act and Regulations give the Board fairly broad discretionary powers in disbursing loans. However, the Board's discretionary powers are not boundless. The maximum loan available to an applicant is $40,000 and no loan can exceed fifty per cent of the cost of a project. All progress and final payments are advanced on the basis of fifty per cent of expenditures actually incurred. The maximum term for a loan is fifteen years.

Quebec

Industrial Credit Bureau

The Quebec Industrial Credit Bureau was created by an Act of the Quebec Legislative Assembly in 1967 for the purpose of encouraging the development of manufacturing in Quebec. Its main activity consists of awarding conditional loans to new manufacturing concerns, or those already established, which have an expansion potential capable of contributing to the economic progreess of an area of Quebec. Financial assistance from the Bureau must be used for the purchase of land, the acquisition or expansion of buildings, the purchase of machinery, tools and vehicles, or for improvement or consolidation of a business. In certain cases, the Bureau may guarantee the reimbursement of loans granted by other financial institutions and has the power to purchase property for leasing back to a company.

The Bureau can grant its assistance only when the applicant has been unable to procure from other sources and at reasonable rates and conditions he needs. The prospects for the applicant's making a profit should be favourable; the management, competent; and the investments made by the owners, adequate. The securities offered should ensure the Bureau a valid safeguard.

There is no restriction on the amount of the loans and the interest rate is slightly in excess of that applicable to the provincial bonds issued to the public. The repayment period is determined according to the profits envisaged and the nature of the securities, but it cannot exceed fifteen years.

The Bureau is located in the Royal Bank Building, Room 625, 710 Place d'Youville, Quebec, Province of Quebec.

General Investment Corporation of Quebec

The General Investment Corporation was incorporated July 6, 1962 by an Act of the Parliament of Quebec. The G.I.C. is not an agency of the Quebec Department of Industry and Commerce nor is it a Crown Corporation. It is an autonomous, corporate entity subject to decisions made by its board of directors, and one in which the Quebec Government participates only as a minority shareholder. Shares of the Corporation are also held by the general public and by investment houses and credit unions.

The G.I.C. is both a credit and a holding company. As such, the financial assistance it is empowered to extend to industry is quite broad. It includes direct loans, lease-back arrangements and equity participation for the purchase of land, erection of new buildings, purchase and installation of machinery, improvements to manufacturing processes, rationalization of production facilities and for purposes of working capital requirements.

There is no limit to the financial assistance or direct participation of the G.I.C. Where desirable, it is empowered to acquire control of an enterprise. However, its objective with respect to equity participation is to provide temporary assistance only and to divest itself of its controlling interest as soon as possible.

In addition to financial assistance, the Corporation can provide managerial, technical or other advisory services where it deems appropriate.

For further information, write General Investment Corporation of Quebec, Suite 804, 215 St. Jacques Street West, Montreal, Province of Quebec.

Municipal Industrial Funds

The provincial Act authorizing municipalities in Quebec to establish industrial funds was adopted in May 1961. This Act supersedes similar but less encompassing legislation which had until that time authorized certain municipalities to create such funds.

The creation of an industrial fund requires prior approval by the Minister of Municipal Affairs and the Minister of Industry and Commerce of the Province of Quebec. There is no limit to the size of an industrial fund. Each case is judged on its own merits by the two provincial departments concerned.

Approved municipal industrial funds may be used to purchase land and install services for the purpose of creating industrial parks. The land and services so acquired may be sold or rented to enterprises which undertake to use them for industrial purposes. Sales may be concluded on a cash basis or on credit terms. In the cases where the land is sold for commercial purposes, payment must be made in cash.

Projects financed by the fund require also the prior approval by these two provincial departments. When such authority for the acquisition of land has been granted, the Municipality approves a loan bylaw to be financed by means of a bond issue. All expenses incurred by a municipality purchasing land must be recovered through the sale or rent to industry.

Information on existing Municipal Industrial Funds can be obtained from the Department of Industry and Commerce, Quebec City, P.Q.

SASKATCHEWAN

The Saskatchewan Economic Development Corporation was established by the Industrial Development Act, 1963, to assist industry to establish or expand operations in Saskatchewan. Assistance is provided by way of mortgagee loans, inventory financing or the provision of industrial sites or buildings under lease or lease-purchase arrangements.

Types of businesses eligible for assistance are:

—an industry engaged wholly in extracting or processing natural or mineral resources, but not basic farming operations;

—a secondary manufacturing industry or one engaged in processing agricultural products;

—an industry serving the above or one of service to agriculture;

—certain specialized and intensive agricultural and horticultural operations, including the growing of crops under artificial conditions and specialized facilities for the intensive raising of poultry, cattle and hogs; and

—an industry otherwise excluded, but which would provide significant benefits by increasing employment, replacing imports or stimulating exports.

The businesses may be incorporated companies, partnerships, proprietorships, co-operatives, or have any other form of ownership, provided only that they are actively engaged in business for profit. Assistance is not restricted to Canadian-owned industry.

To qualify for assistance, the applicant must satisfy the Corporation that there is a reasonable investment in the business in relation to existing and proposed debt, that assets pledged to the Corporation will provide reasonable security, that the business will generate a sufficient return to sustain operations and provide for orderly retirement of the debt, and that adequate management is available.

As security, SEDCO requires a first mortgage charge on fixed assets of the business as well as personal guarantees of the principals at some level. Repayment is generally by monthly instalments over a term of five to ten years. Where appropriate, longer terms can be arranged. Repayment in whole or in part may be made at any time without penalty or bonus. The loans carry interest at a rate determined by the Corporation from time to time.

In addition to mortgage loans, SEDCO will consider providing working capital assistance to manufacturing industries for the purchase of raw material inventories or financing of completed products.

SEDCO may also acquire or construct buildings to be resold or leased to industries. Preference will be given to arrangements whereby the applicant will eventually become owner of the building.

In certain circumstances, usually involving large-scale projects, the government of the province is prepared to consider underwriting or guaranteeing arrangements with respect to major financial proposals. SEDCO can act as agent for the government in such proposals.

A brochure with more detail on the Corporation's program may be obtained by writing to: SEDCO, Power Building, Regina, Saskatchewan.

Trust, Mortgage and Insurance Companies

Trust, mortgage and insurance companies make long-term loans secured by mortgages on buildings and land. Since most mortgage loans are granted on residential property, these institutions are not of primary interest to the small businessman.

However, it may be useful to know that insofar as these companies do make mortgage loans to business, they are interested in property that has a variety of uses. They prefer not to lend where the premises are highly specialized and therefore not adaptable to the needs of different businesses. The preferred type of building is one adaptable to any type of merchandising and located in a busy shopping district. The lending company wants to be sure that it can easily sell the property in case the loan is not repaid.

The amount which you can borrow will depend upon the value of the property, but the lending company will probably not lend more than 45 to 60 per cent of the property's normal value, depending on circumstances. The term of the loan can vary widely, and may be for a period as long as 20 years.

Factoring Companies

Factoring companies are concerns which specialize in buying outright and without recourse, the accounts receivable of their clients. The client concerned relies on his factor's advice as to what trade credit he should extend. He then ships his merchandise to his customer and transfers the account receivable without recourse,

to his factor. The factor thereupon assumes the full credit risk and absorbs all credit losses and collection expenses in connection with the receivables he has purchased.

While there are only a few factoring companies in Canada, they do an important amount of business.

Factoring companies service manufacturers and wholesalers engaged in the production and selling of items in which there is a continuing or "repeat" business, such as shoes, textiles of all kinds, manufactured articles and even raw materials such as lumber and building supplies, and so forth.

Factoring companies also will advance funds against the receivables purchased and thus convert the client's receivables into cash as required. Factors usually deal in receivables carrying terms of approximately 30 days to 90 days, but very often they will extend longer terms sometimes up to six months. Generally speaking they deal in short-term accounts receivable and do not handle long-term instalment sales. On the other hand, factors sometimes extend special medium-term loans secured by warehouse receipts or otherwise to their regular clients when such loans will help increase their clients' sales.

The factor charges interest on the receivables discounted, as well as a factoring commission. This commission is designed to remunerate the factor for assuming the full credit risks on the receivables purchased, as well as for undertaking the collection work and absorbing all expenses connected therewith.

Finance, Discount and Acceptance Companies

Among other institutions that may assist the would-be borrower in need of short-term credit are the various loan companies. The business of these lending firms is primarily that of lending to consumers for personal needs, but they do, as a secondary feature, make loans for business purposes.

Another source of short-term loans is mape up of concerns variously known as Commercial Credit, Discount, Acceptance or Instalment Finance companies. Such companies differ from factors in that they do not buy receivables and usually do not furnish collection service or management advice. They lend money on the security of accounts or notes receivable in much the same way as commercial banks do. They also make loans secured by warehouse receipts as well as loans to finance certain types of equipment which may be used as security for the loans.

Like factors, commercial credit companies usually limit their loans to manufacturers' or wholesalers' receivables. Branches of these companies are found in any fair-sized city.

Commercial Credit, Discount, Acceptance, or Instalment Finance companies deal with manufacturers, wholesalers and dealers. They do not deal directly with consumers. If durable goods are sold on a time payment basis, the party making the sale can discount the contract with one of the aforementioned companies.

Small Loans Companies

In respect of loans up to $1,500, Small Loans Companies and Money-Lenders are subject to the regulatory provisions of the Small Loans Act, Statute of the Parliament of Canada.

The Act requires that anyone wishing to make loans in amounts of $1,500 or less and to charge rates in excess of one per cent per month must first obtain

a licence. With a licence under the Act, the lender is permitted to charge a rate (inclusive of all charges) not exceeding two per cent per month of the portion of the outstanding balance not exceeding $300, plus one per cent per month on the portion of the outstanding balance exceeding $300 but not exceeding $1,000, plus one-half of one per cent per month on the portion of the outstanding balance exceeding $1,000 but not exceeding $1,500, provided that the term of the loan does not exceed 20 months if it is for $500 or less, or 30 months if it is for more than $500 but not more than $1,500. If the term of the loan is longer, the maximum charge permitted is one per cent per month.

These companies may make loans in excess of $1,500 but such loans are not subject to the Act and may be made at whatever rate and for whatever term may be agreed upon between the lender and the borrower. The business of these lending firms is primarily that of lending to consumers for personal needs, but they do, as a secondary feature, make loans for business purposes.

Credit Unions

If you are a member of a credit union, you may be able to borrow from it for business purposes. The usual security for such loans is a mortgage on buildings and equipment, the interest charge is about eight per cent on the unpaid balance, and the term is usually for less than five years.

8 Buying and Selling on Credit

The use of credit has grown enormously in importance in the postwar years. In some lines of goods, such as household furniture, expensive appliances, and autos, instalment buying has become very widespread, while in the operations of stores selling other lines of goods, cash and carry is the main feature. In the type of business you are entering there may be no choice about your selling on credit: customers' habits and competition may determine the matter for you.

If you go into a credit business either through choice or necessity, a well thought out credit policy is essential. If used properly, credit can build up your sales volume and profits but, if uncontrolled, can lead to insolvency and failure.

Buying on Credit

Credit granted by suppliers can be an aid in financing inventory. But, as pointed out in Chapter 7, trade credit is very expensive and its use should be studied very carefully. If you use trade credit, be sure that its cost is justified and that you can meet the terms laid down by your suppliers.

Above all, do not buy on credit simply because a supplier decides, for example, that you are "good" for a line of credit up to $3,000. Remember that the main reason for having a stock of goods on hand is to

be able to satisfy your customer's needs. If credit can be used to build inventory which will sell profitably, it will be worthwhile to buy on credit. Buying any other kind of inventory, on credit or otherwise, is a waste of money.

You might bear in mind that one way of raising money to buy inventory is to discount your accounts receivable with a collection agency or a chartered bank, as suggested on page 88.

In using trade credit, remember also that inventories are apt to be risky things. If you have purchased inventory at a given set of prices and the level of your selling prices is then forced down for any reason, your profit margin may be not only cut but may even be turned into a loss. Do not let easy trade credit betray you into building up excessive stocks of even the best-selling merchandise, for your losses may be serious.

In short, constantly keep in mind two questions when thinking about buying on credit: (1) what will this credit cost me and (2) can I meet my suppliers' terms without difficulty? Keep in mind the suggestions of Chapter 7 for calculating the true cost of credit.

Selling on Credit

Advantages and Disadvantages

The chief advantage of selling on credit is that it increases your sales. If you are in certain lines of business, your volume may be very low unless you go into the instalment sales field.

But selling on credit has the disadvantage that it adds to cost. This added cost has a threefold aspect.

Firstly, when you sell to a customer on credit, you are actually making him a loan. If your credit sales are substantial, these "loans" will tie up a sizable sum of your money. Hence more capital is required for a credit business than for a cash business, and capital costs money.

Secondly, there are bad debts to reckon with. There will be times when you cannot collect your money from all your customers. Naturally, you will try to cut your losses from bad debts to a minimum, but there will be some losses and these constitute a cost which does not exist in a cash business.

Thirdly, customers' accounts must be supervised. There is considerable work in taking credit applications, keeping accounts, sending out statements, and following up delinquent accounts. There may be additional expense in buying the necessary files, typewriters, accounting machines, and credit reports on customers from a credit reporting agency. If your credit business grows large enough, you may even need one or more employees working exclusively on credit accounts.

Types of Credit Sale

Credit sales in the retail field comprise two types of operation: selling an open or "charge" account, and instalment sales. The latter may be known as time-payment plan, budget plan, deferred payment plan, easy terms plan, convenient payment plan, or easy payment plan.

A credit sale is a profitable sale only when you have collected the last dollar owing to you. Hence the importance of selling on credit only to reliable customers, and of knowing how to deal with them if they become slow in meeting their obligations.

General Principles

1. *Know Your Customers*—The most important guide in selling on credit is a knowledge of your customers, their means, and their legitimate needs. Sales

on credit should be allowed only for real needs and not for luxury items or passing fancies which customers cannot afford.

Allowing a customer to buy on credit as a method of escaping from the limitations of an inadequate income ultimately means trouble for both you and your customer. Experience and common sense are your principal guides as to whether credit is justified.

Investigate thoroughly every new customer who wishes to open a charge or instalment account before you extend the credit privilege. All large cities and some smaller ones support credit-rating bureaux. These bureaux accumulate the experience of credit-granting merchants, professional people, and banks, as well as information from newspapers, court records, and public records. On the basis of such information a person or firm is given a credit-rating. If there is a credit bureau in your town, submit to it all application forms of new accounts and get reports on the credit-rating of all new customers. As well, it is wise to register your old accounts with the bureau. Credit bureaux can investigate new customers much more thoroughly than can an individual merchant.

When considering credit sales to firms rather than to individual consumers, rather different methods apply. The firm asking for credit should be in sound financial condition, have its accounts receivable in the proper proportion to its other assets, and have reliable management. To learn about the soundness of a firm, consult either a credit bureau or other suppliers who have had dealings with the firm.

2. *Explain Your Credit Terms Clearly*—You can save yourself trouble if you explain to each new credit customer the exact terms on which you extend the credit privilege. This means, of course, that you must

have a clear idea in your own mind of just what your credit policy is. Decide how much and for what period you will allow any customer to buy on credit. Make it clear when you expect payment in full.

It has been found by many merchants to be good policy, when dealing with open-account or "charge" business, to grant credit only from one payday to the next. While this sort of arrangement may not be suitable to your business, it is wise to insist on payments at regular intervals. Make it clear that if you are not paid regularly, the customer's credit privilege will end immediately. Come to an understanding with the customers as to just how much credit he can have. This will help to prevent his over-buying and getting into the slow payment habit which accompanies it. Write the credit period and credit limit on each individual customer's account as a reminder to yourself.

3. *Follow-up and Collect Promptly*—Your credit policy will fail unless a sound collection plan is also adopted. Statements should be prepared and sent to customers with credit terms of a month. (For those on weekly or bi-weekly credit terms, statements are not usually necessary unless such customers are becoming lax about payments.) Then, when the statements do not bring in payment, follow-up the account promptly and consistently. This follow-up may take the form of a telephone call, a personal interview, or the mailing of printed reminders. Keep after the customer at regular intervals or temporarily suspend his credit privilege.

Quick follow-up and insistence on prompt payment from the very first will pay dividends. Customers are usually better able to pay when their accounts are new. Quick follow-up will earn the respect of the customer

for your business-like attitude. If no favouritism is shown in the matter of collections, and if collections are prompt, customers will know they are not having to pay in the form of higher prices for losses due to bad debts caused by others.

4. *Suspend Slow-Paying Accounts*—Promptly suspending delinquent accounts from further credit privilege is the core of a sound credit policy. It educates the slow payer to pay promptly. It eliminates the practice of treating each account individually, speeds up collections, and increases sales receipts.

Temporary suspension of credit privileges do not automatically cut off further credit at once. But it does so if: (1) the customer refuses to pay; or (2) he refuses to make a definite arrangement to pay by a given date.

Suspension should also be applied to "creepers" —those who make partial payments on account but whose total indebtedness is always increasing.

5. *Advise Delinquents About Paying*—In collecting, help delinquents. Give your debtor a definite plan which will enable him to clear off his indebtedness in a reasonable length of time. It might be still more helpful to suggest a few alternative plans for his consideration. Tell him the real reasons why you want prompt payment: it cuts your costs and bad-debt losses, enables you to work on smaller capital, thus reducing your borrowing and interest on loans and enabling you to charge lower prices. Above all, do not give the impression that you question your customer's honesty.

6. *Other Aspects of Collection*—The whole matter of collecting is one requiring tact and common sense. The proper approach depends upon the customer and

how seriously he is in debt. The foregoing sections have suggested methods of dealing with delinquent accounts, and these methods may be all that are necessary in a large number of cases. In the case of stubborn persons able but unwilling to pay, you may have to resort to the services of a bill collector or even to court action. Suit the method to the person and circumstances, but at all times be firm and decisive.

One way of disposing of your collection problem entirely is to sell your accounts receivable to a collection agency. A collection agency buys an account receivable for its face value less a charge for collection and less an allowance for bad debts. In other words, the agency "discounts" your accounts receivable. As the agency is the owner of the account and collects it, you have nothing further to do.

7. *Analyze Your Accounts and Maintain an Overall Check*—We have said before that the amount of credit you can extend will be limited by your capital. You must frequently check the amount of credit you have outstanding and compare it with the limit you have set for your business.

One question to which you need an answer is, "How much can my business stand in slow acounts?" Here are a few methods of arriving at an answer to this problem.

(a) Compare your charge sales with your collections. If your charge sales during a credit period amount to more than your collections, it means either that your charge business is expanding or that your collections are poor. If the excess of credit sales over collections occurs a second period in succession, you are in danger. If you allow this situation to persist you are risking business failure.

(b) Compare your charge sales with the amount owed by customers. The total amount owed at the end of a credit period should be about equal to one credit period's charge sales.

(c) "Age" your accounts receivable. That is, go through them and arrange them in groups which are one to nine days old, ten to 19 days old, 20 to 29 days old, etc. Compare the results with your terms of credit and thus discover which of your customers are being unusually slow in paying up.

(d) Compare the average length of time it takes you to collect an account with the average length of time required by other firms in the same line of business. Statistics on this matter can be obtained from Dun and Bradstreet.

(e) Relate the terms of your credit sales to the terms of your credit purchases. If your suppliers demand payment in 30 days, your customers should either pay cash or pay up their accounts within 30 days.

A Final Word

Remember that when you sell goods costing $100, these goods must be replaced. If you sell for cash, you immediately have the funds to replace the goods. If you sell on credit, the funds must come either from your capital or be borrowed from someone else. If you have no extra capital or if no one will give you a loan or trade credit, you cannot replace your goods and you will lose trade because of an inadequate or out-of-date stock of goods. So this matter of collections and credit control is vitally important to the success of your enterprise.

The foregoing has not been intended to scare you out of selling on credit. Rather, it has been designed to help you build a successful and well-controlled credit business. A sound credit policy can help you enormously in building a prosperous enterprise. Needless to say, to be successful your credit policy must be integrated with your general store policy. So bear in mind the general considerations given in Chapter 5 on "Retail Store Policies".

9 Insurance in Business

Function

Ask yourself what you would do if either of the following events occurred on your premises.

An elderly lady, entering your grocery store, trips on the handle of a mislaid broom, falls, breaks an arm, and sues you for $5,000.

A burglar smashes your jewellery store window during the night and makes off with $2,000 in watches.

You can see that either of these events could cause you very serious financial loss or even ruin your business completely. The purpose of insurance is to guard against just such losses as these. The premiums to be paid on an insurance policy are small in comparison with the value of the assets protected. To run a business without insurance of any kind is a very hazardous undertaking. This is so widely recognized that there are circumstances in which insurance is required, for instance, when a lender makes you a mortgage loan.

As insurance is a very complex subject, this chapter will try only to make you aware of the various types available and the chief features of each type. You should seek the advice of a reputable insurance agent on the insurance needs of your particular business.

Insurance for Protection of Property

The loss or destruction of a large investment in a building, equipment, and merchandise could put you out of business completely. So it is worthwhile to pay the relatively small premiums required to take care of the risk of a much larger loss. There are many types of policy, some common forms of which are as follows.

Fire—Originally a fire policy covered only fire and lightning. But there has been a continuing broadening of the coverage and by endorsement, many other coverages can now be obtained. These include explosion, collapse or landslide, falling objects, glass breakage, impact by aircraft or vehicles, malicious damage, riot, rupture or freezing of steam or hot water heating systems, plumbing and air-conditioning systems, smoke, water, wind-storm and hail.

Business Interruption Insurance—This type of insurance covers you when your operations cease due to fire or other property damage. If your business stops because of fire, your earnings cease but your fixed expenses such as interest and taxes go on. Business interruption insurance provides for continuing expenses and loss of profits.

Floater Insurance—Floater or inland marine insurance covers losses on movable property. A floater policy may cover a wide range of hazards or be narrowed to specified risks. A comprehensive type is the personal property floater. Specific types can be had to cover cameras, furs, jewellery, etc.

Casualty Insurance

This type of insurance protects against financial loss arising out of injury to persons, or damage, loss, or destruction of property caused by negligent, fraudulent, or criminal acts.

Injury to Employees—If one of your employees is injured due to carelessness on your part, then by law he is entitled to compensation for the injury. Workmen's compensation may be compulsory in your province. If not, an insurance company will protect you against liability for injury to your employees while engaged in their duties.

Public Liability Insurance—Everyone is responsible for injury or damage to persons or property of others due to his negligence. The term "public liability insurance" includes all types of insurance which provide protection against damage claims, except two main categories: claims by employees, and claims arising out of the use of autos. Public liability insurance is usually considered in two parts: (1) bodily injury, covering claims for accidental death or injury of persons (except employees); (2) property damage, which covers accidental injury to property of others which is not being used by the insured person or in his care.

A policy may be arranged to cover all liability risks in connection with a business, subject to a few exclusions. If you do not want such a comprehensive liability policy, policies covering many specific types of risks can be obtained.

These include:

- Owners', landlords' and tenants' liability
- Elevator public liability
- Professional (malpractice) liability
- Products liability
- Manufacturers' and contractors' public liability
- Owners' or contractors' protective public liability
- Contractual liability

See a casualty insurance agent for details of any of these types of insurance.

Other Forms of Casualty Insurance

Boiler and Machinery Insurance—This type insures you against the ruinous financial losses caused by accidental explosion or breakdown of heating and power equipment and covers many different types of installation such as boilers, pressure containers, refrigerating systems, engines, turbines, electric generators, and electric motors. The policy covers claims for bodily injury as well as property damage. An inspection service is included.

Glass Insurance—This type insures you against loss by breakage, or damage to lettering and ornamentation. The insurance company either replaces the damaged glass or indemnifies you for the cash value of the glass at the time of the loss. As the usual procedure is to replace the broken glass, glass insurance is basically a replacement coverage. Because insurance companies are regular buyers of glass and arrange for so many replacements, they can often get installations more promptly and at lower cost than can the individual owner.

Credit Insurance—Credit insurance protects you against abnormal and inordinate bad debt losses as distinguished from normal bad debt losses which can be allowed for in your selling prices. For example, it covers the sudden insolvency of a large and hitherto trustworthy customer. This type of policy is highly technical and must be tailored to fit the requirements of each individual business. It is not generally available to retailers.

Burglary, Robbery and Theft Insurance—Burglary means the forcible entry of your premises. Robbery is the taking of your property by violence or threat

of violence. Theft is the stealing of your property while it is unprotected. In large cities, scores or even hundreds of these crimes occur daily. Loss of money from a safe may cause business failure or serious interruption of business.

Various types of policy cover separate risks. Alternatively, you can obtain a Commercial Comprehensive Dishonesty Policy, a combination of separate policies.

Motor Vehicle Hazards

Bodily Injury and Property Damage Liability Insurance—This type of policy covers your liability for bodily injuries and property damage caused by operation of motor vehicles owned by you whether driven by you or by others with your consent.

Collision Insurance—This policy covers loss through damage or destruction of your vehicle by collision or upset. The cost depends on the coverage or protection purchased. Coverage may be on a "deductible" basis.

Fire and Theft Insurance—This policy covers loss by fire and transportation hazards or by theft of the auto or parts of it.

Non-Ownership Liability Insurance—This policy covers your liability for loss arising out of the use in your business of automobiles you do not own.

Garage Liability Insurance—This type covers your liability for loss arising from your operations as an auto dealer, owner of a repair shop, storage garage, or service station. The policy covers not only the operation of autos, but public liability arising out of the use and maintenance of the premises.

Life Insurance in Business

Life insurance serves several functions in connection with business. These are discussed below.

1. *Key-Man Insurance*—In many businesses, success depends on the ability of one key-man whose death causes serious financial setback until a qualified replacement is found. Making the business the beneficiary of a life insurance policy on such a key-man provides funds to attract a new man into the business, to educate and train him in order to provide a man as good as the one replaced.

2. *Partnership Insurance*—Death of a business partner can cause withdrawal of his investment in the business. In many cases, the death of the partner dissolves the partnership and his estate may require liquidation of his share. Furthermore, the goodwill assets of the partner may be lost. Partnership insurance provides funds to aid reorganization into a new partnership or sole proprietorship.

3. *Individual Proprietorship Insurance*—If a sole proprietor insures his own life, his family is given adequate funds to reorganize the business or maintain it till it can be sold. If a new manager is hired to run the business, the insurance can be used to make his salary worthwhile until the goodwill and productivity of the firm are re-established.

Types of Insurance

Three principal types are used: straight life insurance, term insurance, and endowment insurance.

(a) *Straight Life Insurance.*

The *ordinary life insurance* policy is intended as protection against premature death. It is a permanent type giving protection throughout life. It also has a

savings function. Issued by life insurance companies in amounts of $1,000 or greater (usually in multiples of $500), an ordinary life policy requires payment of an annual premium varying in amount with the age of the insured person. Such annual premiums may be adjusted to semi-annual, quarterly, or monthly payments if the policyholder so desires. Payment, of the premium continues until the death of the insured, whereupon the company pays the principal in cash to the person or persons designated as beneficiaries.

The distinguishing feature is that the insured person pays premiums as long as he lives. This type also build up a cash surrender value in case the insured wishes to discontinue the policy before his death. Loans from the insurance company may also be obtained, the amount of which is limited by the cash reserve which is built up by the policy.

In addition to its usefulness as family protection, this type can be used for business protection or as a support to personal credit.

The person who buys straight life insurance may elect to buy a policy which is a "participating" policy. This type of policy permits the policyholder to share or "participate" in the profits of the insurance company. Limited payment policies and endowment policies also can be had with participation features. The premiums on participating policies are higher than on nonparticipating policies of the same type and for the same age. It is of interest to note that most ordinary life plans can become "paid up" at 65 or at about that age if the dividends payable to the participating policyholders under such a plan are allowed to accumulate during the lifetime of the policy.

Limited payment life insurance is issued to overcome one unsatisfactory feature of ordinary life insurance. The latter type of policy requires premium payments throughout life at a flat rate. As the period when a man has an income may not extend past 60 or 65 years of age, the payment of life insurance premiums after that age might well be a heavy burden. Hence there is good reason why premiums should cease with the end of the productive period of life.

To meet this need, commercial companies issue limited payment policies. These limit the number of payments to ten, 15 or 20 years, at the end of which period the policy is "paid up" and no further premiums are required. The insured person is fully covered until the time of his death. Premiums on this type of insurance are higher than those for ordinary life policies. The limited payment life policy, like the ordinary life policy, builds up a cash surrender value. Loans from the insurance company may be obtained, the amount of which is limited by the cash reserve which is built up over time.

(b) *Term Insurance.*

A term insurance policy is issued by a company, not for the whole life of the insured person, but for a limited number of years, or term. If the insured dies at any time within the term covered by the policy, the principal is paid to the beneficiary. This type of insurance does not have a cash surrender value nor can loans be obtained from the insurance company in connection with the policy. At the end of the term of years covered by the policy, if the insured is still alive he gets nothing back. Similarly, if the policyholder terminates the policy before the term is up, he gets no money back. In other words, the principle behind term insurance is similar to that behind fire insurance, on which you would never expect a cash return or a loan.

Some companies issue term insurance policies which are renewable. That is, they can be renewed for a further term without medical examination although the premiums are higher than in the original policy. Term policies are also available which are convertible. That is to say, within a certain limited number of years they can be converted into some form of straight life insurance.

The great advantage of term insurance is that the premium is lower than on either limited payment life policies, ordinary life policies, or endowment policies taken out at the same age and for the same principal. The disadvantage is that because the term policy is in force for only a certain number of years, the policyholder needing the protection of insurance for a further period will have to get a new policy at a higher rate. The policyholder also runs the risk that he may not be insurable when his old term policy expires.

Term insurance is a useful form of protection to a young man who is establishing his business and building up his estate.

Decreasing term insurance is also given by a company for a limited number of years, but the principal for which the policyholder is insured decreases with time. That is to say, if the policy is for $20,000, and if the policyholder dies within the first year, his beneficiaries receive the full $20,000. But if he died during the second year of the policy, the beneficiaries receive less than $20,000, and if he died in the third year, still less. Towards the latter part of the life of the policy the amounts received by the beneficiaries in the event of the death of the policyholder gradually approach zero. This type of insurance gives a decreasing amount of protection in return for a stable premium.

Decreasing term insurance is useful in covering a risk which decreases through time. For example, if you have a mortgage on your business premises and pay it off gradually over a 20-year period, the unpaid amount of your mortgage debt gradually declines, until at the end of 20 years, it equals zero. To cover this debt in the event of your death, you do not need to be insured for a fixed sum: a declining sum is all that your estate would require. Hence decreasing term insurance used to cover this type of situation is sometimes referred to as "mortgage insurance".

The great advantage of decreasing term insurance lies in the very low premium, lower than on any other type of life insurance. The chief disadvantage lies in the decreasing protection provided for the constant premium. It is, in other words, insurance which is increasingly costly as time passes. The other disadvantages are similar to those characteristic of term insurance (discussed in this chapter).

(c) *Endowment Insurance*

You will recall that the straight life insurance policy actually combines two functions, protection against premature death and a savings function. An endowment policy combines protection against premature death with an accelerated savings function. In the endowment policy, provision is made for the payment of a sum of money at the retirement of the insured person or at the end of the endowment period. The endowment policy has a cash surrender value prior to maturity and this surrender value is higher than in straight life policies. The loan value is also higher. Because the endowment policy combines a protection feature with an accelerated savings feature, the premium on it is the highest of all types of life insurance issued at the same age for the same principal.

Disability Insurance

Suppose that an important employee is disabled to the point of being completely incapable of performing his duties. This can cause severe economic loss to your business. Had the employee died, life insurance would have covered the loss. However, to cover the case of disability, accident and health insurance is available.

Fidelity and Surety Bonding

Fidelity and surety bonds are important to the businessman because they guarantee financially the reliability of human beings in business relationships. Fidelity and surety bonds differ from other types of insurance in that three, not two, parties are involved; the principal, or bonded party, who promises to fulfil certain obligations; the beneficiary, or insured person, who requires the bond; and the surety, or insuring company, which reimburses the beneficiary if the principal defauts on his promise. Some of the chief types are as follows:

Fidelity Bonds—These protect the businessman against loss by dishonest or fraudulent acts of employees. Fidelity bonds serve to deter employees who are tempted to dishonesty, and if dishonest acts occur, enable the businessman to recover his loss.

Surety Bonds—These guarantee the performance of an obligation or contract. If the bonded person fails to fulfil his obligation, the insurance company reimburses the beneficiary. There are several types of surety bonds, a few of which are described below.

(a) *Bid and contract bonds* guarantee the satisfactory fulfilment of contracts such as those for constructing buildings, roads, bridges, etc., according to specifications.

(b) *Supply contract bonds* guarantee that goods supplied on contract will meet the terms and specifications of the contract.

(c) *Licence and permit bonds* are sometimes required by provincial or local governments to ensure compliance with laws or regulations governing the particular activity which is being licensed.

Insurance: General Considerations

A great many types of insurance have been described above. It is unlikely that you will need all the types listed or that you would be able to afford them all even if you needed them. As any type of insurance costs money, and as the capital of a small businessman is usually limited, choosing the types of insurance which are of greatest importance to your business is a matter requiring good judgment. The types you need will be dictated by the character of your business or by the stage to which it has developed.

For example, if you are the sole proprietor of your business and have no employees, you will not need fidelity bonds to cover employees. Similarly, if you are renting the building in which your business is located, you will not need term insurance to cover a mortgage on a building.

Careful planning of insurance is necessary to the success of a business. Adequate insurance coverage will lessen the risk of business failure, take a load of worry off your mind, and release your energy for use in other aspects of your enterprise. Consult reputable agents and put first things first in choosing the types of policy you need.

10 Government Law and Regulations

Canadian business is subject to various types of regulation by federal, provincial and municipal governments. Since such legislation and regulation is drawn up in precise legal terms, and since it cannot be simplified without giving rise to false impressions or misinterpretation, this chapter will be more difficult to read than preceding chapters.

Some regulations affect a larger segment of the business community than others, and some aspects of government regulation are more important in their application than others. In this text it is impossible to give equal prominence to all points that may be of interest. Treatment is confined mainly to those matters of far-reaching importance. The section 'Financial Matters' is concerned with income tax, sales tax, customs duties, unemployment insurance, and workmen's compensation. The following section deals with 'Standards' and gives greater prominence to regulations in respect of building construction, food and drugs, and electrical appliances, than to grading and regulatory provisions affecting particular lines of business enterprise. "Property Rights" concerns itself with patents, industrial designs, copyright and trade marks. The material on 'Labour Regulation' is confined to the points of most interest since labour regulation is mainly a provincial matter and there are many differences in the law between areas. The following section dealing with "Pricing and Competition' is included as background information, since the legislation may have a bearing on the policies proposed by a businessman.

Many of the federal government organizations mentioned in this chapter have regional offices. A full listing of these is not possible, but the Industrial Promotion Division of the Department of Industry, Ottawa, will direct you to the pertinent source of information on request. Similarly, the list of provincial industrial development offices given in Appendix A may be used for the address of a contact in each province. If your inquiry may be more properly handled elsewhere in the provincial government, the Industrial Promotion Office will direct you to the proper source.

Financial Matters

FEDERAL INCOME TAX

Both the federal and provincial governments have power to levy income taxes in Canada. In the years preceding 1962, agreements existed between the federal government and eight of the provinces under which in return for compensation from the federal government the provinces refrained from imposing income taxes. During this period the Province of Ontario imposed its own corporation income tax and the Province of Quebec imposed an income tax on both individuals and corporations. During this period the federal income tax was abated by stipulated amounts in those provinces which imposed their own income taxes. Thus in 1961 the federal rate on corporate taxable income was reduced nine percentage points for taxable income earned in Ontario, and 10 percentage points for taxable income earned in Quebec. The federal personal income tax otherwise payable on income of residents of Quebec was reduced by 13 per cent.

Commencing in 1962 personal and corporation income taxes were imposed by both the federal and provincial governments. As part of the new arrangements the Federal Government provided a scaled reduction of its personal income tax, starting at 16 per cent for 1962 and increasing to 28 per cent in 1967, with the exception of Quebec, the abatement for which in 1967 and 1968 is 50 per cent.

In March, 1968, Parliament passed a bill, (retroactive to January, 1968), providing for a surtax of 3 per cent on personal and corporate income tax.

The federal tax on income of corporations is also reduced by 10 percentage points in all provinces. Although all the provinces imposed provincial income taxes starting in 1962, the provincial personal income taxes in all the provinces except Quebec are collected, by the Federal Government along with the federal income tax. A similar arrangement has been made for the provincial corporation income taxes in all the provinces except Ontario and Quebec.

FEDERAL PERSONAL INCOME TAX

If you are the sole owner of your business, the salary and profits you earn in your business constitute your personal income and are taxable as such. In estimating the profits of your business you are allowed to deduct from the value of your net sales any expense incurred for the purpose of earning this income. You are not allowed to charge off as current expenses the cost of the buildings and equipment you have purchased; rather you must write them off over the estimated life of the property. That is to say, it is only the annual depreciation of such buildings and equipment, calcuated at prescribed rates, which you may deduct from your net sales to arrive at your profit figure. You must pay income tax on the profits of the business whether you actually withdraw them for your personal use or whether you leave all or any part of them invested in the business. You must keep books and records showing all your sales and expenses and produce them for the proper authorities on demand.

If you have income from other sources, the amounts you receive from these other sources are included in your personal income and you must pay tax on them as well as on the income you derive from your business. For example, you must report and pay taxes on any investment income you receive; that is, dividends on shares of stock or interest on bonds or bank deposits. In short, you must pay income tax on your income from ALL sources.

If less than three quarters of your income is derived from salary received from another person, you must estimate your income for the entire year, calculated the tax which would be payable on this estimated income, and pay this tax in quarterly instalments in March, June, September and December. The calculation of your business income does not have to be made for a calendar year. If you find some other fiscal period, for example, June 1st of one year to May 31st of the following year, more suitable to your business, you may use it as the basis for the computation of your income from your business. However, you must file your return for each year by April 30th of the following year. This return must cover your non-business income for the previous calendar year as well as the income from your business for the 12-month fiscal period of the business which ended in the previous calendar year.

Because of the detailed accounting procedures involved, it is preferable to have a competent and experienced acountant prepare your income tax returns.

Income Tax on Partnerships

All that has been said above in connection with the individually owned enterprise applies to a partnership. Each partner is taxed on his salary and on his share of the profits of the business, regardless of whether such profits are withdrawn from the business or not. The salary and profits which a partner receives from the firm constitute his personal income and are taxed as such, there being no income tax on the partnership as such.

Federal Corporate Income Tax

The corporate income tax is levied on profits after expenses have been deducted and before dividends have been paid out. The return must be filed within six months of the end of the corporation's fiscal period. The tax must be paid in monthly instalments over a period beginning with the third month of the corporation's fiscal year and continuing two months after the end of the fiscal period. The rate (1967) is eight per cent of the profits up to $35,000 and 37 per cent on profits in excess of $35,000. In addition, all corporations are required to pay a tax of three per cent of taxable income under the provisions of the Old Age Security Act.

Income Tax rates and collection periods are subject to frequent revision. The District Taxation Office will provide you with information about current requirements.

Where two or more corporations are associated with each other, only one of them is entitled to the lower rate on the first $35,000 of income, or the $35,000 may be divided amongst them by agreement.

When dividends are distributed to individual shareholders who are residents of Canada, the amount so paid becomes subject to personal income tax at graduated rates if the total income earned by the individual is subject to tax under the Income Tax Act. As a measure of relief from such double taxation, however, shareholders are entitled to a credit against the personal income tax payable of an amount equal to 20 per cent of the dividends received from taxable Canadian corporations, Personal income tax on dividends may be further alleviated under certain circumstances. A Canadian company may be able to pay a 15 per cent tax on part of its "undistributed income" (as defined in the Income Tax Act) and thereafter distribute it by way of stock dividends, upon winding up or upon reduction of capital, without the shareholder being liable to a further tax. In many such cases, a stock dividend has been issued in the form of redeemable preferred shares. The subsequent redemption of such shares does not render the shareholders liable to personal income tax on the amount received.

Federal Income Tax on Co-operatives

Newly organized co-operatives are exempt from taxation for the first three years of their existence provided that they comply with certain requirements which are designed to ensure their being genuine co-operatives.

In order to arrive at the figure for taxable income, co-operatives and other corporations may deduct from their earnings the amount of patronage dividends paid out. (Since only co-operatives make a practice of paying patronage dividends, this provision in practice will affect co-operatives only.) There are two limits on the total amount of patronage dividends which may be deducted for income tax purposes. Firstly, the co-operative may not deduct more than the proportion of its income which has been earned from the business it has done with its members, plus all patronage dividends paid to non-members. Secondly, the co-operative may not, by the payment of patronage dividends, reduce its income below three per cent of the capital employed.

Deductions at the Source: Employees' Income Tax

All employers are responsible for the deduction of income tax from the pay of their employees. You can obtain information on returns, exemptions, and procedure generally, from your District Taxation Office.

PROVINCIAL INCOME TAXES

Quebec

The Province of Quebec levies both a personal and a corporate income tax. Residents of the Province of Quebec are liable to provincial personal income tax on their income from all sources; non-residents of the province who are employed or carrying on business in the province are liable for tax on that portion of their income earned in the province. The Quebec Act is patterned after the Federal Income Tax Act.

Corporations which maintain a permanent establishment, or carry on business in the Province of Quebec, are liable to provincial income tax at the rate (in 1967) of 12 per cent of taxable income attributable to operations in the province. Taxable income is determined along the lines followed in arriving at federal taxable income. Corporations in Quebec are also subject to a number of special taxes. These include a tax on paid up capital and on places of business.

Information on Quebec rates, returns, etc., can be obtained from a district taxation office, Revenue Branch, Department of Finance, Province of Quebec.

ONTARIO

The Province of Ontario has levied a corporation income tax in recent years, and commencing in 1967, it levied a personal income tax. The personal income tax is a percentage of the federal personal income tax and is collected by the Federal Government.

Corporations which maintain a permanent establishment in the Province of Ontario are liable for a provincial corporation income tax at the rate (in 1967) of 12 per cent of taxable income attributable to operations in the province. Taxable income is determined along the lines followed in arriving at federal taxable income. Corporations in Ontario are also subject to a number of special taxes. These taxes which include taxes on paid-up capital and places of business are payable only if they exceed the provincial corporation income tax.

OTHER PROVINCES

All provinces levy their own personal and corporation income taxes in 1967. In all provinces except Quebec the personal income tax constitutes a percentage of federal income tax and is collected by the Federal Government along with the federal tax. The Provinces of Saskatchewan and Manitoba levy a personal income tax for 1967 at a rate equal to 33 per cent of the federal tax. The other provinces impose a rate for 1967 of 28 per cent of the federal tax. The Provinces of Saskatchewan, Manitoba and Newfoundland impose a provincial corporation income tax of 11 per cent for 1967. The other five provinces have levied a rate of 10 per cent on corporations for 1967.

SALES AND EXCISE TAXES

FEDERAL SALES TAX

Because the rates and schedules of taxable goods and exemptions under the Excise Tax Act may change

from time to time, readers are advised to watch carefully for announcement of any changes. Information of any such changes may be obtained from the address given later in the chapter.

By authority of the Excise Tax Act as administered by the Department of National Revenue, a sales tax of 12 per cent is imposed on the sale price of all goods manufactured or produced in Canada and on the customs duty paid value of all goods imported into Canada except certain goods which are exempted by the Statute from the application of the tax. These goods include purchases by provincial governments, goods exported from Canada and goods listed in Schedule III of the Excise Tax Act. On goods manufactured or produced in Canada, the tax is applicable at the time the goods are delivered by the manufacturer or producer to a purchaser; on goods imported, the tax is applicable at the time of entry for consumption in Canada.

The list of items exempt from sales tax includes practically all foodstuffs and certain implements used in the primary industries of fishing and farming. Since January 1, 1965, building materials and production machinery and apparatus for which Schedule III of the Excise Tax Act provided sales tax exemption prior to June 14, 1963, have been subject to a rate of 11 per cent federal sales tax (the full rate prior to January 1, 1967). The building materials listed in Schedule III were not included in the 1 per cent increase in the federal sales tax effective January 1, 1967, and therefore continue to be taxable at the 11 per cent rate. Likewise, machinery and apparatus used directly in the manufacture or production of goods were not included in the increase. In addition, effective April 1, 1967, the rate of tax on such machinery and apparatus was reduced to 6 per cent and on June 2, 1967 it was reduced to zero. In addition, the Minister of National Revenue may exempt from payment of sales tax any class of small manufacturer selling his product exclusively by retail.

Generally speaking, the tax applies once only—on the sales by the final manufacturer. Manufacturers or producers are permitted to purchase articles and materials, i.e. partly manufactured goods, free of sales tax, if they are to become part of the taxable article being manufactured or produced. The sales tax then applies on the sale price of the completely manufactured article. For example, a licensed abbatoir producing hides is permitted to sell them free of sales tax to a licensed tanner, the tanner after tanning them is permitted to sell the leather free of sales tax to a licensed shoe manufacturer; the shoe manufacturer accounts for and remits the sales tax at the rate of 12 per cent on the sale of the finished shoes.

If you are a manufacturer or producer of goods subject to sales tax, you are required to obtain a sales tax licence and must quote your licence number in order to purchase or import components or materials on a tax-free basis.

There may be some occasions where the final manufacturer is not required to pay the tax as it is paid by a subsequent party. For example, he may sell to a wholesaler who has been granted a wholesaler's sales tax licence under the provisions of the Excise Tax Act. The basic principle in paying sales tax is that the amount becomes payable at the time of delivery or passing of title to the first party who is not entitled to exemption in the chain of production and distribution. In some cases, wholesalers and jobbers are granted a wholesaler's sales tax licence which permits them to purchase or import goods without payment of sales tax until they sell the goods. However, in order to obtain a licence, they must comply with certain conditions regarding their volume of tax-exempt sales and furnish security as required by the Excise Tax Act. Where goods are purchased by a licenced wholesaler, sales tax free, at time of purchase or importation, he then becomes liable for payment of the tax when he, in turn, sells the goods to the next person in the chain of distribution unless his sale is under tax-exempt conditions.

As a licensed manufacturer or producer, wholesaler or jobber, you must remit the amount of your sales tax by way of a monthly return. Your books and records of account are subject to audit by departmental auditors. You are required to pay any underpayments of tax which may be disclosed, plus interest penalties on any such under-payments, or on late returns.

It is with the District Director, Excise Tax Collections, in the area where your place of business is located, that you file returns and to whom you make remittance of the tax shown on those returns, for transmission to the headquarters of the Department at Ottawa.

Since the sales tax is levied, accounted for, and paid by the manufacturer, the retailer is not concerned with making up returns or paying sales tax, unless, of course, he is held to be the manufacturer or producer of the goods. The tax, however, is often passed on to the retailer in whole or in part in the form of a higher price, or as an actual charge on the invoice to him, and he generally makes some similar attempt to pass it on to his customers.

Excise Taxes

In addition to federal sales tax, certain specified goods are also subject to federal excise tax, whether these goods are manufactured or produced in Canada, or imported from abroad. The list of items subject to excise tax varies from time to time. It includes such goods as cosmetics, matches, tobacco, jewellery, clocks, record playing devices, radios, television sets, radio and television tubes and cigarettes.

The procedure for filing returns and paying federal excise taxes is similar to that for federal sales tax. If you produce or manufacture a commodity subject to excise tax, you must secure a licence and file a monthly return.

There are no provincial excise taxes.

Complete details on federal sales and excise taxes can be obtained from the Customs and Excise Division, Department of National Revenue, Ottawa, Canada. However, it should be pointed out that since both federal sales and excise taxes are remitted by manufacturers and/or wholesalers, retailers are not concerned with filing sales and/or excise returns, nor with remitting taxes to the Department of National Revenue, unless he is held to be the manufacturer or producer of the goods.

Provincial Sales Taxes

Nine provinces levy a direct retail sales tax on most goods sold, used or consumed within the province. Saskatchewan has a 4 per cent tax; Prince Edward Island, Nova Scotia, Ontario, Manitoba and British Columbia have a 5 per cent tax; New Brunswick and Newfoundland have a 6 per cent levy; Quebec has an 8 per cent tax, a portion of which is remitted to municipalities.

All nine levies are strictly retail sales taxes. Retail sales are defined as sales to consumers or users for

purposes of consumption or use, not for resale. Each of the nine require vendors to obtain licence or registration certificates.

The word 'vendor' includes all retailers as well as manufacturers and wholesalers making retail sales. In actual practice, you are required to register even though not selling at retail, in order to purchase without tax those materials you buy for resale. Having registered, you are then in a position to quote a licence or certificate number providing you with the means of claiming exemption from tax at the time of purchasing your goods.

You are required to keep adequate records to show taxable and non-taxable sales, purchases, goods taken from stock for personal use, and tax collected. Complete information can be obtained from a District Tax Office of the province concerned.

The municipal sales tax in the Province of Quebec is identical in scope with the provincial levy. The two taxes are administered by the same organization and are collected by the province through a single return. A vendor in taking out a licence for the provincial tax levy automatically becomes registered for municipal sales tax purposes. The amount of the municipal tax is returned to the local centre minus a collection fee.

CUSTOMS DUTIES

The Canadian Customs Tariff includes over 2,000 classifications, or tariff items and sub-items, with differing criteria as the basis for each. While the majority of the classifications refer to specific commodities, many classifications have been set up along lines of 'material of chief component value'. Others refer solely to end use, some have class or kind 'made or not made in Canada' as a basis for distinction, and still others are combinations of the foregoing. Since the structure of the Tariff is quite complicated, no further description can be attempted here.

The rates of duty accompanying each tariff item are set out in three columns. The first of these shows the British Preferential Tariff rate which applies to goods which are the growth, produce or manufacture of British Commonwealth countries. The second column shows the Most-Favoured-Nation Tariff rate which applies to goods imported from countries with which Canada has made treaties entitling them to Most-Favoured-Nation Tariff treatment (e.g. all the members of GATT which includes, among other countries, the United States, France, Italy, Western Germany, Belgium, Holland, Sweden, Norway and Denmark). The third column shows the General Tariff rate, which applies to goods coming from countries entitled to neither the British Preferential Tariff nor the Most-Favoured-Nation Tariff rates.

Rates of duty are usually levied on an 'ad valorem' or 'specific' basis. The term 'ad valorem' refers to duties charged as a percentage of the value of the article, i.e. 7½ per cent ad valorem. Specific duties are duties charged per unit of weight or other measure of quantity, i.e. five cents per pounds.

Value for duty is determined in accordance with the provisions of the Customs Act, specifically Section 35 to 40B inclusive. The more important of these sections and the circumstances under which they are invoked, are described hereunder.

The basic principle is set forth in section 36(1) which reads as follows:

Section 36(1)—Subject to section 38, the value for duty shall, *notwithstanding any invoice or affidavit to the contrary,* be the fair market value, at the time

when and place from which the goods were shipped directly to Canada, of like goods when sold.

(*a*) *to purchasers located at that place with whom the vendor deals at arm's length and who are at the same or substantially the same trade level as the importer, and*

(*b*) *in the same or substantially the same* quantities for home consumption in the ordinary course of trade under competitive conditions.

A number of clarifying rules are set out in subsections (2) and (3) of Section 36 which are to be used in applying subsection (1) as indicated above. Contingencies of distribution prevailing in the exporter's domestic market such as quantity differentials, articles produced under private trade mark and sales which are not considered to be at arm's length, are covered by subsection (2) and (3).

Section 37, subject to section 38, provides that, in circumstances where *similar but not like* goods are sold in the country of export, value for duty shall be cost of production of the imported goods plus the same gross profit percentage as is earned on cost of production when *similar* goods are sold for home consumption in the country of export.

Section 38(a) provides for cases where value for duty cannot be determined under section 36 or 37 for a number of reason i.e. like or similar goods are not sold in the country of export or are not sold in such country in the circumstances described in those sections.

Section 38(b), (c) and (d) provide that, the value for duty of goods imported for assembling, packaging or further manufacture, used or obsolete goods, remnants, close-outs, discontinued or surplus goods, job lots, leased but not sold in the country of export, or goods imported to be used directly in the process of manufacture or production of goods shall be determined in such manner as the Minister prescribes.

Section 39 provides that, where the Minister is satisfied Canadian industry has been injured or may be injured by the importation of new or unused goods at a value for duty less than cost of production plus a reasonable amount for gross profit, he may so report to the Governor in Council. The Governor in Council may order that the value for duty, in such circumstances, be increased to an amount equal to the cost of production thereof plus a reasonable advance for gross profit, having regard to the gross profit generally earned in that trade in the country of export. An order under this subsection may be revoked at any time by the Governor in Council and, unless revoked sooner, expires at the end of one year.

In cases where insufficient information has been furnished or is not available, Section 40 enables the Minister to prescribe the manner of determining cost of production, gross profit or fair market value, for purposes of sections 36, 37 or 39.

Section 40A states that if value for duty as determined under the preceding sections is less than the selling price to the purchaser, exclusive of all charges thereon after their shipment from the country of export, the value for duty shall be such selling price less the amount, if any, by which the fair market value of the goods has decreased between the time of purchase and the time of exportation. This section outlines the circumstances under which internal taxes imposed within the country of export are deductible in establishing value for duty. Some other points covered by this

section are the conditions under which discounts are deductible in determining value for duty, and who is considered to be the importer when goods are shipped to Canada on consignment.

This same section sets out methods which may be used in establishing value for duty where the market price in the country of export of manufactured goods or fresh fruits and vegetables had declined owing to the advance of the season or marketing period.

Section 40B reads as set forth hereunder:

"(1) If the value for duty as determined under sections 36 and 40A does not include

(a) the amount of any subsidy or drawback of Customs duty that has been allowed by the Government of any other country, or

(b) the amount of money value of any so-called royalty, rent or charge for use of any machine or goods of any description, that the seller or proprietor does or would usually charge thereon when the same are sold or leased or rented for use in the country of export, such amount shall be added thereto.

(2) There shall be added to the value for duty as determined under section 36 to 40A the amount of consideration or money value of any special arrangement between the exporter and the importer, or between any persons interested therein, because of the exportation or intended exportation of such goods, or the right to territorial limits for the sale or use thereof."

The Canadian Customs Tariff Act and Customs Act are administered by the Customs and Excise Division of the Department of National Revenue, with head office in Ottawa, and ports and outports located in the major centres throughout Canada. Further information can be obtained by writing to the Department in Ottawa or contacting the local office nearest you.

UNEMPLOYMENT INSURANCE

The Unemployment Insurance Act provides for the compulsory insurance of all persons employed under a contract of service or apprenticeship unless they are specifically excepted from coverage under the Act. Persons in excepted employment are not insurable in respect of such employment. There is no age limit for insurable employment and insurance books are required for all insurable employees. You should make sure that all your employees are insured unless their employment is definitely non-insurable. If you are in doubt, write to the local office of the Unemployment Insurance Commission, explaining in detail what your employee does. The local office will give you a ruling on the matter. For your own protection, you should make sure that all such rulings by the local office are confirmed in writing.

Every employer with insurable employees in Canada is required to register with the Commission. You should do this by obtaining an Application for Registration, from the Commission's nearest local office, completing it, and returning it immediately to the local office. Should further details be needed to determine whether your employees are insurable, you may be asked to complete and return an additional questionnaire. On its being determined that you have an insurable employee or employees, you will be registered as an employer and a "Licence to Purchase Unemployment Insurance Stamps" will be sent to you by return mail. If your business has branch establishments, you should decide from what point or points unemployment insurance is to be controlled, and

make a separate application for registration to the Commission's local office serving each point. If your payroll and unemployment insurance are maintained by your head office, one registration is sufficient.

Unemployment insurance contributions are recorded by affixing unemployment insurance stamps or meter impressions in insurance books. Employers with large payrolls may be authorized to pay contributions in bulk by cheque. Unemployment insurance stamps are available at most post offices. You must produce your licence to purchase stamps each time you buy them.

You must have in your possession an insurance book for every insurable employee on your payroll. Penalties are provided for non-compliance with this regulation.

When engaging a new employee, secure his insurance book, begin making contributions as soon as he starts to work for you, and continue to do so during the entire period he is in your employment. If he says that he has left his insurance book with a former employer, have him obtain it at once. If he has lost his book, ask him for his Social Insurance Number Card. This will show you the employee's Social Insurance Number. You should then write or telephone the Commission's local office serving your area for a new book, quoting this number and the employee's full name and date of birth.

If you cannot establish your employee's Social Insurance Number from the insurance book and the employee cannot produce his Social Insurance Number Card, have him complete and sign a second Application for Social Insurance Number and forward it to the Commission's local office immediately. You will then receive an insurance book for your employee. You may find it more convenient to send your employee to the local office where he can fill out an application. This application must be made not later than three days after engagement of the employee.

You must keep payroll records for your employees. Unemployment insurance auditors visit all employers to see that they are complying with the law. Penalties may be imposed for failure to keep adequate records.

When an employee leaves your service, you must give him his insurance book, properly stamped to date, immediately upon his leaving, and obtain a receipt for it. Severe penalties may be imposed on you for withholding insurance books from your employees, regardless of the reason for your releasing them from employment.

If your employee dies, or leaves without your knowledge of his whereabouts, send his insurance book *immediately to* the Commission's local office and ask for a receipt.

All insurance books in your possession must be turned in to the Commission's local office for renewal when so requested or as indicated in the insurance book.

You should consult the pamphlet "Employer's Handbook on Unemployment Insurance", obtainable from the local office of the Commission, for information on the calculation of earnings, contribution periods, contributions payable, minimum records to be kept, refunds, benefits, excepted employments, etc.

WORKMEN'S COMPENSATION

Workmen's Compensation Acts exist in every Canadian province. They provide compensation for disability, and medical treatment for injury, where

either or both of which are caused by accidents arising out of employment or by an occupational disease covered by the Acts.

Each Act provides for an accident fund, created by employers and administered by the province, from which payment is made to workers who become eligible for compensation. The fund is created by payments made annually by those industries covered by the Act. Such industries are divided into classes according to their accident records and have corresponding assessment rates. The rates are set by the Workmen's Compensation Board of the province in question.

The provincial Workmen's Compensation Acts vary in scope, but in general cover most of the industries in each province. In most provinces, farming and domestic service are the only large occupational groups not covered by the Acts. Establishments in certain industries employing less than a specified number of employees are also normally excluded.

It is compulsory for an employer carrying on an enterprise covered by his provincial Act to report his payroll to the Workmen's Compensation Board and pay an assessment on the earnings of his workmen. New employers commencing or recommencing operations should write to the Board in advance, giving full particulars of their proposed operations and furnishing an estimate of their current year's payroll. This must be followed each year by an annual statement showing (1) the annual payroll of the preceding year, and (2) an estimate of the payroll for the coming year. These statements are due on a specified date, and forms for the purpose are mailed well in advance to those employers who have been reporting.

The initial assessments are provisional. They are based on the payroll estimate made by employers, or based on an estimate fixed by the Board, with a final adjustment after the close of the year when wages actually paid can be calculated. The assessments are designed to provide sufficient money to pay for the accidents happening in each class of enterprise during the year. They are individually adjusted after the close of the year if the accident experience of the class or group calls for it.

Assessments are paid when notice is received from the Board. These notices are mailed only when returns are received from all employers and the provisional rates can be struck.

Every employer is required to keep a careful and accurate record of all expenditures for wages, showing the names of his employees, their earnings and the date during which they were employed by him. These records must be produced for the Board and its officers as often as required. They should not be destroyed. Employer's returns and records are at all times subject to audit and investigation.

CANADA PENSION PLAN

Commencing January 1, 1966, every employee in pensionable employment who is age 18 or over and is under 70 years of age, except those employees reporting for work at an establishment of the employer in the Province of Quebec, is covered by the Canada Pension Plan and must contribute. Employers are required to deduct contributions from employees in pensionable employment at the rate of 1.8% of all earnings in excess of $600 and up to $5,100. This amounts to a maximum deduction of $81 in any given year.

Every employer is required to make an employer's contribution in an amount equal to the contribution required to be deducted from each of his employees.

Contributions to be made by self-employed persons, excepting those residing in Quebec on the last day of the year, amount to 3.6% of earnings between the basic exemption of $600 and the maximum earnings of $5,100. The maximum yearly contribution would be $162.

Booklets explaining in detail the provisions of the Canada Pension Plan are available at the District Taxation Office, Department of National Revenue.

Information about benefits under the Canada Pension Plan can be obtained by contacting the Canada Pension Plan, Department of National Health and Welfare in the province of residence.

Standards

BUILDING STANDARDS

Local authorities usually make some attempt to regulate the location of residential, commercial, and industrial buildings. These regulations have been developed to protect property values and to provide for orderly growth. Questions of location must be discussed with municipal authorities.

In most centres you will have to obtain a municipal building permit. Such permits serve a dual purpose; as well as a means of controlling location, the permit also serves to bring construction to the attention of building inspectors, thereby easing their task of enforcing municipal construction by-laws.

The location of industrial premises is also affected by provincial and municipal pollution regulations. Some of the provinces require that health officials be consulted where a firm proposes to discharge effluent directly into waterways or streams. Plans must be approved in order to ensure that composition of the effluent will comply with established tolerances. Where wastes are being discharged into municipal sewage systems, responsibility rests with local officials and they should be consulted where the discharge gives rise to special treatment problems.

The erection or alteration of a building for use as a factory is also subject to control in most provinces by the provincial Department of Labour. Drawings and specifications must be submitted for approval. Similar requirements often apply to the erection or alteration of a building to be used as a retail outlet, restaurant, office, etc. In those provinces where provincial control exists, municipal building permits are issued only when the approval of the provincial authorities has been obtained.

Boilers and pressure vessels must be approved before being installed. Design must be submitted to the Department of Labour. Regulations are also in force in most provinces with regard to elevators and hoists. The equipment is subject to inspection by provincial labour authorities.

Electrical installation must conform to the provisions of the Canadian Electrical Code. The code has been adopted and has the force of law in all provinces other than Newfoundland, where adoption of the code has been a matter for municipal action.

Where an industrial employer proposes to occupy a factory that is already constructed, he must notify his provincial Department of Labour advising them as to the name of his firm, the nature of the work and the amount of motive power to be used. Such notification facilitates subsequent inspection by department officials.

Premises must be maintained so that they are structurally sound and in a safe condition. Where provincial authorities consider that machinery, construction, etc., is or could be a source of danger to the health or safety of an employee or of persons having

access to a factory, they will bring the matter to the attention of the employer or owner and direct him to take measures to eliminate the danger.

LABELLING AND STANDARDS

Under the National Trade Mark and True Labelling Act provision is made for the establishment of regulations to ensure adequate labelling and advertising of certain commodities. The basis of the regulations is that while labelling is not mandatory, if claims are made, then the manner in which such claims are used is prescribed; for example, regulations are in effect for such items as fur garments, textiles, hosiery, etc.

Some development work has been done in connection with commodity standards and this work can be expected to increase. The first major project which has been finalized covers a standardized sizing system for clothing worn by boys and girls.

STANDARDS FOR ELECTRICAL APPARATUS

Electrical apparatus and equipment offered for sale in Canada must be approved by the Canadian Standards Association. Application for approval may be made in person or in writing to the CSA Testing Laboratories, 178 Rexdale Blvd., Rexdale, Ontario, or to the CSA District Office in the location concerned. United Kingdom manufacturers should address their communications to the Principal Officer, B.S.I./CSA Agency, British Standards Association, Maylands Avenue, Hemel Hempstead, Herts., England. European manufacturers—N.V. tot Keuring von Electrotechnische (KEMA), Utretchtseweg, 310, Arnhem, The Netherlands.

All provinces have enacted legislation requiring that electrical equipment comply with CSA standards.

Regulations prohibit advertising, selling, renting, or in any manner transferring ownership or possession where electrical equipment has not been CSA approved. As a matter of self-protection, a dealer buying electrical merchandise should insist that the terms of sale include a warranty that the equipment meets CSA standard.

WEIGHTS AND MEASURES—ELECTRICITY AND GAS

The Standards Branch of the Department of Trade and Commerce, Ottawa, is responsible for approval before use, and field inspection after approval, of commercial weighing and measuring equipment, electricity meters, and gas meters. Before any of these devices may be manufactured or imported for sale for commercial use in Canada, they must have type approval by the Standards Branch.

Prototypes and specifications are submitted to the Laboratory of the Branch for inspection and test. Here the devices are approved or rejected as the circumstances warrant. After type approval, manufacturers or importers can sell to commercial outlets, but all equipment is inspected either at point of importation or factory of manufacturer before release.

In addition, all such devices are inspected in the field in the periods specified by the appropriate Acts, at which time they are sealed for a further period, or rejected. The periods within which devices must be inspected are:

Weighing and measuring equipment........one year
Electricity meters......................six or eight years, as specified in the Electricity and Gas Regulations
Gas meters ....six years

Rejected devices are either scrapped or repaired, and resealed for use.

Ancillary to the work of checking, weighing and measuring devices, the field staff of the Division continually checks commercial outlets for inaccurate scales and evidence of short weight in pre-packaged commodities.

PRECIOUS METALS

The Standards Branch of the Department of Trade and Commerce, Ottawa, is also responsible for the administration of the Precious Metals Marking Act, the legislation defining the markings which may be used to indicate the metallic content of articles. Under this legislation, certain definite qualities of fineness are established for gold, silver, platinum and palladium, and inspection is carried out to ensure that these specifications are maintained. Both field and factory inspections are undertaken and assays are made as necessary. Imported precious metals are subject to the same inspections as those manufactured in Canada. Trade marks, registered with the Registrar of Trade Marks, Department of Consumer and Corporate Affairs (or for which application for registration has been made), must be shown on articles composed of precious metals if the prescribed quality marks are used.

FOOD AND DRUGS

The Food and Drugs Act, the Proprietary or Patent Medicine Act and the Narcotic Control Act, administered by the Food and Drug Directorate of the Department of National Health and Welfare, Ottawa, are vitally important to all manufacturers and sellers of foods, drugs, comestics and therapeutic devices.

The "Food and Drugs Act, 1953" was proclaimed on July 1st, 1954. This Act is similar to the previous

Act except that there is provision for inspection of premises and records pertaining to food and drug manufacture and distribution, and penalties for infractions are increased substantially.

In general, the Act provides that no food may be sold that has in or upon it any poisonous or harmful substance, is unfit for human consumption, consists in whole or in part of any putrid, disgusting, rotten, decomposed or diseased animal or vegetable substance, is adulterated or was manufactured, prepared, preserved, packaged, or stored under unsanitary conditions. "Adulteration" is not used as a general term in the Act, but practices which constitute adulteration are specified in the regulations. In addition, there must not be deception in connection with packaging, labelling and advertising.

The Act also states that drugs must not be manufactured, prepared, preserved, packed, or stored under unsanitary conditions and must not be adulterated. Similarly, cosmetics must be manufactured under satisfactory conditions and must be safe for use according to directions.

The Food and Drugs Act was amended effective September 15, 1961, to add a Part III to provide for more effective control over certain drugs and for the licensing of persons dealing in them. These drugs are listed in Schedule G and comprise—

(1) Amphetamine and its salts
(2) Barbituric acid and its salts and derivatives
(3) Methamphetamine and its salts.

The Act was further amended in December, 1962, prohibiting the sale of drugs described in Schedule H., i.e., thalidamide and lysergic acid diethylamide.

Under the regulations governing Controlled Drugs only a licensed dealer may manufacture or import a Controlled Drug and a permit is required for each importation. The enforcement relating to licences, permits, and the keeping of records come under the jurisdiction of the Narcotic Control Division of the Food and Drug Directorate.

Regulations under the Food and Drugs Act establish very definite requirements. Although it is often sufficient simply to define a food from the standpoint of health, the regulations frequently deal with methods of production and establish very strict standards of purity. The use of colourings, flavourings, and preservatives is closely regulated. The regulations contain a list of permitted food colours and no others may be used. The quality of alcoholic beverages, cocoa, coffee, fruit, fruit juices, jams, grain and bakery products, and dairy produce (milk, butter, cheese) is also controlled.

Where standards have been provided by regulation for foods or drugs, no deviation from these standards is permitted. In the case of drug standards established by regulation, these are referred to as "Canadian Standard Drugs" or C.S.D. and these must be described as such in the label. The number of Canadian Standard Drugs has been reduced to 16 and their specifications are contained in Division 6 of the regulations for drugs. Other drugs must come up to the standard under which they are sold. Recognition is given to those drugs included in the British Pharmacopoeia, the International Pharmacopoeia, the United States Pharmacopoeia, the Codex Francais, the Canadian Formulary, the British Pharmaceutical Codex and National Formulary. However, other drugs may be sold providing they are not likely to be confused with those mentioned above and providing the standard under which they are to be judged is clearly indicated. For proprietary preparations, the standard is that claimed by the manufacturer.

LABELLING

Food labels and drug labels must give certain pertinent information. In the case of a food product, the label must indicate:

On the main panel:

(a) the brand or trade name if any,
(b) the common name of the food, and
(c) in close proximity to the common name, a correct declaration of the net contents of the package in terms of weight, measure or number;

Grouped together on any panel or the label other than the bottom of the package:

(d) a list of ingredients shown in descending order of the proportion present, for all foods that consist of more than one ingredient, unless a standard is provided in the regulations or unless otherwise exempted.
(e) when present, Class II, III and IV preservatives, food colour and artificial flavouring, unless otherwise exempted.

In addition, the name and address of the manufacturer must be indicated on a panel of the label other than the bottom of the package.

All of the above information must be clearly and prominently displayed on the label and be readily discernible to the consumer under the customary conditions or purchase and use.

In the case of drug products sold under the Food and Drugs Act, the label must indicate:

(a) the proper name of the drug (or the common name if there is no proper name),
(b) the name and address of the manufacturer,
(c) the net content,
(d) the complete list of medicinal ingredients,
(e) the dosage, for potent drugs,
(f) adequate directions for use,
(g) a lot number for all products for internal use.

The common name with reference to a food, and the common or proper name with reference to a drug, must be in English or in French. It need not be labelled completely in both languages.

Vitamins may not be mentioned on labels or in advertisements unless the food or drug to which they refer provides a specified amount in a reasonable daily intake of them.

Before any broadcast is permitted, the Canadian Broadcasting Act requires that all radio and television "commercials" concerning foods, drugs, cosmetics or devices be submitted for review by the Food and Drug Directorate. This is done to ensure that such advertising conforms to the intent as well as the letter of the Food and Drugs Act. Similar surveillance is exercised over claims concerning other preparations.

The Food and Drugs Act specifies that no food or drug may be imported, offered for sale or sold, if represented to the public by label or advertisement as a treatment for certain conditions or ailments listed in a schedule to the Act (cancer, tuberculosis, venereal diseases, and many others). A guide for Manufacturers and Advertisers has been prepared, which indicates the Department's attitude on the representations that may be made and the expressions used in the marketing of food and drugs.

The inspectors of the Food and Drug Directorate patrol their district systematically, warning dealers and others of what is not in compliance with the law and taking samples of foods for examination in the laboratories. Steps are taken to remove faulty goods from sale. Serious or repeated offences may lead to prosecution.

While the Food and Drugs Act requires a list of medicinal ingredients on the labels of packages, it is possible, in certain cases, for manufacturers to protect the secrecy of their formula. This can be done by registering the preparation under the Proprietary or Patent Medicine Act, in which case, instead of a complete list of medicinal ingredients, the Proprietary or Patent Medicine registration number must appear on the label. However, the names and amounts of certain potent drugs must still be declared. Applications for registration under this Act are reviewed by medical officers of the Department of National Health and Welfare.

Apart from Controlled Drugs, to which reference has already been made, licences to manufacture foods or drugs are not required under the Food and Drugs Act, with the exception of certain pharmaceutical and biological products, in which case manufacturing establishments are licensed by the Department. In addition, drug products which may come within the definition of a "new drug" must be the subject of a new drug submission to demonstrate safety of use according to directions. These products may not be sold except for investigational use until the new drug submission has been accepted.

Finished products should always be checked to ensure that they comply with the Food and Drugs Act. Familiarity with the Regulations, both in respect of standards of quality and requirements for labelling, is essential. The provisions of this legislation apply to imported as well as domestic products and shipments which are unsatisfactory may be refused entry at customs.

The Inspection Services of the Food and Drug Directorate are available to give producers and retailers the benefit of their experience on proposed labels and advertising, and on the provisions of the Act and in its interpretation.

Enquiries for further information should be addressed to:

The Director General,
Food and Drug Directorate,
Department of National Health & Welfare,
Ottawa, Canada.

GRADING

Grading regulations are found mainly in legislation concerned with agricultural products. In this particular field, provincial governments and the federal government have concurrent powers and while the grades conform in many instances, there are individual cases where the provincial regulation applying in a given area are higher than those set by the federal government. Recourse must be had to the Federal Department of Agriculture in Ottawa and to provincial Departments of Agriculture in order to obtain complete information.

Amongst the items required to be graded, depending upon origin and destination, are: beef, butter, cheese, chicks, eggs, fruit, honey, lamb, dried skim milk, pork, and poultry. Other government grading regulations refer to animal pelts and hides.

REGULATORY LICENSING

While there is no one law requiring that a licence or permit be obtained before a business can be commenced, there are particular laws or statutes affecting specialized skills, trades, businesses, etc., which will have a bearing on individual cases.

While particular legislation may be found at federal and provincial levels of government, most businessmen are initially concerned with municipal by-laws. Where an industry, trade or occupation is not specifically mentioned in a municipal licensing by-law, it will usually be found that there is a blanket provision requiring that a businessman have the approval of the authorities, either in the form of an outright licence or by way of express permission or authorization. The first contact then should be the local authorities in the centre in which you propose to operate. Following on that, correspondence should be directed to the provincial and federal departments that would most likely be concerned with the operations you have in mind.

The following is a listing of some of the businesses, trades and occupations which may be required to be licensed: abattoirs, accountants, architects, auctioneers, automobile dealers, bakeries, barber shops, barristers and solicitors, beauty shops, cigarette and tobacco dealers, cleaning and dyeing, collection agencies, commercial creameries, commercial printing, common and contract carriers by motor vehicle, contractors, day nurseries, dealers in old gold, other precious metals and jewellery, dentists, druggists, electricians, embalmers, employment agencies, engineering, feed stuff dealers, fish dealers, fishing, fruit and vegetable dealers, fumigators, fur buyers and dealers, fur farming, hatcheries,

hunting, insurance agencies, laundries, livestock dealers, fresh meat dealers, milk and cream vendors, motor vehicle dealers, motor vehicle salesmen, nursing homes, pawn brokers, pharmacists, photo finishing, physicians and surgeons, plant nurseries, plumbers, prospecting, public garages, public halls, real estate brokers, refreshment rooms, restaurants, retailing, roller skating rings, second-hand book dealers, second-hand shops, seed dealers, shoe repair shops, shoe shine parlours, shooting galleries, sign painters, slaughter houses, stockyards, street photographers, surveyors, swimming pools and baths, taxicabs, theatres, tourist camps, transient contractors, transient traders, trapping, veterinary surgeons, wholesaling.

The manufacture or processing of a wide variety of items may also be subject to licence. Included are—alcoholic beverages and products using alcohol, butter and cheese, certain drugs, fertilizers, fish products, fruits and vegetables, honey, livestock and poultry feeds, maple products, margarine and edible oil products, meat products, minerals, pesticides, wood products.

Particular controls are also to be found in the fields of radio broadcasting, civil aviation, insurance, money-lending, motor vehicle operation, and railroad and water transport.

Property Rights

PATENTS

If you have invented something and wished to protect it, you should secure a patent on it from the Patent Office at Ottawa. If you secure a patent you are granted the exclusive right of making, using, and selling the invention, subject to the rulings of a court of competent jurisdiction, for a period of seventeen years from the date on which the patent was issued. If your patent remains unworked after three years, or if you abuse your patent rights, the Commissioner of Patents may, on application, grant a compulsory licence for the manufacture of the patented invention by someone else in Canada.

If you have an invention you wish to patent, you should write to the Patent Office, Department of Consumer and Corporate Affairs, Ottawa, Canada, for printed information. It is highly desirable that you employ an experienced patent attorney or patent agent because the many details which must be attended to may be confusing to the average man. A patent's value depends upon the care and skill with which specifications and claims are prepared.

Your application for a patent must be submitted according to a specified form. You must describe the invention in such detail and provide such drawings as will clearly indicate its nature. Specifications must be either wholly in English or wholly in French. When you send the application to the Patent Office and pay the filing fee, the application is given a filing date, provided it has a petition, a description, claims and drawings if necessary. You have twelve months to file any missing paper or to correct informal papers. A completion fee is required if the application was not originally complete.

When your application is completed, the Patent Office undertakes a thorough examination to make sure that your application contains new and patentable subject matter. If it is found that you have an invention, you will be issued a patent upon payment of the required fee.

There are no annual fees required to keep a patent in force. You may assign your patent to other persons, but you should register such assignments with the Patent Office.

Further information can be obtained from:

The Commissioner of Patents,
Department of Consumer and Corporate Affairs,
Ottawa, Canada.

INDUSTRIAL DESIGNS

If you have developed an original ornamental design for your product and wish to protect it, you can do so through the Patent Office.

Registration must be made within one year of the publication of the design in Canada. The first step is to make application to the Commissioner of Patents, accompanied by drawings and a description of the design of the manufactured product, and the required fee. The Patent Office investigates the originality of the design, and if it finds that the design cannot be confused with one already registered, it will register the new design and issue you a certificate of registration.

Registration gives the proprietor an exclusive right to the use of the design for a period of five years, but this term may be extended for a further term of five years on payment of the prescribed fees. Exclusive rights cannot be obtained for more than ten years. You may assign industrial designs to other persons.

You can obtain full details on the registration of industrial designs in the Industrial Design and Union Label Act, a copy of which can be obtained by writing to:

The Patent Office,
Department of Consumer and Corporate Affairs,
Ottawa, Canada.

COPYRIGHT

In Canada, a copyright offers protection to original literary, dramatic, musical, and artistic works, and gives the author the exclusive right to produce, reproduce or publish his own works. The term for which copyright exists is the life of the author and fifty years after his death. Copyright in such works as records, discs, mechanical contrivances, and photographs is for a term of fifty years. Copyright may be assigned to other persons.

It is important to note that if you have created an original work, copyright exists in such original work from its date of production whether you have registered it or not. Registration is evidence of ownership of the copyright. Two types of registration are provided: one for non-published works, the other for published works, the latter being those of which copies have been made available to the public.

The Copyright Office does not require or accept copies of the copyright work for filing. Further information on copyrights may be obtained from:

The Commissioner of Patents,
Department of Consumer and Corporate Affairs,
Ottawa, Canada.

TRADE MARKS

The registration of trade marks, although advisable, is not compulsory except in the case of products containing precious metal. You may make application for registration of a mark based on proposed use in Canada; on use in Canada; on making known in Canada, together with use in the country of the Union[1]; or on use and registration in another country of the Union.

Trade marks which are not registrable include those using such symbols as the National Flag, Arms, or Crest of Canada or any foreign state; the name or surname of an individual; deceptive marks or those which are clearly descriptive of the character of the wares or services or their place of origin; marks which are confusing with trade marks already registered.

The Trade Marks Act which came into force on July 1, 1954, provides for the registration of service marks and for the registration of a person other than the owner of a registered trade mark as a registered user thereof.

Further information and applications for registration may be obtained from:

The Registrar of Trade Marks,
Department of Consumer and Corporate Affairs,
Ottawa, Canada.

Labour Legislation

Labour legislation in Canada is for the most part a matter of provincial concern. Federal legislation in the field is restricted in its application during peacetime.

[1] By "Convention" is meant the "Convention for the Protection of Industrial Property", commonly known as the "Convention of the Union of Paris". It is an International agreement governing the use of trade marks. Canada is a member of this Convention. "Country of the Union" means any country that is a member of the Union for the Protection of Industrial Property constituted under the "Convention".

Provincial labour legislation covers such points as employment of young persons, maximum hours of work, minimum rates of pay, annual vacations with pay, and certain minimum standards for the health and safety of the employee.

For example, minimum wages for factory employment have been established in nearly all provinces. This statutory requirement is normally not the amount paid in practice. Higher minimums may be binding on *all* or a number of firms in a particular trade or industry, within an area or throughout a province, as a consequence of agreement between the *majority* of the employers and employees. Such agreements have the force of law under the terms of provincial Industrial Standards Legislation.

Possibly the most important piece of legislation is that dealing with unionization. Freedom of organization is guaranteed. Employers are required by law to recognize and bargain with the trade union representing the majority of their employees. Wages and other conditions of work established as a consequence of bargaining have the force of law for the duration of the contract in each individual case.

Complete information or provincial legislation, regulations, and administrative procedure, can be obtained by contacting the Deputy Minister of the Department of Labour for the province concerned.

Pricing and Competition

Canadian anti-combines legislation formerly was contained in the Combines Investigation Act and the Criminal Code. By virtue of amendments made in 1960, however, the legislation was all consolidated in the Act.

COMBINATIONS, MONOPOLIES AND MERGERS IN RESTRAINT OF TRADE

Section 32, generally speaking, forbids in subsection (1), (which derives from section 411 of the Criminal Code) combinations that prevent or lessen "unduly" competition in the production, manufacture, purchase, barter, sale, storage, rental, transportation or supply of an article of trade or commerce or in the price of insurance.

In interpreting the legislation as applied to price fixing agreements, Canadian courts have held that where such agreements, if carried into effect, would substantially eliminate competition in price over a considerable area of trade, such agreements are contrary to the legislation. In doing so, the courts have emphasized that the test of illegality is not the reasonableness or unreasonableness of the prices fixed by the agreement, but rather the extent to which the agreement has lessened or is designed to lessen competition from a nation-wide, regional or local point of view. To be illegal such an agreement need not necessarily be of a formal nature replete with specific enforcement devices but may be informal, tacit or inferred from some type of uniform action since an informal type of agreement may be fully as effective in suppressing competition as one involving specific enforcement measures.

In cases where the courts have found undue lessening of competition arising out of price-fixing agreements, one or more of the following practices have been involved:

(1) uniform and simultaneous price changes,

(2) standardization of credit terms and other terms of sale,

(3) standard cost and profit formula method of fixing prices,

(4) fictitious competitive tenders,

(5) refusal to deal with anyone who will not accede to a combination,

(6) circulation of lists of parties or classes of people who are not to be dealt with or who are alone to be dealt with,

(7) purchasing or leasing of factories to hold them idle.

This list should not be considered as all-inclusive; it simply enumerates some of the practices condemned by the courts in price fixing agreements as buttressing such agreements.

Subsection (2) provides that subject to subsection (3) no person shall be convicted for participation in an arrangement relating only to the exchange of statistics, the defining of product standards, the exchange of credit information, the definition of trade terms, co-operation in research and development, restriction of advertising or "some other matter not enumerated in subsection (3)".

Subsection (3) provides that subsection (2) does not apply if the arrangement has lessened or is likely to lessen competition unduly in respect of prices, quantity or quality of production, markets or customers or channels of distribution or if the arrangement "has restricted or is likely to restrict any person from entering into or expanding a business in a trade or industry", Subsection (4) provides that, subject to subsection (5), no person shall be convicted for participation in an arrangement which relates only to the export trade. Subsection (5) provides that subsection (4) does not apply if the arrangement has had or is likely to

have harmful effects on the volume of export trade or on the businesses of Canadian competitors or on domestic consumers.

Sections 2 and 33 make it an offence to participate in a merger which has or is likely to have the effect of lessening competition to the detriment or against the interest of the public in a trade or industry, or among the sources of supply of a trade or industry, or among the outlets for sales of a trade or industry or otherwise. These sections also make it an offence to participate in a monopoly which has been operated or is likely to be operated to the detriment or against the interest of the public.

RESALE PRICE MAINTENANCE

The Combines Investigation Act in section 34 prohibits a supplier of goods from prescribing the prices at which they are to be resold by wholesalers or retailers or from cutting off supplies to a merchant because of the merchant's failure or refusal to abide by such prices, i.e. the practice of "resale price maintenance". The section does not, however, prevent the prescribing of *maximum* resale prices, and the opinion has been expressed that a supplier may *suggest* specific resale prices, without offending section 34, so long as he does nothing to induce or require the trade to adhere to such prices. By virtue of an amendment in 1960 the section also provides that it shall not be inferred that a person practised resale price maintenance simply because he refused, or counselled the refusal of, supplies to a merchant if there was good cause to believe and the supplier did believe that the merchant was making a practice of using articles of such supplier "as loss-leaders, that is to say, not for the purpose of making a profit thereon but for purposes of advertising" or "not for the purpose of selling such articles at a profit but for the purpose of attracting customers to his store in the hope of selling them other articles" or "was making a practice of engaging in misleading advertising in respect of" such articles or "made a practice of not providing the level of servicing that purchasers of such articles might reasonably expect." from the merchant.

PRICE DISCRIMINATION AND PREDATORY PRICING PRACTICES

Section 33A of the Combines Investigation Act (which derives from section 412 of the Criminal Code) provides that a supplier may not make a practice of discriminating among those of his trade customers who come into competition with each other, by giving one a preferred price which is not available to another if the second is willing to buy in like quantities and qualities as the first. The section also prohibits predatory pricing policies; that is, it forbids a supplier from engaging in a policy of selling at prices lower in one locality than in another, or unreasonably low anywhere, if the effect or tendency of such policy is to lessen competition substantially or eliminate competitors or the policy is designed to have such effect.

PROMOTIONAL ALLOWANCES

Section 33B of the Combines Investigation Act is directed against discriminatory advertising or display allowances. It provides that where a supplier grants such allowances to competing trade customers he must grant them in proportion to the purchases of such customers; any services he exacts in return must be such that his different types of customers are able to perform; and if such customers are required to incur expenses to earn such allowances, such expenses must also be proportionate to their purchases.

MISLEADING PRICE ADVERTISING

Section 33C of the Combines Investigation Act makes it an offence for any person, for the purpose of promoting the sale or use of an article, to make any materially misleading representation to the public concerning the price at which such or like articles have been, will be or are ordinarily sold.

Up-to-date office consolidations of the Combines Investigation Act may be obtained either through the Queen's Printer or from the office of the Department of Consumer and Corporate Affairs.

UNFAIR COMPETITION

Section 7 of the Trade Marks and Unfair Competition Act states that:

"No person shall

(a) make a false or misleading statement tending to discredit the business, wares or services of a competitor;

(b) direct public attention to his wares, services or business in such a way as to cause or be likely to cause confusion in Canada, at the time he commenced so to direct attention to them, between his wares, services or business and the wares, services or business of another;

(c) pass off other wares or services as and for those ordered or requested;

(d) make use, in association with wares or services, of any description that is false in a material respect and likely to mislead the public as to

  (i) the character, quality, quantity or composition,

(ii) the geographical origin, or
(iii) the mode of the manufacture, production or performance, of such wares or services; OR

(e) do any other act or adopt any other business practice contrary to honest industrial or commercial usage in Canada."

Unfair competition through the medium of false advertising is an indictable offence. The Criminal Code, in Section 306, covers the subject as follows:

"306. (1) Everyone who publishes or causes to be published an advertisement containing a statement that purports to be a statement of fact but that is untrue, deceptive or misleading or is intentionally so worded or arranged that it is deceptive or misleading, is guilty of an indictable offence and is liable to imprisonment for five years, if the advertisement is published

(a) to promote, directly or indirectly, the sale or disposal of property or any interest therein, or

(b) to promote a business or commercial interest.

(2) Everyone who publishes or causes to be published in an advertisement a statement or guarantee of the performance, efficiency or length of life of anything that is not based upon an adequate and proper test of that thing, the proof of which lies upon the accused, is, if the advertisement is published to promote, directly or indirectly, the sale or disposal of that thing, guilty of an offence punishable on summary conviction."

11 Bankruptcy and Insolvency

Meaning of the Terms

Under the Bankruptcy Act, the term "insolvent person" means a person who is not bankrupt and who resides or carries on business in Canada; whose liabilities to creditors provable as claims under the Act amount to one thousand dollars; and (1) who is for any reason unable to meet his obligations as they generally become due; or (2) who has ceased paying his current obligations in the ordinary course of business as they generally become due; or (3) the aggregate of whose property is not sufficient to enable payment of all his obligations due and accruing due.

Under the same Act, a person is "bankrupt" who has made an assignment or against whom a receiving order has been made. Thus regardless of whether or not a person is insolvent or has committed an act of bankruptcy, he is not bankrupt until he has filed an assignment with the official receiver in his locality or a receiving order has been made following the filing of a petition in court.

Causes of Bankruptcy

Actually, a study of the causes of bankruptcy would amount to a study of all the faults of business management. All we can do here is to indicate some of the major errors which should be avoided.

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A large proportion of bankruptcies are caused by insufficient capital. This may mean that the proprietor's judgment in gauging his business requirements was faulty. It may mean that the business was over-expanded, having either accepted too much credit, or extended too much credit. New businessmen are often susceptible to the arguments of equipment salesmen, buy too much or too expensive display counters or other equipment on credit, and cannot keep up the payments on it. The same is true of buying merchandise on credit. Asking for and receiving too many bank loans often leads to financial difficulty. Do not buy on credit or borrow unless you can clearly foresee your being able to meet your obligations as they mature. Another aspect of overexpansion is the opening of branch stores which are unprofitable and which drags the whole business, including the financially sound parts of it, down into insolvency. Borrowing capital from friends and relatives is inadvisable. See to it that your capital is ample for your enterprise, and further, that you have allowed yourself a surplus adequate to take care of unexpected turns of events or your own errors of judgment.

Businessmen just starting up sometimes make the error of paying themselves large salaries which are not justified by the size of the firm or the success of its operations. In effect, such large drawings deplete the firm's capital. New businessmen are well advised to plow back into their firms a large part of the profits they make, and to hold down their salaries to quite moderate levels.

A serious error and frequent cause of bankruptcy is failure to keep adequate books and records. The result is that the owner never knows the exact state of his business. The books essential to the proper conduct of a business enterprise, and which by law must be kept, are invoices, cash books, accounts

receivable, general ledger, and balance sheet. In addition, the proprietor should draw up monthly statements showing the exact state of his business.

Sometimes new store owners make the error of not adding the correct margins to their cost prices, with the result that they consistently sell their goods at prices which are too low. Although this may seem to be good business because it gives a proprietor an immediate selling advantage over his competitors, it will be found to be harmful in the long run, for the total return from net sales will be inadequate to cover costs and expenses. Correct markups are calculated by adding expense and profit margin to invoice prices. Expenses should be carefully calculated and added to invoice prices. These include rents, employees' wages, electricity, fuel, taxes, and your family's cost of living. Then the customary profit margin should be calculated as a percentage of invoice plus expenses, and added to their sum. The result is the retail selling price. Large firms are very careful about this matter of markup, and so must small firms be if they are to stay in business.

Dishonest employees and laxness in dealing with employees are sometimes causes of business failure. Watch your cash carefully. You should not allow employees to borrow money from the cash till under any pretext whatsoever. Such borrowing tends to encourage clerks to live beyond their means, and such employees are not reliable. The practice will lead to faulty records and may lead to theft. At least it encourages an attitude towards money which may cause the proprietor trouble. A proprietor should guard against pilferage of his merchandise by taking stock frequently at cost price. Check the merchandise on your shelves against your invoices and sales records. Do this yourself. Do not leave it to one of your employees.

Sometimes peculiarly personal factors bring about bankruptcy. One of these is lack of experience. Since this has already been dealt with in Chapter 1, it will not be discussed here. Another cause of failure is prolonged sickness when the proprietor makes no adequate provision for someone else to carry on the business. During his absence the business is either shut up entirely, during which period trade is lost and customers form the habit of going to other stores; or else the supervision of the business is inadequate and bad methods of operation creep in which sap the firm's vigour and endanger its solvency.

Further causes of bankruptcy are bad store location and rents which are too high for the volume of business the store can do.

Meeting the Approach of Insolvency

If you find that your business is running at a loss, that your capital is depleted or exhausted, that there is no apparent prospect of success, that you cannot pay your debts as they become due, and that your liabilities are $1,000 or more, do not wait until there is nothing left and you are forced into bankruptcy. Go and consult a chartered accountant, or better still, one of the trustees in bankruptcy. The latter are men or companies licensed under the Bankruptcy Act to act as trustees in bankruptcy and proposal matters. There are licensed trustees in all the large and in many of the smaller cities in Canada. Have them examine your business. If you are in financial difficulties, you may be able to make arrangements with your creditors without going bankrupt, although these arrangements come under the regulations of the Bankruptcy Act.

If you are in serious difficulties you should be warned against making false representations as to the value of your assets in order to obtain credit, giving

undue preference to any of your creditors, continuing to trade after you know yourself to be insolvent, or taking any action to delay or defeat your creditors.

Procedure

Let us suppose that you have become insolvent. Either of two procedures is open to you, corresponding to the two types of proceeding under the Bankruptcy Act.

Firstly, you can make over all your property for the benefit of your creditors, thus becoming a bankrupt. To make an assignment, you must have resided in or carried on business in Canada, have liabilities to creditors of not less than $1,000, and otherwise fall into the category of persons described in paragraph one on page 186.

Secondly, you may, without becoming a bankrupt, file a proposal with a licensed trustee in which you offer to settle with your creditors upon certain terms. A copy of your proposal is filed by the trustees with the Official Receiver and a meeting of your creditors is called to consider your proposal. A proposal accepted by the creditors and approved by the court is binding on all the creditors with claims provable under the Bankruptcy Act and affected by the terms of the proposal. A proposal is only suitable to a business that, given time or other consideration, has prospects of being a success. The first essential is that the creditors have confidence in your ability.

Before you have started either of the above actions, your creditors may have formed their own opinion about your business, and for their own protection a creditor or group of creditors whose claim or claims against you amount to $1,000 or more, may petition the court for a receiving order, provided that you have resided in or carried on business in Canada and have committed an act of bankruptcy within six months next preceding the filing of the petition. The latter are acts indicating a debtor's inability to pay his debts as they become due, or acts indicating the intention on the part of the debtor to defeat, defraud, or delay his creditors as by absconding, by removing or secreting his assets, or by disposing of them in a fraudulent manner. After the petition for a receiving order has been filed in the court, a date is set for the hearing of the petition. At this hearing, you have an opportunity to dispute the statements made in the petition. In certain cases, if it is shown to be necessary for the protection of the estate, the court may appoint an interim receiver pending the hearing of the petition. The court may either dismiss the petition or it may make a receiving order against you, thus making you a bankrupt. In the latter case, a trustee is appointed at once to take possession of all your property.

A debtor's property under the Act comprises all property of the bankrupt at the time of his bankruptcy, and all that he may acquire or that may devolve on him before his discharge. It does not include property exempt from seizure under the laws of the province within which the debtor resides, or within which the property is situated; nor does it include property held by the bankrupt in trust for any other person.

The trustee appointed under these proceedings takes possession of all your property and makes an inventory of it. He then calls a meeting of your creditors to confirm the appointment of the trustee or to elect another, to consider your affairs, to give such directions to him as they may think necessary, and to appoint inspectors. The duties of the inspectors are: to give directions to the trustee; to satisfy themselves that all your property has been duly accounted for; and to determine whether or not the expenses incurred are

proper and the fees just and reasonable in the circumstances.

When all the assets of your estate have been realized, or when the monies under a proposal have been paid, the trustee prepares a dividend sheet showing how he proposes to distribute the proceeds, and a statement showing his receipts and disbursements. These documents are submitted to the inspectors for approval, to the Superintendent of Bankruptcy for his comments, and finally to the court for the "passing" of the accounts. They are then issued to the creditors together with the trustee's notice of his intention to declare a dividend and later apply for his discharge as trustee. In due course, the trustee applies for his discharge.

The making of a receiving order against or the making of an assignment by any person, other than a corporation, operates as an application for the debtor's discharge from his liabilities, unless he waives the right. The trustee, on obtaining or being served with an appointment, shall, not less than fourteen days before the day appointed for the hearing of the application, send out a notice thereof in the prescribed form to the Superintendent, the bankrupt and every creditor who has proved his claim, to his last known address. After considering all the evidence, the court may grant an unconditional discharge, or it may refuse the discharge or suspend it for a period of time, or make it subject to some condition.

As a bankrupt, your duties will include submitting yourself for examination, attending your creditors at the first meeting, fully disclosing all your assets, and assisting the trustee in every possible way in the administration of your estate. Among the offences for which you are punishable under the Act are: failing to comply with a brankrupt's duties under the Act; fraudulently disposing of property; concealing, destroying or falsifying books or documents relating to your business; refusing to answer fully and truthfully any question put to you at any examination; and obtaining credit or property by false representation after or within twelve months preceding your bankruptcy.

12 Dominion Bureau of Statistics

The Dominion Bureau of Statistics is an agency of the Federal Government charged under the Statistics Act of 1918 with the responsibility of compiling, co-ordinating and improving statistics in Canada. Under the Act, the function of D.B.S. is defined as "to collect, abstract, compile and publish statistical information relative to the commercial, industrial, social, economic and general activities of the people."

Among many other things, D.B.S. has, in consequence, conducted an annual census of production since 1917. This function is performed by the Industry and Merchandising Division with somewhat broader responsibilities which include: taking an annual Census of Industry covering all establishments engaged in mining, logging and manufacturing; and providing current data, monthly or quarterly, on shipments, inventories, new orders, and on principal commodities or groups of commodities; taking a decennial census of merchandising and services; and providing current data, monthly or quarterly, on retail and wholesale sales and inventories and annually on selected service trades; conducting special studies in the industrial and merchandising fields in answer to special requests.

The statistical information compiled by D.B.S. can be most helpful to the small business in two particular fields—viz., manufacturing and merchandising.

Manufacturing

The annual census of manufactures, which is based on returns received from all manufacturers, is broken into about 200 different industrial classifications. The information published, therefore, provides data on relatively small segments of industry and, in consequence, makes the information more meaningful for most types of manufacturing operations.

In the annual census of manufactures, D.B.S. collects details of products shipped, materials used, fuel and power costs, salary and wage costs, inventories, etc. In what way can this information help the small manufacturer? By a study of the statistical report of the industry in which he is interested, the small manufacturer (or large one, for that matter) can ascertain the quantities and selling values of the various products made by the industry; he can get some idea about the quantities and types of materials used by the industry; and, most important of all, he can ascertain what his material and labour costs should be for every dollar's worth of sales. By a study of the industry report, he will discover what the experience has been in this connection for other firms in his industry. Furthermore, to make these cost ratios more meaningful to manufacturers, the information is broken down by size of establishment so that comparisons may be made with establishments of the same size, since, in some cases, there might be significant cost differences between large and small establishments. Statistics on the concentration of each industry on a provincial basis, and in some cases on a city basis, are also published. These reports also contain statistics of imports and exports which may serve to indicate the degree of foreign competition which the industry is encountering. The names and addresses of all the establishments allocated to each industry are also published.

Merchandising

If a small retail business is being contemplated, the prospective operator, no doubt, knows something about both the business and the location in which he intends to operate. Information is available from D.B.S., however, which might well assist him in his decision. Special census reports on population and housing by census tracts (small economic areas in the twelve largest cities) furnish information on racial origin, religion, sex and age groups, housing, and class of worker, which can be vital to the success of certain classes of retail stores. Similar data are available for counties and municipalities. This information, of course, is available only for years in which a population census is taken.

Special D.B.S. studies of retail store operations provide average profit and loss items as ratios to net sales, also balance sheet information, which can be useful as a guide in operating a business. These studies show the average inventory requirements of stores for some eight sales-size categories for each of twenty retail trade classifications, the rate of stock turnover, the ratio to net sales of some twelve items of expense, the ratio of sales or profit to capital investment, etc., all of which are effective tools in business management. Once a retailer has become established, comparisons can be made on an up-to-date basis with another series of reports—Monthly Retail Trade. These show trends of sales for twenty retail trades, by provinces, with a further breakdown of sales made by retail chain stores and by independent stores. Somewhat similar current statistics are available for wholesale trade.

The operator of a new enterprise might well consider some such external comparisons with his business experience. A request for statistics pertinent to his business or for a list of those statistics which are available should simply be addressed to the Dominion Bureau of Statistics, Ottawa. There is a nominal charge for most D.B.S. reports to cover printing costs.

Appendix A

PROVINCIAL INDUSTRIAL DEVELOPMENT DEPARTMENTS

Department of Industrial Development,
Trade and Commerce,
Province of British Columbia,
Victoria, British Columbia.

Department of Industry and Development,
Province of Alberta,
Edmonton, Alberta.

Department of Industry and Commerce,
Province of Saskatchewan,
Regina, Saskatchewan.

Department of Industry and Commerce,
Province of Manitoba,
Winnipeg, Manitoba.

Department of Economics and Development,
Province of Ontario,
Toronto, Ontario.

Department of Industry and Commerce,
Province of Quebec,
Quebec City, Quebec.

Department of Economic Growth,
Province of New Brunswick,
Fredericton, New Brunswick.

Department of Trade and Industry,
Province of Nova Scotia,
Halifax, Nova Scotia.

Department of Industrial and Natural Resources,
Province of Prince Edward Island,
Charlottetown, Prince Edward Island.

Department of Economic Development,
Province of Newfoundland,
St. John's, Newfoundland.

Appendix B

NATIONAL RESEARCH COUNCIL

Technical Information Service Representatives

BRITISH COLUMBIA	B.C. Research Council, University of British Columbia, Vancouver, B.C.
ALBERTA	Research Council of Alberta, 134—8th Avenue, S.E., Calgary, Alta.
MANITOBA	National Research Council, 701 General Post Office Bldg., 266 Graham Avenue, Winnipeg, Man.
ONTARIO	Ontario Research Foundation, 43 Queens Park Crescent E., Toronto, Ont.
QUEBEC	National Research Council, 3420 Wilson Avenue, Montreal, P.Q.
NEW BRUNSWICK and PRINCE EDWARD ISLAND	New Brunswick Research and Productivity Council Box 1236, Fredericton, N.B.

NOVA SCOTIA and NEWFOUNDLAND ....Nova Scotia Research Foundation,
Box 1023,
Halifax, Nova Scotia.

OTTAWA ....National Research Council,
Sussex Drive,
Ottawa, Ontario.

Appendix C

INDUSTRIAL DEVELOPMENT BANK

The addresses of the various offices of the Industrial Development Bank are:

ST. JOHN'S Nfld. 85 Elizabeth Avenue.
Telephone: 726-1323
Province of Newfoundland.

HALIFAX, N.S. 1583 Hollis Street.
Telephone: 429-8600
Province of Nova Scotia.

SAINT JOHN, N.B. 75 Prince William Street.
Telephone: 693-2595
Province of New Brunswick, except those counties served by the Moncton office.

RIMOUSKI, P.Q. 143 St. Germain Street.
Telephone: 724-4461
Counties of Riviere-du-Loup, Temiscouata, Rimouski, Matapedia, Matane, Gaspe-Ouest, Gaspe-Est, Bonaventure and the County of Saguenay on the North Shore.

QUEBEC, P.Q. 925 Chemin St. Louis.
Telephone: 681-6341.
Counties of Lac St-Jean-Ouest, Lac St-Jean-Est, Chicoutimi, Charlevoix-Est, Charlevoix-Ouest, Montmorency, Quebec, and Portneuf; also counties of Lotbiniere, Megantic, Frontenac, and all counties eastward up to and including Kamouraska; the Magdalen Islands.

TROIS-RIVIERES, P.Q. 550 Bonaventure Street.
Telephone 375-1621

Counties of Maskinonge, St. Maurice, Champlain, Yamaska, Nicolet, Drummond and Arthabaska.

MONCTON, N.B. 236 St. George Street
Telephone 839-1551

Counties of Albert, Gloucester, Kent, Northumberland, Restigouche and Westmorland in the Province of New Brunswick; and the Province of Prince Edward Island.

MONTREAL (NORTH)
Montreal, P.Q. 110 Cremazie Boulevard, West.
Telephone: 382-2891

Island of Montreal except that portion served by the Montreal (South) office; counties of Abitibi, Temaskaming, Berthier, Joliette, Montcalm, Labelle, Terrebonne, Argenteuil, Deux-Montagnes, L'Assomption, Laval, Vaudreuil, and Soulanges.

MONTREAL (SOUTH)
Montreal, P.Q. 901 Victoria Square.
Telephone: 866-2701

City of Montreal south of Jean Talon Street; municipalities of Lachine, Ville St. Pierre, Montreal West, Cote St. Luc, Hampstead, Westmount, Outremont, LaSalle and Verdun; counties of Richelieu, Bagot, Rouvill and Missiquai, and all counties westward and south of the St. Lawrence River.

SHERBROOKE, P.Q. 31 King Street West.
Telephone 567-8481

Eastern Townships—the counties of Brome, Compton, Frontenac, Richmond, Sheeford, Sherbooke, Stansteade and Wolfe.

OTTAWA, Ont. 350 King Edward Avenue.
Telephone: 232-5789

Ottawa Valley and Eastern Ontario—in Quebec, the counties of Gatineau, Hull, Papineau, and Pontiac and in Ontario, the counties of Renfrew and Frontenac and all counties eastward.

METROPOLITAN TORONTO
Toronto, Ont. 250 University Avenue.
Telephone: 368-1145

Metropolitan Toronto.

MID-ONTARIO
Toronto, Ont. 250 University Avenue.
Telephone: 368-1145

Southern and Central parts of Ontario—the counties of Durham, Haliburton, Hastings, Lennox and Addington, Northumberland, Ontario Peel, Peterborough, Prince Edward, Simcoe, Victoria and York (excluding Metropolitan Toronto); and the district of Muskoka.

HAMILTON, Ont. 20 Hughson Street, South.
Telephone: 528-0471

Hamilton-Niagara Peninsula—the counties of Brant, Haldimand, Halton, Lincoln, Norfolk, Welland, and Wentworth.

KITCHENER-WATERLOO
Waterloo, Ont. Waterloo Square Building.
Telephone: 744-4186

Counties of Bruce, Dufferin, Grey, Waterloo, and Wellington.

LONDON, Ont. 291 Dundas Street.
Telephone: 438-8363

Counties of Elgin, Huron, Lambton, Middlesex, Oxford, and Perth.

WINDSOR, Ont. 267 Pelissier Street.
Telephone: 254-8626

Counties of Essex and Kent.

SUDBURY, Ont. 96 Larch Street.
Telephone: 674-8347

Districts of Algoma, Cochrane, Manitoulin, Nipissing, Parry Sound, Sudbury, and Timiskaming.

LAKEHEAD
Fort William, Ont. 106 Centennial Square.
Telephone: 623-2745

Northwestern Ontario—the districts of Kenora, Patricia, Rainy River, and Thunder Bay.

WINNIPEG, Man. 360 Broadway.
Telephone: 943-8581

Province of Manitoba.

REGINA, Sask. 2220—12th Avenue.
Telephone: 527-6631

Southern Saskatchewan—that portion south of: The South Saskatchewan River from the Alberta border to Outlook, the Township 28—29 dividing line between Outlok and Highway 35; and Highway 49 to the Manitoba border.

SASKATOON, Sask. 406—21st Street, East.
Telephone: 242-4227

Northern Saskatchewan—excepting the area served by the Regina Office.

CALGARY, Alta. 320 Seventh Avenue S.W.
Telephone: 269-6981

Southern Alberta—Townships 1 to 40 inclusive.

EDMONTON, Alta. 601 Chancery Hall.
Telephone: 424-4926

Northern Alberta (from and including Township 41), and the Northwest Territories.

KELOWNA, B.C. 1460 Pandosy Street.
Telephone: 762-2035

Eastern British Columbia from Provincial Highway No. 5 to the Alberta border.

PRINCE GEORGE, B.C. 1320 Fifth Avenue.
Telephone: 563-0641

Central and northern British Columbia (north of Cache Creek) and the Yukon Territory.

VANCOUVER, B.C. 900 West Hastings Street.
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