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Special Supplement on Small Business

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The Honourable Herb Gray
Minister of Industry, Trade and Commerce

The Honourable Charles Lapointe
Minister of State
for Small Business and Tourism

The Honourable Edward C. Lumley
Minister of State
for Trade

Editor:

John C. Hughson

Contributing editors:

Don Wight

Bob McDonnell

Shirley Plowman

Designer:

David Chamberlain

Correspondence to:

Canada Commerce (98)

Department of Industry, Trade and
Commerce

Ottawa, Ontario K1A 0H5

Telephone:

(613) 995-7489

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Contents

	Page
Interaction '81 — 8th International Symposium on Small Business	1
Interaction — by John F. Bulloch	3
Franchising: A Marriage of Business Interests	4
Subcontracts: Prime Small Business Potential	7
More than Meets the Eye	8
Office of Tourism Programs Assist Canada's Small Business	10
Challenges and Opportunities	12
Small Business Secretariat — Five Fine Years	14
Small Business and Government	15

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(Publié aussi en français)

On October 19 Ottawa plays host to small business entrepreneurs from many nations in the four-day 8th International Symposium on Small Business. The following article gives a pre-symposium look at what is expected during those four days. Subsequent issues of Canada Commerce will contain material on the symposium and its results.



INTERACTION '81 8TH INTERNATIONAL SYMPOSIUM ON SMALL BUSINESS

In the world's small business community, Canada is looked on as a leader in the development of an environment in which small to medium-size enterprises can not only survive but thrive. Because of this growing reputation, it is appropriate that Canada should be the site of Interaction '81, the 8th International Symposium on Small Business, October 19 to 22, according to the Hon. Charles Lapointe, Canadian Minister of State for Small Business and Tourism, host and chairman of the symposium.

"We live in an increasingly interdependent world and the continued viability of small and medium-size businesses is dependent, in very large measure, on developing new methods of co-operation and communication with other players in the economy," Mr. Lapointe comments.

Held in Ottawa, Interaction '81 has attracted more than 800 delegates from at least 60 countries making the Canadian symposium "the broadest-based event to date," according to Mr. Lapointe. In addition, there will be some 150 persons accompanying the official delegates.

"The symposium will be an important international forum for the small business community where delegates can meet to share policy experiences and explore new policy initiatives and programs," says Mr. Lapointe.

"Many nations look to Canada for leadership in the field of small business policies and programs. At Interaction '81, I expect our delegates to participate in an active exchange of information — we also have a great deal we can learn from the experiences of other nations.

"As Canada's Minister of State for Small Business and Tourism, I look forward to chairing Interaction '81 and to the dialogue which will take place at the symposium. The benefactors of our deliberations will be the small business communities throughout the world."

Historical Perspective

The International Symposium on Small Business is a unique event created to respond to the need for a high-profile public forum to foster understanding and co-operative effort between various nations of the world. It is oriented towards the creation and sharing of knowledge about small and medium-size enterprises of the world.



Its overall goal is to strengthen and support the development of small and medium-size enterprises as a recognized economic force in all countries.

The annual meetings of the symposium date back to 1974 and the first held in Hawaii. It was followed by meetings in Japan, Washington, Korea, California, West Berlin and Australia.

It was in response to an invitation extended by the Prime Minister to the

Symposium Steering Committee in November 1978, renewed by an invitation from Mr. Lapointe at the 1980 Australian meeting, that Ottawa was chosen as the site for the 1981 event.

According to the official Interaction '81 fact sheet, Canada's objectives in hosting the event are:

- To help create an awareness in Canada and abroad particularly among business leaders, bureaucrats, academics, the financial community and others, of the problems and concerns of small businesses;
- To foster greater interchange between Canadian and foreign small and medium enterprise communities;
- To highlight, domestically and internationally, the Canadian commitment to programs and policies which benefit small businesses;
- To emphasize the roles of the federal and provincial departments responsible for small business interests.

"The organization of the symposium clearly reflects the Interaction theme," says Mr. Lapointe. "The federal government, business and academic communities, business associations and the provinces are working actively together to ensure that Interaction '81 is successful."

Symposium Program

The four-day symposium will cover a variety of topics on the "Interaction" theme. Such topics will include:

- Small Business and Associations — discussion of the use and value of associations to small business and possible new or emerging roles.

- Small Business and Venture Capital — focussing on the impact of organized venture capital companies on small businesses; government support for small business investment companies; usefulness of tax incentives; the importance of intermediaries.

- Small Business and Employees — discussions of qualified manpower shortages; employee incentive plans; the impact of micro-electronics; the impact of unions.

- Small Business and Financial Institutions — concentrating on interest rate policy towards, and the need of security from, smaller firms; the impact of inflation; the role of government agencies; the evolution of commercial banks in financing small business.

- Small Business and Large Enterprises — investigating the possible cooperation between small firms and large enterprises; assistance to small firms; large firms as suppliers to and buyers from small business; franchising.

- Small Business and Educators — focussing on "building the bridge" between small business and educators; research and development contracting; sources of service; training of employees.

- Small Business and Government — discussions on government approach to small business policy; government awareness of the impact of economic and social policies on small business; duplication and overlap of government programs.

- Small Business and Advisers — investigating the affordability of professional advisers; the most effective sources of advice; government subsidies of the cost of advisers; the receptiveness of small business operators to outside advice; the benefits of professional advisers on Boards of Directors or Management Committees.

Workshops have been organized to cover such topics as: opportunities for small business in high technology; opportunities for small business in tourism; opportunities for small business in energy; small business, success or failure — why?; the impact of taxation policy on small business; opportunities for small business in international trade; small business and the international development agencies; opportunities for personal businesses.

Alvin Toffler, well-known author of such books as "Future Shock" and "The Third Wave", is the speaker at the closing plenary session of the symposium. He will give a major address on the prospects for small business in the 1980s entitled "Small Business: Is It Viable in the Future?"

Speaking of Interaction '81 as a whole, Mr. Lapointe stated, "During our deliberations, I want to see a thorough examination of the means in which new opportunities for small business growth and development can be achieved through better interaction with other groups in the community, be they educational or financial institutions or governments."



During the symposium and while the official delegates are involved in their meetings and discussions, a series of activities have been planned for those who have accompanied the delegates to the Ottawa event. These include tours of the varied attractions of Canada's National Capital Region as well as receptions and various social functions.

Post-Symposium Events

In order to re-emphasize the spirit of Interaction '81, a series of post-symposium events have been arranged including a Canada-wide recognition of "Small Business Week", October 25 to 31.

Co-sponsored by the Federal Business Development Bank, the Canadian Chamber of Commerce and local Chambers, Small Business Week will include a variety of activities in more than 100 centres to recognize the small business contribution to the Canadian economy. The aim is to involve as many entrepreneurs as possible.

The province of Alberta is sponsoring its own province-wide Small Business Week, also running October 25 to 31. Designed to increase public awareness of the importance of small business to the Alberta economy, it will also provide information on private and public sector services available to small business. Events will take place in 10 centres. The week will culminate in a two-day conference in Calgary, October 30 to 31.

During the national Small Business Week, there are two post-symposium conferences held simultaneously at the opposite ends of the country — Halifax and Vancouver.

The Halifax conference, October 26 and 27, deals with the question of improving the small business environment and will cover topics such as creating a role for small business in large projects; ensuring management capability keeps pace with company growth; worker participation to improve productivity; the role of small business associations in government and industry communications.

On the same dates, October 26 and 27, Vancouver plays host to a conference on stimulating and encouraging the entrepreneurial spirit. Panel discussions will focus on entrepreneurial education; public awareness of small business; the promotion of entrepreneurship as a career; innovation and risk capital; profit as a socio-economic necessity; the role of consultants and advisers; the life-style implications of being in small business.

"I am pleased that the spotlight in Canada during the last two weeks of October will be on small business," says Mr. Lapointe.

"I hope that these two weeks will provide an excellent opportunity to show the vital importance of the small business community to the economic and social life of Canada."

John F. Bulloch is president of the Canadian Federation of Independent Business which for many years has been a watchdog for the interests of small business in Canada and today represents some 55,000 members.

INTERACTION

By John F. Bulloch



The "Interaction" theme of the 1981 International Symposium on Small Business contains a prophetic message for Canada's small business community. The blunt message: much stronger linkages between businesses, associations, governments, academic institutions both domestically and internationally, will have to be developed to prosper during the revolutionary period that lies ahead.

The October conference will draw representatives from business, associations, government and academic leaders to Ottawa from more than 60 nations: and from their deliberations all Canadians will come to better understand the importance of developing small and medium-sized enterprises to improve the social and economic well-being of the nations of the world. Canadians will also develop a greater insight into the profound changes that are taking place in labour markets and technology, and

the degree to which nations are becoming interdependent.

In the developing world, for example, about one billion educated workers will enter the labour force during the next 20 years. Manufacturing and distribution will be rationalized on an international basis because of the availability of low cost labour. Joint ventures and production-sharing arrangements will replace traditional exports and imports.

Market opportunities for Canadian firms will expand dramatically in the faster growing developing nations, and the newly industrializing nations such as Korea, Taiwan, Mexico and Brazil. Energy-cheap and labour-intensive development where small business is dominant will undoubtedly receive favoured treatment by these countries.

New public and private sector organizations will have to be created to encourage international small business linkages. At the same time, Canadian entrepreneurs, whose traditional roots are in their communities and regions, will have to become citizens of the world.

While our nation becomes more internationalist, adjusting to the threats and opportunities presented by third world development, Canadians will have to become more nationalistic in developing technologies and industries in areas such as communications, transportation and resources, that are vital to our survival.

Being internationalists and nationalists at the same time is a dilemma that poses a challenge not only to the business community (large and small) but also to our government, business, association and academic leaders who will be called upon to lead us through this economic, social and political transformation.

And if adjusting to the new labour markets of the world isn't enough of a challenge, new interactive communications technology referred to as Videotex (which links TV sets with computers) promises its own revolution for small business. Canadian Videotex or Telidon is at the present time the most technically advanced in the world, so it can be expected that its application by Canadians will receive a public

policy push to encourage our industry to protect its lead.

At the touch of a few buttons on a keyboard or handset, individuals or businesses will have access to unlimited information, allow them to purchase or sell goods and services, respond to opinion polls, or take special education courses.

The implications for the structure of Canadian retailing, distribution and manufacturing are profound, with whole industries such as printing and pulp and paper going into decline and electronic small-scale entrepreneurship taking off. The economic and political power of large corporations will be challenged as mass merchandising is replaced by differentiated electronic merchandising.

Associations with access to detailed information on member firms will increase in influence as government, educational institutions and commercial establishments access their members selectively, utilizing Videotex technology. Since it will become as easy to send a message to Singapore as across Canada, new direct linkages between associations and small business groups around the world will be encouraged.

The October symposium should be the most exciting to date, and is a great occasion for Canada's small business community. Our smaller firms will become sensitive to the international nature of today's problems; to the institutions and associations that have been developed around the world to provide ideas and assistance; and to the opportunities and dangers associated with the forces of change.

Congratulations must go to the Minister of State for Small Business, Charles Lapointe, and the Government of Canada for hosting this year's symposium. It's sometimes hard for small business owners to realize there is more to government than tax collectors, statistics gatherers and regulators. The Small Business Secretariat in Ottawa, who put this event together, is a group of public servants who deserve everyone's support.

Interaction: it's a great theme and an important message for small and medium-sized enterprises across the nation.

At first glance the term franchising seems to conjure up the image of big business. But the emphasis in this article is not on the franchisor but on the franchisee. And the advice, extracted from a longer article by Marcia Reecer for Trufax, Better Business Bureau of Greater Toronto, is directed to those seeking a franchise to set up their own small business.

Franchising: a marriage of business interests

But is any marriage made in heaven?

Franchising belongs to the twentieth century and to North America. It was first extensively used in the 1920s when it became the accepted method for distributing cars, and subsequently for soft drinks and gasoline. These so-called traditional franchises still dominate the field — they accounted for four-fifths of all franchised sales in the U.S. in 1978, and figures would probably be comparable in Canada.

To most people, however, franchising is probably synonymous with restaurants. It means being able to go into a familiar-looking place anywhere in North America to eat familiar food. There are people who object to finding clones of the Colonel and Ronald all over the countryside — many more are apparently attracted by the characteristically cheerful surroundings where the service is efficient and the food is inexpensive as well as being predictable.

Statistics suggested that in 1978 in the U.S. one food dollar in every three would be spent in a fast food franchise, with the figure due to rise to one food dollar out of every two during the 1980s.

But, for insiders, fast food restaurants are only part of the story. Franchising is a method of distribution that can be used to deliver many different products or services, and the centre of the system is not so much the thing sold as the business relationship between the franchisor and the franchisee.

An executive of the Association of Canadian Franchisors likens the franchising relationship to a marriage. And the system's promoters say that this unique relationship makes franchising the last bastion of the free enterprise system. They speak of how franchising still offers businessmen with limited funds and a lot of drive a chance to make it

big. Impressive success stories are cited to bear out these claims, like that of Pizza Delight. Ten years ago the company consisted of two stands doing about \$40,000 worth of business per annum. Now it is reported to have over 200 units which bring in \$40 million.

However it is the business format franchise, largely a post-World War II phenomenon, that has attracted most of the attention in recent years. In business format franchising, the franchisee is not simply the distributor of a product — as is the case with car and truck dealers or gas station owners. He agrees to do business according to the format established by the franchisor. The format could include the business premises and the uniforms worn by the employees as well as the products — the **look** of a McDonald's or a Mr. Submarine is uniform as well as the menu.

Prescribed procedures and standard forms can also be involved. For instance, in Century 21, a real estate franchise, the selling techniques used by franchisees are part of the business format, as are the recipes and baking procedures employed in a Tiffany's Bakery. Where the franchise involves retail selling, the business format often means buying part, or all, of a store's inventory from the franchisor or from suppliers designated by him.

Clearly the things prescribed by the format vary according to the nature of the business. And anything, seemingly, can be franchised — from delivery services and crematoriums to campgrounds and bathtub reglazers. The principle governing what constitutes the business format, however, remains the same: the point is to maintain the integrity of the franchised oper-





ation and insure its profitability.

If all this makes franchising a business sound as though it can be extremely tricky, the impression created is accurate enough. It is perhaps not so clear why a business would wish to franchise its hardware stores or paint and wallpaper outlets. The reason most often cited is a financial one. A franchisee buys into the system he is entering: he would put up something in the neighborhood of a million dollars for a Holiday Inn franchise (if one were available) and about nine thousand to become a Century 21 realtor. The up-front investment, as well as the continuing royalties paid by the franchisee, provides capital for the franchisor and minimizes his own financial risk. These considerations can be especially telling if, for instance, a company wishes to take advantage of a demand for its product or service and establish itself in the marketplace before potential competitors can begin to do so. Franchising the business can make available the capital for extremely rapid expansion where a company might otherwise have to limit itself to gradual expansion with company stores and risk the loss of market through the loss of time.

The franchisee's involvement with his business is another reason often given for franchising. According to this argument, a manager, however loyal and hardworking, is still an employee. His incentive to devote time and energy to a business will never equal that of a person who looks on the business as his own. A franchisee has already invested a considerable sum of his own money, and his financial success will be dependent on the success of the business. In other words, his motivation to give the business all he's got is very high.

As for what franchising means to

the franchisee, some of the benefits and potential problems are already obvious. Much depends on the franchise itself. But, assuming that the franchisor is honest and knows what he's doing, his franchisee will enjoy advantages that a person going into business for himself would not have. He will get assistance in setting up the business in the first place and in running it. Some franchisors offer training courses; some give on-the-job training in established franchises; most provide a manual of operations to give advice and indicate policy on day-to-day matters. If the franchise is well established, consumer recognition will already exist, and the often difficult period during which a business becomes familiar to potential customers — or fails to do so — will be bypassed. In any case, the market for the product or service will have been defined and the franchisor, if he has not already done so, will undertake advertising campaigns directed to the appropriate market segment. In other words the potential franchisee will be sold an operation with the bugs already taken out and will have help quickly available in case he runs into problems. For a sum of money he will get an instant business.

Almost any franchising system includes some company-owned units. And the percentage of franchised units in relation to the units held by the company is also going to vary according to the needs of the company. In other words, franchising is as variable as the requirements of the franchisor.

Clearly the franchisor is the partner with more to bring to the marriage, and the franchisee is the more vulnerable. Even if he has not emptied his savings account to pay his franchise fee, a franchisee is not, typically, a wealthy person.

However, as far as business failure is concerned, he probably endangers himself less in buying a franchise than he would in setting up his own business.

What are the risks? There is always the possibility of getting involved with an outright fraud — the guy whose real business is collecting as many franchise fees as possible before leaving town for parts unknown. Another is the franchisor whose expertise as a salesman far exceeds his ability to produce what he has promised. In the U.S. during the late sixties, many franchises were sold for units which never opened or soon closed.

A much more likely source of trouble for a franchisee is the failure to understand exactly what is involved in the partnership he is undertaking. Of course, his responsibilities, like his rights, will appear in the contract. But a person could still fail to take in what the requirement to keep inventory at a certain level or to buy all the stock from the franchisor will mean. Or the provision which states that he will need to pay a certain percentage of his gross for advertising, over and above his royalty fee, might seem reasonable on paper but turn out to be difficult to live up to.

And what about the conditions under which the right to hold the franchise can be terminated? After all, a franchisee does not buy a business; he leases the right to run it under certain conditions for a certain period of time. Since few people like to look closely at what could end a relationship before it even begins, a prospective franchisee might not give the attention to this part of the contract that it requires. However, it can be a fertile source of problems, as is clear from the amount of litigation in the U.S. where termination is the issue.

Legislation has been introduced in the U.S. to prescribe the conditions under which a franchising relationship can be terminated, though most observers give it very little chance of getting through. However, the issue may not even be specific provisions of the contract so much as the relationship itself. The comparative safety of buying a franchise is of course paid for by the limitations placed on the individual's freedom of movement. A franchisee usually can't introduce innovations because the integrity of a franchise often depends on each operation's being a mirror image of all the others, and it's this integrity which a franchisee has promised to uphold.

Since freedom involves the possibility of making the wrong choice as well as the right one, and since there are so many wrong choices to be made in operating a business, the limitation may be worth the price. However, if a person thinks of franchising in terms of going into business for **himself** or opening his **own** business, he may be disappointed. Or he may, in the long run, become restive — like the spouse who, after some years of marriage, decides that the relationship does not after all allow sufficient room for growth.



All of these risks on the part of the franchisee can be minimized by a thorough investigation beforehand of the company involved and of the potential franchisee's own goals. The importance of checking a franchise before making a financial commitment is stressed by franchisor associations, like the Association of Canadian Franchisors or the Washington-based Inter-

national Franchise Association, as well as by government ministries and Better Business Bureaus, and they all provide literature suggesting what should be included in such an investigation. Since franchising is a complicated and little understood field where there is no such thing as a standard contract, a prospective franchisee also needs help from a lawyer and accountant who are expert in the field.

Franchising in the U.S. has reached a mature stage of development characterized by saturation in some areas and relatively slow growth; franchising in Canada is still young and can be expected to enjoy rapid expansion.

Perhaps there are social factors that will contribute to franchising's continued importance as well. The vice-president of one large franchising firm says that we live in the age of the Big Brand Image and that people feel comfortable, feel motivated to buy, in the presence of a familiar name. This is of course the assumption on which most advertising is based and is obvious to anyone who has watched himself reach automatically for the nationally-advertised brand. It also goes far towards explaining the previous and continuing success of business format franchising in North America.

Buying a franchise: some imperatives

Everyone agrees that it's essential to investigate before investing — in fact, that's the name of a booklet put out by the Association of Canadian Franchisors and directed to prospective franchisees. It's also clear that no single approach will give you all the answers you need. Suggestions about how to conduct your research follow. They are not exhaustive or necessarily in the order of their importance.

1. Understand the contract.

And get professional assistance in doing so. It's important to have both a lawyer and an accountant who are knowledgeable about franchising. Such people may not be easy to find.

If the franchise you are considering operates in Alberta or in a state with disclosure legislation (California, for instance), get a copy of the prospectus. It will provide informa-

tion about the company's finances, as well as its business history and that of its principals, and can be of particular value to your professional advisors in assessing the stability of the franchise.

Check the contract against verbal representations. If the two diverge, it is probably the contract which will count.

2. Question franchisees already working in the chain.

They're the ones who've had day-to-day contact with the system and know how well it works. Some franchisors provide a directory of franchisees for this purpose.

3. Consider working in the franchise before you commit yourself to it.

Exposure to the daily operation of the franchise could tell you a lot of things about the business — and your interest in it — that you might

not otherwise discover.

4. In any case, look carefully at your experience and your goals.

Franchises usually involve retail selling; and, if you have worked mainly in an office, for instance, you might not find the long hours and continual customer contact to your liking. Discuss this question with people who know you well.

5. Do some reading.

Try your local library.

6. Above all, take your time.

For further information contact:

Jim Kelly
Distribution Services Branch
 (88)
Industry, Trade and Commerce
 235 Queen Street
 Ottawa, Ontario K1A 0H5
 Tel: (613) 593-7981

The federal government, through Supply and Services Canada (SSC), is making concerted efforts to show small business the potential of subcontracts from prime contractors to government. Specially written by SSC for Canada Commerce, this article describes those efforts and how they are being received.

SUBCONTRACTS: PRIME SMALL BUSINESS POTENTIAL

"How can you argue with the idea of promoting Canadian suppliers in our subcontracts?"

That's a question put by Harvey McKeough, president and board of a Nova Scotia-based company, Ferguson Industries Limited, one of the federal government's prime contractors in the shipbuilding and ship repair sector.

Although he was speaking in support of the CONTACT 81 trade shows (see below), the concept behind his question could be applied to all of the federal government's efforts at ensuring that smaller Canadian firms get a better chance to bid on subcontracts available from prime contracts awarded to major federal government suppliers.

In the 1980 Speech from the Throne, the Government of Canada committed itself to developing economic policies in order to create jobs, expand the economy, restore regional balance and encourage greater Canadian participation in a growing economy.

To meet these objectives, Supply and Services Canada (SSC), has come up with the **Canadian Business Subcontracting Opportunities Program**.

Through the many aspects of this program, the federal government hopes small businesses will be able to replace imported goods and services in prime contracts with Canadian goods and services at the same price and of equal quality. As a result, small businesses will be able to diversify their production and carve a place for themselves in the national marketplace.

Canada Must Export

But that's not all. One of the purposes of the subcontracting program is also to provide smaller Canadian firms with the basis and the strength to attack the export markets. The Canadian domestic market is small in comparison with the major economic communities of the world. For that reason, Canada must export its products in order to secure economies of scale that will enable it to compete more efficiently in its own

marketplace. And vice versa — the country must sell its products domestically so as to obtain the economies of scale necessary to compete effectively in foreign markets.

In this program, many things are at stake: employment, productivity, a favorable trade balance — all the elements that give a country prosperity and a dynamic nature.

As the Hon. Jean-Jacques Blais, Minister of Supply and Services, told representatives of 1,500 small and medium-sized firms and 26 prime contractors who attended the CONTACT 81 show in Montreal: **"If Canadian industries do not increase their efficiency and produce the products that people want and need, other nations' industries will.** We have to trust in our energy and ingenuity in order to take risks and we have to take risks in order to progress. The biggest risk is to take no risk at all."

All told, 64 prime contractors are participating in the subcontracting program. Over the past two fiscal years, Supply and Services has granted these 64 companies contracts totalling \$1.569 billion. These large businesses subcontract a major portion of the contracts they receive.

Although it is well known that the policy of SSC has always been to give contracts to Canadian suppliers, it has been difficult to determine which Canadian firms were subcontracted. However, it is known that in certain cases subcontracts that were let out to foreign firms represent between 30 per cent and 50 per cent of the retail cost of products.

To Supply and Services, these figures indicate that too many subcontracts are granted to businesses located outside Canada. So the federal and provincial governments are co-ordinating their efforts to encourage small business to claim its rightful place in the procurement activities of the federal government and to encourage the major Canadian suppliers to look to

small and medium-sized enterprises for their subcontracting.

Efforts Made

Several of the major businesses receiving federal government contracts have made considerable efforts to grant contracts to small Canadian businesses, said the Hon. Charles Lapointe, Minister of State for Small Business and Tourism, speaking on behalf of Mr. Blais at the opening of the Halifax show. "Others have given very little support to the government's policy in this area. It is our desire to change this state of affairs," he said.

Under this subcontracting program, the 64 prime contractors have been each asked to appoint a co-ordinator of Canadian supply. The duties of this officer would be primarily to increase the overall proportion of Canadian content in the company's products that are to be sold to the public and private sectors.

This officer would also be responsible for co-ordinating the activities of firms attempting to obtain subcontracts and those of officials of Supply and Services. The department believes this is a concrete measure that may well provide considerable opportunities for small and medium-sized businesses whose production will include a large proportion of Canadian elements.

As an additional measure to encourage major government contractors to boost Canadian content, **companies tendering for contracts worth more than \$2 million may be required as part of their bid to include a Canadian Business Subcontracting Opportunities Plan.** In this plan, these companies would be required to describe the subcontracting work they intend to have done.

Their tender will have to contain the proportion of their activities accounted for by Canadian businesses and will show the value of the subcontracts they intend to grant to Canadian firms, and in particular, to small enterprises. It will also state the current value of contracts granted in the various regions of Canada and, finally, will show the proportion of procurements proposed in foreign countries.

With this information, SSC officials will be able to make their purchasing decisions ensuring that the benefits are distributed across Canadian regions and that Canadian small and medium businesses profit.

CONTACT 81 Program

One of the more publicly visible aspects of the subcontracting program was CONTACT 81, a series of trade shows, held from February to June in Vancouver, Winnipeg, Toronto, Montréal, Halifax and Calgary.

The shows were sponsored by SSC and supported by provincial governments and private industry and gave small and medium-sized businesses the opportunity to discover the needs of the federal government's prime contractors and to determine what they might offer them to meet those requirements for doing business with the federal government.

Exhibitors in the shows were more than 30 of the 64 prime contractors, from the electrical and electronic, shipbuilding, aviation and general manufacturing industries, as well as federal government departments and agencies such as Industry, Trade and Commerce, SSC and Statistics Canada.

Representatives from more than 5,000 small and medium-sized companies also attended the shows. The exhibitors stressed that their participation did not consist of a mere passive display of their products. They searched energetically for new suppliers and ideas to boost their Canadian content.

The CONTACT 81 shows have generated an enthusiastic response from business people right across the country. Many of the large contractors have seen more than 100 potential suppliers at each show. In some cases as many as 600 inquiries have been posted. The effects of CONTACT 81 have yet to be felt, because many months can pass between the time first contact is made and the signing of a contract, but already one exhibitor is lining up a

\$400,000 contract with a small manufacturer met at the Vancouver show.

Jean-Charles Lavallée of Marine Industries Limited of Sorel, Québec, said that CONTACT 81 shows across Canada have allowed the company to clarify its industrial activity. "Even today to a lot of firms Marine means ships. CONTACT 81 has permitted us to show them that we are also in the rail-car business, the turbine alternator sector and in other areas," he said. In the first CONTACT 81 show, in Vancouver, Marine found a firm to supply anchor chains that previously had to be imported.

Lyll Craig, of Pratt & Whitney Aircraft of Canada Limited, agreed that communications had been established between small and large companies during the shows. "A number of small firms told us that up to the present time they didn't even bother to approach us because they felt we were self-sufficient in all areas. They didn't realize the potential they have to offer us. Actually, some 40 per cent of all our work is contracted out and there are excellent opportunities for small firms."

New Phase of Program

In July, Supply and Services began a new phase of the subcontracting program. From now on, the department intends to publish details of an upcoming project and invite subcontractors to send in a brief outline of their capabilities in the project. These outlines will be

collected and given to prime contractors subsequently invited to submit proposals.

The first major project to be published is the Department of Transport's Radar Modernization Project (RAMP). Information about the program and RAMP appeared in SSC's Weekly Bulletin of Business Opportunities.

The primary objective of RAMP is to provide all the equipment and facilities needed for a modern surveillance radar network for both civilian and military air traffic within the controlled airspace of Canada. For this, the Department of Transport requires 31 radar systems and radar display systems for the associated control towers and terminal control units.

While the policy of Supply and Services Canada has always been to achieve the highest practical level of Canadian content in its purchases, **measures contained in the Canadian Business Subcontracting Opportunities Program are emphasizing even more Canadian content and the use of procurement as a tool to stimulate industrial and technological growth in Canada.**

For further information, please contact:

**Executive Secretary
Supply Administration
Supply and Services Canada
Ottawa, Ontario
K1A 0S5**

MORE THAN MEETS THE EYE

Small Canadian companies also benefit from those multi-million dollar contracts. Canada Commerce examines how this spin-off works in the aerospace industry.

The headlines tell of the millions of dollars that the government spends for assistance to Canada's industrial giants and the large contracts awarded to these companies as a result of offset benefits on government purchases of defence and other equipment.

But in ways that are less well known small businesses across Canada have been benefiting directly and indirectly for many years from a succession of national economic policies aimed at many industrial sectors.

Nowhere is this more evident

than in the Canadian aerospace manufacturing industry. With good reason.

This industry comprises the design, research and development, production, marketing and in-plant repair and overhaul of aircraft, aero-engines, aircraft and engine subsystems and components, space related equipment and air and ground based avionic (airborne electronics) systems and components.

In terms of advanced-technology manufactured equipment, aerospace is Canada's leading exporter.

In terms of transportation equipment exported, only the automotive industry ranks ahead of it.

Canada would not have such a successful aerospace industry if a good deal of support had not come from the federal government. Why? Because competing industries in other countries have, historically, enjoyed such advantages, and Canada's industry if it is to compete, indeed survive, requires similar support.

Today Canada possesses a relatively small, by world standards, but advanced industry in which small companies, like Haley Industries, play vital roles as suppliers to the prime aircraft companies.

Essentially, Haley offers only one product — precision aircraft transmission sand castings, which include gearboxes for jet and turbine engines, auxiliary power units and various housing and pumps.

Used in Canada and exported to the United States and Europe, these vital parts help power the giant

commercial airlines like the McDonnell-Douglas DC9, DC10, Boeing's 727, 737, 747, 767, and Lockheed's 1011; modern fighters like the F14, F15, F16 and F18, and the European consortium fighter, the Tornado, as well as advanced military helicopters.

Chances are that the average North American doesn't fly anywhere these days without the aid of finely-worked magnesium or aluminum castings manufactured in the remote Canadian village of Haley, Ontario.

That was not always the case. In its efforts to achieve economic stability for the aerospace sector the federal government first had to rationalize the industry. This policy was accelerated when the two main aircraft companies, de Havilland Aircraft of Canada Ltd. and Canadair Limited of Montreal, faced the prospect of being closed down by their foreign owners. They were bought by the Canadian government in 1975 and 1976 respectively.

As Charles Rathgeb, a Canadair director at the time, has reported it, the company had three choices. "One was to turn the place into a parking lot. Another was to become a giant machine shop. And the third was to really get into the aircraft business."

The federal government decided to fly with the latter choice for both companies, and major new aircraft programs were launched.

Today, Canadair has a mix of successful programs with wide spill-over benefits for small companies. Its main lines of business include the manufacturing of military and commercial aircraft and defence-related surveillance systems. Its new aircraft, the Challenger, is a sophisticated business jet that will keep the company in the lead through into the 80's.

In de Havilland's case, the company has successfully marketed a family of short take-off and landing aircraft (STOL) of its own design and manufacture. These include the Buffalo, a tactical transport aircraft; the Twin Otter, a light utility plane; the Dash-7, a 50-passenger pressurized commercial airliner. The Dash-8, a 32-seat short-haul passenger aircraft, is in the preproduction stage.

This activity by Canada's two main aircraft companies has generated over the years a steady supply of business for small enterprises both in the aerospace and non-aerospace fields.

For example, de Havilland's

Dash-7 program counts among its suppliers both large and small companies. Canadair makes wing parts and sub-contracts bits of this business to small components makers. In-board nacelles and bonded skins come from Fleet Manufacturing, a medium-sized firm. Small Canadian Aircraft Products of Vancouver supply doors, elevators and rudders. Boeing of Canada in Winnipeg, a world leader in aircraft composite materials, makes nose baggage compartments and feeds parts of this business down the line to small firms. Pratt & Whitney Aircraft of Canada developed and supplies the PT6A-50 turboprop engine.

Though de Havilland has only seven major suppliers for the Dash-7, the company's total production involves more than 200 small and medium-sized firms, from small welding shops, lighting supply houses, packaging and upholstery firms to advanced electronic companies and precision machining shops, with individual sales ranging from a few hundred dollars to several hundred thousand.

Pratt & Whitney of Canada is a success story in itself, both for developing a highly successful PT-6 series of gas-turbine engines that sell worldwide and for creating a network of small-firm suppliers in the process.

Historically, like the aircraft they're built for, the development of aerospace engines, especially gas turbines, has always required a high degree of government assistance. This holds true for every country where an industry has been established. And the aero-engine industry in this country would not have been able to compete without similar support.

The Canadian government through the Department of Industry, Trade and Commerce provided federal assistance through its Defence Industry Productivity Program (DIPP) to Pratt & Whitney of Canada at various stages and engine versions.

The result has been a highly successful series of PT-6 engines, the development of a turboprop engine, the JT-15, and, currently, the PT-7. Some 17,000 engines have been produced to the end of 1980 and the company expects to produce approximately the same number through 1980-86.

Suppliers to Pratt & Whitney, both aerospace and non-aerospace, numbered 2,500 companies in 1979. They should do about \$130 million in business.

These firms were mainly small and medium-sized — about a dozen in the Atlantic Provinces, more than 1,500 in Quebec, at least 900 in Ontario and a score of firms in the West.

Among the aerospace companies, the subcontractor network to Pratt & Whitney comprises about 135 (in competition with some 200 U.S. firms), again mainly small and medium-sized firms, that range from the highly specialized to basic industries producing raw materials, heat treating and plating services. Six companies account for 60 per cent of the value of Pratt & Whitney's aerospace purchases in Canada. Another 17 do a further 20 per cent.

SPECIALIZATION SPELLS SUCCESS

The high performance engines call for high precision craftsmanship. How do small companies fit into the supplier network of such complex projects?

It comes down to specialization. And the most successful firms in aerospace manufacturing are highly specialized.

For example, gas turbine engine ignition, the specialty of small Canadian companies like Simons Precision of Canada, is a highly advanced and high-temperature, high-voltage technology.

From other suppliers come components associated with other electrical requirements of the turbine — compact, high-speed alternators, special cabling, leads and connectors, which eliminate pulse interference with other aircraft electronics, as well as thermocouples, which transform engine heat measurements into electrical signals.

As the thrust demands of large aircraft engines increase, so do temperature and voltage requirements of the engine's ignition and related systems. Thus the specialists tend to become even more specialized in the design and manufacture of components that must operate with exceptional reliability in a hostile flight environment.

Of Pratt & Whitney's major suppliers three small companies specialize solely in the aerospace field. From Aviation Electric come fuel controls, from Haley's, transmission castings and from Walbar Machine blades and vanes.

So, while the headlines tend to favor the multi-million dollar project, the full story reveals that, in fact, scores of small companies will share in the economic benefits.

Tourism is big business that has as its base literally thousands of small businesses without which it could not exist. The Canadian Government Office of Tourism (CGOT) deals constantly with such small enterprises in promoting Canada's tourist industry. This article, prepared specially for Canada Commerce by CGOT, explains some of the small-business-related facilities and programs available through CGOT.

OFFICE OF TOURISM PROGRAMS ASSIST CANADA'S SMALL BUSINESS

Backbone of the massive Canadian tourism industry that generates \$14 billion into the Canadian economy annually is the small business.

When people think of tourism in Canada they usually think big — the big hotel chains, the huge airlines and the giant attractions like Canada's Wonderland.

Often forgotten is the fact that tourism is made up of 100,000 businesses — most of them small. Together they employ, directly or indirectly, more than 1,000,000 Canadians.

Federal Minister of State (Small Business and Tourism): Recognizing the impact of small business, the federal government has brought tourism and small business together under the Hon. Charles Lapointe, the Minister of State for Small Business and Tourism.

His tourism mandate is carried out through the Canadian Government Office of Tourism, an agency within the Department of Industry, Trade and Commerce, geared to help both the promotion and development of tourism.

CGOT, as it is known in many parts of the world, has 27 offices across Canada and the United States and in such key overseas locations as Japan, Britain, France, Germany, Australia, Mexico and The Netherlands.

CGOT's special advertising and promotional programs in all those markets contribute to the success of small businesses that are so vital to the Canadian tourism industry. In addition a myriad of programs at its Ottawa headquarters directly or indirectly assist small business.

Rendez-vous Canada: Held this year in Halifax, Rendez-vous Canada is CGOT's international marketplace that has for five years put small businessmen in touch with the right people at the right time in an annual week-long business session that generates millions of dollars in sales.

Canadian suppliers of products such as transportation, accommodation,



attractions and tour and resort operations meet foreign buyers from around the world on common ground in computerized business sessions.

Last May in Halifax more than 250 buyers from 23 countries met with Canadian suppliers, many of them small businesses. An estimated \$60 million worth of business for the Canadian tourism industry was transacted.

Next year's Rendez-vous is scheduled to be held May 2-6 in Calgary, Alberta.

Advertising: CGOT has extensive consumer advertising campaigns in its main market areas such as Canada, the U.S. and overseas. The small business is represented in some of those ads, and so benefits from valuable free publicity.

Direct Marketing: Other activities of benefit to small business include direct marketing programs which, in partnership with a wide range of travel organizations, send out promotional lures on specific travel opportunities to a select list, a target audience able and likely to bite. Included in the lure is a reply card or toll-free number. CGOT takes care of the initial campaign with "front end" costs, while the partners supply the requested travel information. So the partner can ride on the initial campaign and has the advantage of exposure to a well-disposed clientele. The responses

to the initial promotion run from five to 20 per cent, showing the validity of the list, and conversion rates are good, too — a follow-up of the Winter '79-80 campaign showed that between nine and 24 per cent of those who responded did come to Canada.

Trade Lines: Help of an informational sort is given by the direct, call-collect line set up for the exclusive use of the travel trade. Travel agents have free and immediate access to additional information that may help them sell their product. There were almost 4,000 calls on this line from January to June 1981.

Enquiries: More than one million enquiries are handled annually by CGOT travel counsellors manning telephones and writing letters and talking directly to the tourist in places like Ottawa, Tokyo, London and New York.

These travel counsellors and managers constantly tell the story of tourism in Canada, a story that is really the tale of the small businessman — of skiing in the Rockies and the Laurentians, camping in the Maritimes and of the great attractions of Canada from Marineland in Niagara Falls to the Fortress of Louisbourg on the Atlantic coast. Every one of these is supported by small business — the ski lodge, the restaurant, the service station.

Product Launch: Organized by CGOT, the Product Launch seminars are designed to inform the travel agent about new Canadian tourism offerings for the traveller. For the cost of hotel and air fare plus registration at the marketplace, public and private suppliers of Canadian travel products get a chance to introduce their products to the right people.

"How to" Manuals: Then there are the "how to" manuals on management planning and operations. For the small businessman wanting to know how to design or plan a restaurant or accommodation facilities, campgrounds or



menus, 12 "how to" manuals have been created to help.

Response to the manuals has been so favorable that some community colleges are using two of the manuals, "Planning Canadian Campgrounds" and "The Inn Business", as texts for their courses.

In the future, CGOT hopes to give out the information contained in the manuals in the form of seminars, workshops and VTR presentations. It is currently co-operating with Design Canada on a seminar program that will raise industry awareness about the importance of design in product planning and development.

Two seminars were held last spring with a third proposed for November 4 at Whistler Inn in British Columbia. The presentation will bring in top professionals in the fields of interior design, graphics, site planning and marketing.

Financial Assistance: Small business receives assistance through tourism sub-agreements between the Government of Canada and particular provinces and territories and administered by the Department of Regional and Economic Expansion and CGOT. In an effort to improve the tourism facilities nearly a quarter of a billion dollars is being distributed across the country over a four-year period.

The money goes to all sizes of undertaking, including \$10 million to the mammoth year-round resort now underway at Whistler, B.C. With a golf course, five lakes, condominiums, shopping, a major hotel and convention facilities, the whole project will cost half a billion to build. Federal/provincial contributions to major infrastructure construction have eased the way for the small businesses that will make up much of Whistler.

On the other end of the scale is the New Brunswicker with a collection of antique firearms who applied for and received money to construct a building for it near Mactaquac, a budding tourist centre. Result — the Antique Arms Museum, a new attraction for the province and benefits to the owner, local hotels, restaurants and stores.

The federal government provides anywhere from 50 to 85 cents of every dollar distributed through the sub-agreements, the provincial or territorial departments the rest.

Distribution of Information: CGOT's own stable of publications includes both lure and hard information. As well, the Distribution Centre receives about 1,800 publications from private businesses, many of them small — the motel or fishing lodge with a great place to sell. They are forwarded to CGOT offices along with provincial and federal publications, so the typical field office distributes about 2,000 publications. More than 600 tons of information is given out annually to tourists who want to come to Canada.

CGOT also produces colour folders that can be used as covers for pamphlets for small promoters. They can then overprint their tour name, address or whatever on the cover, and have colour advertising for the price of black and white.



Photos: CGOT boasts the largest collection of tourism photos in the country and they are available to the small operator and others in the tourism industry to help them promote their products.

Films: More than 110 tourism film titles make up the Canadian Travel Film Library. The films, produced by governments and by private film makers, are distributed worldwide by CGOT and National Film Board offices. Seen by both the consumer and the trade, the films obviously emphasize the small operation as well as the big.

Tourism Manpower Study: People are the backbone of tourism and the small businesses that make it up.

Aware of a shortage of well-trained people in the industry and a need to upgrade existing staff, CGOT in concert with the private sector and provincial/territorial authorities has launched the National Tourism Manpower Study. The study, which should be ready by 1983, will look into the problems of mobility, turnover and lack of career opportunities. The study should give industry a clear manpower policy and program through to 1990.

National Tourism Plan: With the provinces and territories CGOT is working on a National Tourism Plan to be published for first time in mid-1982. This will be a compendium of the federal strategy for tourism and similar strategies for individual provinces and territories, produced by the respective provincial/territorial tourism authorities.

The National Plan will present tourism marketing strategies in Canada in five-year blocks — once completed in 1982 — to be up-dated every two years.

Tourism Data: But the small operator needs ongoing information as well. CGOT's planners are constantly collecting data to determine travel trends, advertising response and supply and demand trends in the industry.

A package tour inventory of all tours in Canada and to Canada is also part of the stock of information available at CGOT.

And the researchers and planners are keeping an eye on developments in what is becoming the electronic age — such as new computers and information breakthroughs like Telidon.

Tourism may be big business — but it's small business that makes it big business.

For further information, please contact:

Brian Goodyer
Chief, Public Affairs
Canadian Government Office of Tourism
 Ottawa, Ontario K1A 0H5
 Tel: (613) 995-5345

Challenges and Opportunities

by Shirley Plowman

With a 74-billion dollar export market, Canada's trading ship appears to sail a smooth sea, but it will have to do much better if it wants to keep afloat on the troubled economic waters that lie ahead.



Canadian industry has already proved its expertise in the world marketplace. Notches in its belt of experience include large capital projects in telecommunications, transportation, energy, pulp and paper, mining and civil works such as highways and bridges.

Small businesses involving electronics, textiles and clothing, furniture and the like also play a major role as exporters. Canada's farm and fish products — from apples to blueberries, caviar to lobster — are internationally known. In fact, small manufacturers export everything from gypsum screws to wood-fired furnaces.

In terms of growth and development, international trade is important for the small business sector. In turn, these small enterprises assist Canada in its industrial and economic development, particularly with regard to exporting and import substitution. **Were it not for the small business sector, many of Canada's products would have to be imported.**

Although no accurate up-to-date figures are available, it is estimated that 10 per cent of Canada's export activity is carried out by small firms. From a balance of trade point of view this figure is larger — as it does not take into consideration import replacement or the impact of the tourism sector. In addition, small firms play a major role as sub-contractors to larger exporters.

The tourism sector is dominated by small firms. In this sector, small businesses compete for the tourist dollars spent not only by foreign visitors to Canada but also by Canadians in and out of Canada — as a form of import substitution. According to the most recent available figures, about \$12.4 billion were spent in Canada by Canadians and foreign travellers in 1979 while \$4 billion were spent by Canadians outside Canada.

On the surface, Canada's merchandise export performance may appear satisfactory. Canada is an active trading nation, ranking eighth internationally in terms of the value of its exports, which

have grown from nearly 20 per cent of the Gross National Product in 1970 to more than 25 per cent in 1980. This puts the nation in a position similar to that of the Federal Republic of Germany, Britain, Austria and the Scandinavian countries.

Belgium and The Netherlands depend more heavily on exports than Canada does while the United States and Japan, with their large domestic economies, are in the six to 12 per cent category. **Canada's export trade in 1980 was \$74 billion, an important \$8 billion excess of merchandise exports over imports.**

What cause then for serious concern?

The fact that world competition for exports has become a battleground for economic survival. International competition in this decade will severely test Canada's ability to advance and perhaps even to maintain its existing trade position.

These provocative statements emanated from "Canada's Trade Challenge" Report of the Special Committee on a National Trading Corporation submitted to the House of Commons in June of this year.

There is little doubt that Canada is an important player in the global struggle for export growth, but according to the government-sponsored committee, Canada's performance to date suggests that it has not only been losing the battle but is barely in the game. Canada's merchandise trade position, it said, is propped up by natural resource-related exports and a favourable exchange rate.

Over the last 10 years, Canada has consistently run a substantial trade surplus in food products, raw materials and resource-based fabricated materials. Taken together these groups represented a net trade surplus of nearly \$23 billion in 1980. At the same time it has experienced a sizeable and growing deficit in the end-product category, which in 1980 accounted for a staggering trade imbalance of \$18 billion.

In interviews with 450 company representatives, the committee uncovered what it called "serious gaps" in Canada's approach to international marketing. Many Canadian manufacturers capable of and interested in exporting unfortunately lack the financial and human resources to develop new markets. Firms claimed they do not have access to, or seemed not to be aware of a comprehensive market intelligence system. They also complained of a dearth of dedicated sales personnel who would represent a variety of products. Specialized trading services ranging from packaging to transportation and delivery, they say, are not readily available to small-scale exporters.

The special parliamentary task force committee was established on June 12, 1980, to examine how the setting up of



a National Trading Corporation could improve Canada's export performance. Among its observations the committee urged improving market intelligence and policy information systems to give Canadian businesses and decision-makers access to ready information needed to pursue export opportunities and develop trade strategies. It recommended that export financing and insurance schemes be modified to put Canadian exporters on an equal footing with their international competitors. It suggested that government programs be further streamlined to foster export growth and innovative programs introduced to promote export education and give businesses access to the services of trade specialists.

There is a potential for exporting roughly \$10-14 billion worth of additional manufactured goods and capital projects, says the committee, a figure that could mean increasing Canada's exports by 15 per cent over present levels. The committee also came to the opinion that **\$8-12 billion worth of potential sales lie in waiting for exporters** who could improve their existing export performance and for new-to-the-game companies that could be encouraged to begin exporting.

A further \$1.5-2.5 billion in potential exports exist in the world market for capital projects alone.

Across-the-board assistance programs such as the **Federal Business Development Bank (FBDB)**, the **Small Businesses Loans Act (SBLA)**, the **Enterprise Development Program (EDP)** and tax incentives, contribute towards the growth and development of the small business sector. As a result, productive, competitive and technologically advanced small businesses are in a good position to compete in the international marketplace.

In addition, there are a number of services that directly assist small enterprises in their efforts to export. These include the **Program for Export Market Development (PEMD)** and the **Export Development Corporation (EDC)**. Under PEMD, small businesses are financially assisted to establish themselves in a variety of export markets — through financial assistance for market identification trips, participation in trade fairs abroad and sharing the costs of visits from foreign buyers.

EDP and PEMD are both administered by the federal Department of Industry, Trade and Commerce (IT&C).

Through a network of 91 offices in 67 countries, IT&C's Trade Commissioner Service assists small exporters and those interested in becoming exporters.

The Business Opportunities Sourcing

System (BOSS) helps small enterprises by identifying Canadian markets and thereby enhancing the import replacement abilities of small firms. BOSS is jointly administered by IT&C and the provincial governments.

A well-designed and carefully focussed package of government trade support services does make a significant contribution, but government and individual programs of financial aid can only do so much. The energy, initiative and personal drive of the exporter are vital in the struggle for world trade.

Each component of the trading community, including the larger exporter and the small, will have to perform at high level to maintain and advance Canada's competitive position and eventually reach the desired goal — getting a more generous slice of the export market pie.



Small Business Secretariat — Five Fine Years

The Small Business Secretariat (SBS) is only five years old, but already can cite a substantial list of achievements.

Its first task was to analyze the problems that up to that time — December 1976 — seemed tailor-made to frustrate the small business community in its dealings with large bureaucracies.

These difficulties included: continuing problems of overlap and duplication within and between governments; the excessive paperwork evident in many instances; and equity and debt financing needs. The Secretariat identified specific taxation proposals which have now been implemented, recommended against a universal legislated definition of small business, and set the stage for specific improvements and the removal of irritants.

SBS, of course, does not work in isolation. It is an integral part of the Department of Industry, Trade and Commerce and has the full co-operation of the Ministry of State for Economic Development and other federal departments.

Through their combined efforts came the following accomplishments:

- an annual publication of statistics on small business for use by federal departments, provincial governments and the financial community;
- adoption by Supply and Services Canada (SSC) of a small business subcontracting program to increase Small and Medium Enterprise (SME) participation, competition and Canadian content in major contracts;
- program measures to benefit small business that include tax deferrals, studies on equity financing, increased capital loss allowances on investments, a more practical federal sales tax remittance and others;
- a two-year Small Business Intern Program for training young people that operated successfully in 10 provinces;
- large firm-small firm co-operation;
- better access to government programs through Business Information Centres (BICs);
- consultations in Ottawa and throughout the provinces between the Minister of State and small business representatives;
- access to the Minister through correspondence (500 a year), telephone calls (2,000 a year) and visitors (400 a year);

- the establishment of an Office for the Reduction of Paperwork for a two-year term to identify and help find solutions to the problems of lengthy government forms and procedures.

Although the paperburden control office is no longer in operation, it served its purpose well and did a good trailblazing job. The Small Business Secretariat now has some of the resources previously assigned to the office to continue helping those in small business with any problems connected with red tape, paperwork and records retention.

The Small Business Secretariat works in close co-operation with Supply and Services Canada in making known to small businesses the opportunities available for subcontracting to the prime contractors on federal government projects.

Loans for Small Businesses

The Secretariat is often asked about the Small Businesses Loans Act administered by Industry, Trade and Commerce in co-operation with chartered banks and designated financial institutions.

As stipulated by the Act, a small business is an enterprise with annual gross revenue not exceeding \$1.5 million during the fiscal year in which the application is made.

Revisions have broadened the eligibility for SBLA loans, raised the loan ceiling and introduced a more flexible rate structure to increase the amount and availability.

Eligible for these loans are small business enterprises in the following sectors: manufacturing; wholesale or retail trade; services; construction; transportation; communications; real estate; and insurance.

SBLA loans cannot be made to businesses engaged in finance, in a profession or to a non-profit organization. They also cannot be used for working capital requirements or for repayment of an existing debt. They are available for the purchase of equipment, renovation or improvement, to construct new premises or to purchase land for the operation of the business. The loans must also be secured and repaid within 10 years.

Small Business Development Bond

Another source of financial aid is the Small Business Development Bond available through financial institutions. Funds borrowed under the SBDB must

be used to make new capital investments or to finance research and development expenditures.

Under this measure, interest payments on a small business bond entered into after December 11, 1979, and before December 31, 1981, will be treated for tax purposes as dividends. This interest will not be taxable to the corporate lenders, nor deductible to the small business. Since corporate lenders will incur no tax liability on the interest received, they are able to reduce the rate of interest charged. Any Canadian-controlled private corporation that qualifies for the small business tax rate is eligible.

BOSS Works for You

Through the Department of Industry, Trade and Commerce, business persons can also learn about the Business Opportunities Sourcing System (BOSS), an invaluable information market that links the country from east to west. A detailed computerized information system, it contains the names of many Canadian companies and their products, making them easily available to domestic and international buyers and sellers.

It took two years to ensure the appropriate technical development of the system and to establish a project comprising more than 6,000 manufacturing companies. The system also includes some 700 International Trading Houses, and development of a separate questionnaire for the Services Industry is now underway. (For further information on BOSS, contact the nearest IT&C Regional Office.)

A Focal Point for Small Business

The Minister of State for Small Business and Tourism and the Secretariat have been the focus of appeals and representations from not only the small business sector, but organized lobby groups and such major organizations as the Canadian Federation of Independent Business (CFIB), the Canadian Manufacturers' Association and the Canadian Export Association.

Having a small business spokesman in Cabinet at the federal level has contributed in a major way to changing small business opinion of government. With the assistance of the Small Business Secretariat, some of the individual frustrations of the past are markedly diminished.

**For further information, contact:
Small Business Secretariat (63)
Department of Industry, Trade and Commerce
235 Queen Street
Ottawa, Canada
K1A 0H5
Tel: (613) 995-9197**

SMALL BUSINESS AND GOVERNMENT

Small businesses play increasingly important roles in Canada's economy, generating approximately 20 per cent of the value of all goods and services produced in this country.

Recognizing this, the Government of Canada is committed to assisting small businesses, a commitment that was reaffirmed when a Minister of State for Small Business was appointed in September 1976, and in such practical ways as:

- the introduction of income tax measures that are benefiting small business by more than \$2 billion annually;
- responding to complaints from individual entrepreneurs and business associations by reducing paperburden to the business community by more than \$300 million annually;
- increasing the opportunities for Canadian suppliers, especially small businesses, to obtain subcontracts from Supply and Services Canada prime contractors.

The Department of Industry, Trade and Commerce (IT&C), through its regional offices and the Small Business Secretariat, maintains continuous contacts with the small business community and is a valuable source of information to the minister's office, the department and other interested federal departments or groups.

The channels of communication are always open through the Advocacy Office of the Small Business Secretariat. It is the focal point for the receipt of verbal or written complaints and recommendations affecting small businesses. The secretariat can be of great help to small businesses in dealing with many problems whether paperwork, red tape, regulations or any other aspect of government activities.

The federal government also has a wide variety of programs and services ranging from helping firms with management counselling to promoting sales abroad. Services are also designed to meet the particular needs of an individual company at every stage of development and many are specially geared to the requirements of small businesses.

GETTING STARTED

Raising Funds

Obtaining sound financing is always a major concern of any company just starting out and, although banks are primary sources of loan capital, some firms have trouble obtaining funds from them. For these concerns, the Canadian

government provides special assistance.

One way is through the **Federal Business Development Bank (FBDB)**, a Crown corporation with 103 branches across Canada. The FBDB extends financial assistance to new or existing businesses that cannot obtain financing at reasonable terms and conditions from other sources. Although this FBDB assistance is available to businesses of almost every type and size, special emphasis is placed on helping smaller enterprises. In fact, 90 per cent of the 16,500 loans authorized in 1979 were for \$100,000 or less with the average being around \$52,000.

Many FBDB customers borrow to acquire land, buildings or equipment, others to strengthen working capital or to establish a new business.

Financing is available through loans, loan guarantees, leasing or equity financing. The latter is particularly important for a company in situations of start-up or of high risk in a venture with high growth potential. Under this kind of arrangement, the FBDB assumes a minority ownership in such a company by purchasing shares which may be redeemed later.

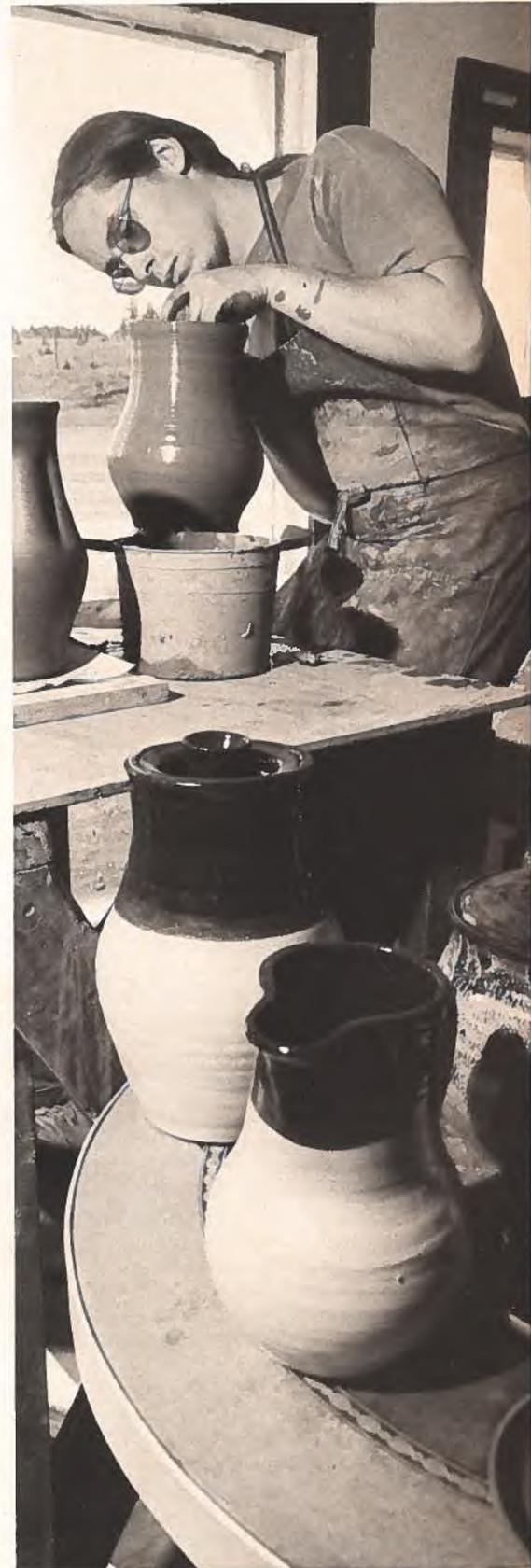
The FBDB and its predecessor, the Industrial Development Bank, have lent more than \$5 billion to small firms since 1944. At the end of the 1980-81 fiscal year, the FBDB had loans out to about 40,000 small businesses in all regions of the country.

Another source of financing is provided by the **Small Businesses Loans Act (SBLA)**. Under the act, the government, through the Department of Industry, Trade and Commerce, guarantees loans made by commercial banks and other private-sector institutions to existing small businesses as well as for start-ups and expansions. With this guarantee, lenders are encouraged to make funds available to small businesses which they might otherwise consider too risky. The interest rate is set at one per cent over the prime lending rates of the chartered banks and floats for the duration of the loan.

Loans are generally used to buy equipment, buildings or land or to improve existing premises. In 1980 approximately \$400 million was lent to small firms under this act.

Finding Good People

Another major concern to any new business is finding employees with the required skills and to help in this there are more than 450 federal government **Canada Employment Centres** across





the nation. The **National Job Bank**, a nation-wide telephone/computer hook-up for the rapid matching of workers and jobs, is available to:

- give any job order nation-wide exposure if qualified workers cannot be found locally;
- put the employer in touch with more workers faster;
- help ensure that there are workers available when they are needed.

THE COMPANY IN OPERATION

Tax Incentives

The federal government has a number of tax incentives designed to be of special help to small businesses, and many of them have been introduced since 1977. Information on these incentives is readily available through the nearest regional director of customs and excise or the regional director of taxation.

Energy and Technology

Federal money is available to help small business improve their technology and cut costs through more efficient use of energy. Several support programs, including the **Enterprise Development Program (EDP)** and the **Defence Industry Productivity Program (DIP)**, are operated by the Department of Industry, Trade and Commerce. Financial support is also available for research and development projects on energy conservation and in industrial processes.

Through the Department of Energy, Mines and Resources and with provincial co-operation, the federal government offers free to companies and institutions a multi-faceted energy management and energy conservation program that can improve energy-use efficiency

and reduce, sometimes spectacularly, expenditures for fuel and electricity.

An **Energy Audit Vehicle**, popularly known as the Energy Bus, equipped with mini-computers and energy measuring devices, is an important element of the **Energy Save for Industry and Commerce Program**.

The Energy Bus is available on request for energy audits on industrial, commercial and institutional buildings. It is staffed by a team of energy specialists trained to assist in:

- increasing awareness of energy waste;
- identifying opportunities to conserve energy;
- reducing energy costs.

Technical support for contract research and development and other technical services may be had through a number of centres established with the financial assistance of the Department of Industry, Trade and Commerce. These include nine industrial research institutes, 11 centres of advanced technology and four industrial research associations.

Staffing Improvements

Once a new company has established its staff, Canada Employment Centres can help set up training programs while reimbursement for direct training costs and trainee wages is available through the Canada Manpower Industrial Training Program.

The centres can also provide current facts and figures on the job market, help plan future staff needs and help companies cope with change.

New Skills and Talents

For the business that employs new processes or scientific or technical breakthroughs, young well-qualified staff members may be available through

the New Technology Employment Program.

This program offers young people, qualified in technical skills, the opportunity to use their talents to advance the development and application of new technology. The program is designed to provide jobs for unemployed or under-employed post-secondary graduates trained in scientific or technical areas. It is also designed to develop innovations in manufacturing and the application of conservation and alternate energy techniques and programs, and to support small-scale entrepreneurial initiatives in these areas.

Some private-sector firms, individuals, associations, research institutions and community organizations creating additional employment in approved activities, will be eligible for a contribution of 75 per cent of wages paid (to a maximum of \$290 weekly) for up to 12 months. The maximum for each employer is \$150,000.

GETTING THE FACTS AND ADVICE

Information Please

There is a wealth of information available to owners and managers of small business concerns in Canada and it is important to know how to obtain it.

Major sources of information include:

- **The Business Centre** — located in Ottawa, serves the business community as a clearing house for information, guidance and advice on government services and programs and other types of assistance to business and industry.

The centre's staff of counsellors is continually developing contacts with both federal and provincial departments and agencies, keeping abreast of current economic and commercial developments and maintaining an extensive information bank on government programs and activities at all levels. This means the centre can provide prompt, accurate, up-to-date replies to varied and often complex inquiries made by Canadian and foreign business people.

The counsellors will arrange meetings with appropriate offices and will, if asked, help to resolve problems that may arise after the initial referral.

- **The Business Information Centres** — provide similar assistance as the Business Centre but from offices in every province. The centres have on display and available a wide selection of publications from various federal departments and agencies of particular interest to business and industry, small, medium or large.

The nearest centre can be contacted toll-free by dialling "0" and asking the operator for "Zenith 0-3200".

• **BOSS (Business Opportunities Sourcing System)** — BOSS is a computer system containing information on some 10,000 companies in Canada and the products they make. It provides answers to such questions as: From what Canadian companies can machinery, equipment, parts or supplies be purchased? What Canadian companies make similar products? Most of the companies listed in the system are manufacturers but service firms are being added.

The provincial governments and the Department of Industry, Trade and Commerce jointly administer BOSS. Listing of companies in BOSS is free and voluntary. It is simply a case of contacting the nearest Department of Industry, Trade and Commerce Regional Office or provincial department of industry and asking for a BOSS questionnaire. Gaining access to BOSS information — such as identifying Canadian sources for goods — is equally simple. Call the nearest IT&C Regional Office.

• **Assistance to Business in Canada** — is a comprehensive directory or catalogue of federal government programs, incentives and services available to business and industry in Canada. It is available from the federal Ministry of State for Economic Development or may be consulted at any Business Information Centre.

• **The Small Business Information Service** — an enquiry and referral service about government and other assistance programs to small businesses, is available at Federal Business Development Bank (FBDB) offices across Canada. The FBDB also has available free on request two publications: "Minding Your Own Business", a series of booklets covering many aspects of small business management; and "Small Business News", a quarterly news bulletin that keeps abreast of business developments.

• **The User Advisory Services Division of Statistics Canada** — provides easy access to invaluable statistical data. The division has statistical reference centres in nine major cities and toll-free telephone service in several other areas. As well, each local office has one or more regional advisers who can help on data problems.

Advice on Tap

At one point or another a small business owner or manager may run into problems he cannot quite handle himself and may wish to seek advice or discuss those problems or his company's potential with experienced and knowledgeable persons. There are a number of programs and organizations, both



federal and provincial, geared to provide just such service. Federally, they include:

• **Counselling Assistance to Small Enterprises (CASE)** — CASE offers management counselling at nominal cost to managers of most small businesses. Under the program, particular problems can be discussed and new ideas looked into with retired business persons acting as management consultants on behalf of the Federal Business Development Bank. CASE services are available in all regions.

The FBDB also provides management training to small businesses. It conducts one-day management seminars and works with industry associations and other organizations to prepare seminars for specific industries. It also provides 30-hour courses on small business management to adult education programs.

• **Design Canada** — offers programs and services aimed at managers/owners of small and medium-sized businesses to increase the competitive position of Canadian industry by improving the industrial design of products. For example, cost-shared design advisory services can help evaluate what improved design can mean to a company.

• **The Business Centre and the Business Information Centres** also provide comprehensive counselling and advice services along with their information services.

THE COMPANY DEVELOPS Branching Out

As a small enterprise grows, it discovers new financing needs to cover new facets of its operation including expansion and development. Here the Federal Business Development Bank and the Small Businesses Loans Act, so

important in the start-up phase, also provide financing assistance. In addition, there are other programs that can also help an expanding business.

For the company considering a good product development or a business expansion project but cannot handle it on its own and private-sector resources are not available or inadequate, the **Enterprise Development Program (EDP)** may be able to help.

Launched by the Department of Industry, Trade and Commerce in 1977, EDP focusses on high-potential small and medium-sized firms that are prepared to undertake relatively high-risk but viable projects which promise attractive rates of return. EDP offers grants to share the costs of product development and loan insurance covering business expansion.

Expanding Regionally

Economic wealth and natural resources have not been spread evenly across Canada, a subject of concern to governments at all levels.

Seeking to balance economic growth and provide more employment opportunities throughout the country, the federal government, in 1969, created the Department of Regional Economic Expansion (DREE) to combat regional disparity.

Through DREE's **Regional Development Incentives Program**, business and industry are granted incentives to undertake projects in designated slow-growth regions which can be found in every province and territory. A company establishing new manufacturing or processing facilities or modernizing an existing plant may be eligible for a cash grant and/or loan guarantee.

Size is not a factor. The government recognizes that healthy small busi-



nesses and the jobs they create are particularly important to the economies of slow-growth areas. Projects with capital costs as low as \$5,000 may be eligible if they directly create at least five new jobs.

DREE has signed **General Development Agreements (GDA)** with each of the provinces, which are the basis for joint federal-provincial co-operation in

identifying and sharing costs of long-term initiatives. GDAs do not provide for a commitment of resources. This is done by means of subsidiary agreements which contain details of specific programs. Each GDA provides for subsidiary agreements, which are specific in nature, to exploit development opportunities agreed upon by the two orders of government.



In its first 10 years of operation, from 1969 to 1979, DREE's expenditures were \$3.6 billion most of which was spent in subsidiary agreements and industrial incentives.

DREE is widely decentralized with regional offices in Moncton, Montreal, Toronto and Saskatoon, offices in each of the provincial capitals, Yukon and the Northwest Territories, as well as many smaller branch offices.

In selected areas across Canada, a company may be able to take advantage of the 50 per cent **Special Investment Tax Credit** for manufacturing and processing assets.

Selling Abroad

The Canadian government offers many programs and services to help businesses expand markets and become internationally competitive. Advice and support are tailored to the demands of all businesses, large and small.

The majority of these programs are offered through the Department of Industry, Trade and Commerce (IT&C).

The overseas arm of the department, the **Trade Commissioner Service**, strives to promote Canadian exports and protect commercial interests abroad. In 1980, the service's network of 91 offices in 67 countries responded to 70,000 requests for assistance from Canadian businesses and directed 50,000 enquiries from foreign buyers to the attention of Canadian industry. Through the Business Opportunities Sourcing System (BOSS), Trade Commissioners have up-to-date information on many Canadian companies, their products and export potential.

Central contact points in Canada's trade and economic relations with other countries are IT&C's four **International Bureaux** — The European Bureau; the Bureau of Asian and Pacific Affairs; the



Bureau of African and Middle Eastern Affairs; and the Western Hemisphere Bureau. They maintain a close working relationship with the Trade Commissioner Service and can provide up-to-date information on access problems affecting the import of Canadian goods and services to a given area.

The **International Trade Data Bank** of IT&C provides information on the imports and exports of 41 major trading countries.

In addition to these services, the Department of Industry, Trade and Commerce operates two major programs to help Canadians sell in foreign markets.

The **Promotional Projects Program (PPP)** sponsors Canadian participation in trade fairs abroad, organizes trade missions to foreign countries and arranges visits by foreign representatives to examine Canadian products and industrial capabilities. PPP's help, for example, could include designing and arranging an exhibition booth that shows a company's products to best advantage.

Any firm wishing to undertake an export marketing activity but unable to really consider it without the assistance of the federal government may be eligible for help through the **Program for Export Market Development (PEMD)**. This program encourages and helps

Canadian companies to enter or expand foreign markets through financial contributions where there is a need to share the risk. Contributions are repayable if exports sales are achieved; they are not repayable if sales or contracts are not obtained.

In addition to these services, Canadian companies benefit from tariff preferences in many parts of the Commonwealth and from Canada's trade agreements with most countries outside the Commonwealth.

Two Crown corporations are also active in the export field.

The **Export Development Corporation (EDC)** provides insurance and financial services that can help firms compete successfully abroad. Its facilities include:

- insurance for Canadian exporters against non-payment by foreign buyers;
- insurance for Canadian exporters against wrongful calls on performance securities, and guarantees for banks providing securities related to performance or bids;
- guarantees to financial institutions against losses incurred in financing either the Canadian supplier or foreign buyer in an export transaction;
- long-term loans to foreign buyers of Canadian capital equipment and services;

- guarantees against loss of Canadian investments abroad by reason of political actions.

Any firm or person operating a business in Canada is eligible to apply for EDC services. The corporation is particularly sensitive to the needs of the smaller exporter — there is no minimum value of export business required to qualify for support.

The **Canadian Commercial Corporation (CCC)** can help Canadian companies to export goods by emphasizing procurement on behalf of foreign governments. In many cases CCC can provide access to foreign government purchasing offices. Since 1978, the CCC has focused on the sale of capital projects in addition to individual equipment items and services.

COMPLEMENTARY AID

The programs and organizations described above are primarily of the federal government. However, it must not be forgotten that provincial governments have their own departments, organizations and programs also geared to the needs of small business. These complement the work done by the federal government and together the two levels of government provide a truly comprehensive package of assistance that Canada's small business community can tap.

ORGANIZATIONS AND PROGRAMS	ABBREVIATION	SERVICES	FOR MORE INFORMATION
Business Opportunities Sourcing System	BOSS	Information on Canadian firms and the products they make, for sourcing, selling, etc.	Contact the nearest regional office of the Department of Industry, Trade and Commerce.
Canada Employment Centres	CECs	Help find qualified employees; help set up training programs; provide facts on job market; help plan future staff needs	Contact your nearest Canada Employment Centre or Canada Employment and Immigration Commission Ottawa, Canada K1A 0J9 Tel: (819) 994-6902
Canada Manpower Industrial Training Program	—	Offers financial reimbursement for direct training costs and trainee wages	Contact your nearest Canada Employment Centre or Canada Employment and Immigration Commission Ottawa, Canada K1A 0J9 Tel: (819) 994-6902
Canadian Commercial Corporation	CCC	Procures on behalf of foreign governments Offers support in responding to opportunities for capital projects	Contact for traditional sales: Export Supply Centre Department of Supply and Services Ottawa, Canada K1A 0S6 Tel: (819) 997-5605 Contact for capital projects: Canadian Commercial Corporation Ottawa, Canada K1A 1E9 Tel: (613) 996-0034

ORGANIZATIONS AND PROGRAMS	ABBREV.	SERVICES	FOR MORE INFORMATION
Counselling Assistance for Small Enterprises	CASE	Offers management counselling at nominal cost	Contact the nearest branch of the Federal Business Development Bank or Federal Business Development Bank Head Office 901 Victoria Square Montreal, Quebec H2Z 1R1 Tel: (514) 283-5904
Department of Regional Economic Expansion:	DREE		Contact the nearest DREE office located in provincial capitals, Moncton, Montreal, Saskatoon and other centres;
Regional Development Incentives Program	RDIP	Offers cash grants and loan guarantees for manufacturing and processing projects in slow-growth regions.	or Department of Regional Economic Expansion Ottawa, Canada K1A 0M4 Tel: (819) 997-2096
Federal-provincial general development agreements	GDA's	Cover a wide range of regional development activities; may include assistance to small businesses.	
Special Investment Tax Credit Program	—	50% tax credit for manufacturing and processing assets in selected areas.	
Design Canada	—	Helps improve product design	Contact: Executive Director Design Canada Department of Industry, Trade and Commerce Ottawa, Canada K1A 0H5 Tel: (613) 992-0341
Ener\$ave		Helps identify opportunities to conserve energy and reduce energy costs.	Contact: Energy, Mines and Resources Canada Conservation and Renewable Energy Branch 580 Booth Street Ottawa, Canada K1A 0E4 Tel: (613) 995-1801
Enterprise Development Program	EDP	Provides grants and loan guarantees for high-risk projects	Contact the nearest regional office of the Department of Industry, Trade and Commerce or Department of Industry, Trade and Commerce Ottawa, Canada K1A 0H5
Export Development Corporation	EDC	Provides financial services to protect exporters and importers	Contact: Export Development Corporation P.O. Box 655 Ottawa, Canada K1P 5T9 Tel: (613) 237-2570
Federal Business Development Bank	FBDB	Offers loans, loan guarantees, leasing and equity financing to new and existing businesses; provides management training	Contact the nearest branch of the Federal Business Development Bank or Federal Business Development Bank Head Office 901 Victoria Square Montreal, Quebec H2Z 1R1 Tel: (514) 283-5904

ORGANIZATIONS AND PROGRAMS	ABBREV.	SERVICES	FOR MORE INFORMATION
Department of Industry, Trade and Commerce	IT&C	Offers information and advice on improving operations	Contact the nearest regional office of the Department of Industry, Trade and Commerce
International Bureaux	—	Offer information on problems of access to foreign markets	Contact the nearest regional office of the Department of Industry, Trade and Commerce
International Trade Data Bank	—	Provides information on imports and exports of major trading countries	Contact: Trade and Structural Analysis Branch Department of Industry, Trade and Commerce Ottawa, Canada K1A 0H5 Tel: (613) 996-9041
Program for Export Market Development	PEMD	Offers financial risk-sharing of market development	Contact the nearest regional office of the Department of Industry, Trade and Commerce
Promotional Projects Program	PPP	Promotes Canadian trade abroad	Contact the nearest regional office of the Department of Industry, Trade and Commerce
Small Business Information Service	—	Offers enquiry and referral service for assistance programs	Contact the nearest branch of the Federal Business Development Bank or Federal Business Development Bank Head Office 901 Victoria Square Montreal, Quebec H2Z 1R1 Tel: (514) 283-5904
Small Businesses Loans Act	SBLA	Guarantees loans to small businesses up to \$100,000	Contact: The Manager Small Business Loans Administration Department of Industry, Trade and Commerce Ottawa, Canada K1A 0H5 Tel: (613) 995-0497 or the nearest regional office of the Department of Industry, Trade and Commerce
Statistics Canada	—	User Advisory Services Division helps people use statistics	Contact the regional advisor at the nearest branch office
Trade Commissioner Service	—	Promotes Canadian exports and protects commercial interests abroad	Contact the nearest regional office of the Department of Industry, Trade and Commerce
Small Business Secretariat	—	Offers help on paperwork regulations, red tape or any aspect of federal government operation affecting small businesses.	Contact: Small Business Secretariat Department of Industry, Trade and Commerce 235 Queen Street Ottawa, Canada K1A 0H5 or call collect (613) 995-9197.

If undelivered return to:
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