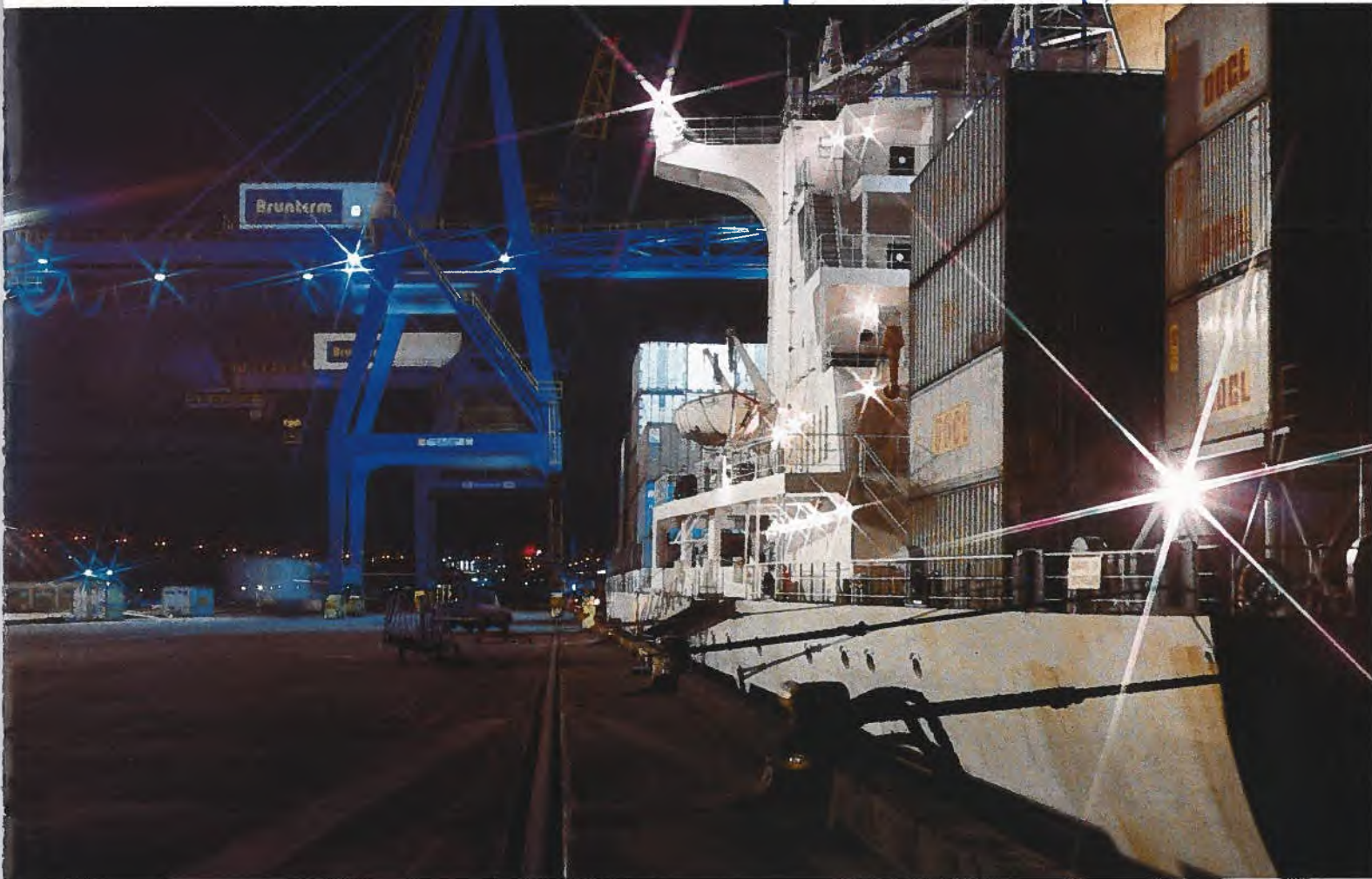


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Canada Commerce

February 1984

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Port of Saint John

**MARKETING
SUPPORT**

Canada Commerce

The Honourable Edward C. Lumley
Minister of Regional Industrial Expansion

The Honourable David P. Smith
Minister of State for Small Business and Tourism



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1984 is “The Year of Tourism” in Canada

Canada Commerce
February 1984

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Business Review

Publication Analyses Productivity Growth

The Economic Council of Canada has made available an in-depth study and analysis of productivity growth in Canada entitled *Canadian Productivity Growth: An Alternative (Input-Output) Analysis*. The publication presents data and detailed analyses back to 1961.

The book costs \$6.95 in Canada and \$8.95 for other countries. It can be obtained from most book stores or by written purchase order from: Canadian Government Publishing Centre, Supply and Services Canada, Hull, Québec K1A 0S9. Postal orders should be accompanied by a cheque or money order made payable to the Receiver General for Canada.

Ontario Credit Rating "Triple A"

The New York financial rating service, Standard & Poors, has reaffirmed Ontario's credit rating as "Triple A" — the best there is! This is reflected in the borrowing ability of Ontario Hydro which is guaranteed by the province, according to an Ontario Hydro bulletin.

A company's credit rating determines how much it can borrow and at what interest rate on the money markets. Only a handful of electrical utilities in North America have such a high rating, the bulletin states. Ontario Hydro has a debt of \$17.4 billion with assets of \$22.2 billion.

Does This Sound Familiar?

"Why are the earnings of female employees so much lower than those of males in almost every kind of occupation?"

Or "Female employees no doubt feel that if they can do a man's work they should receive a man's wage."

Equal pay for work of equal value is an idea very much in the news these days. But, according to Statistics Canada's publication *Inklings*, "the words you have just heard" came not from a modern feminist but from a male government official *more than 80 years ago!* He was commenting on the Census of 1901 and his figures told him that, no matter what the job, women were always paid less than men — often less than half.

Exclusive Agreement Signed

Interworld Electronics & Computer Industries Ltd., a western Canada-based representative/distributor with head office in North Vancouver, has signed a representative agreement with Rusint Electronics & Sales Canada Ltd.

Rusint is the international marketing arm of Rohde & Schwarz GmbH & Co. KG of Munich, Federal Republic of Germany, which manufactures high quality RF test and measurement instruments and systems.



Canada-Australia Trade to Expand

Two-way trade between Canada and Australia is worth more than a billion dollars a year and is likely to expand, Canadian International Trade Minister Gerald Regan recently told a meeting of businessmen in Sydney, Australia.

Mr. Regan noted that Australia offers some of the best prospects in the world for attractive business ventures. Some fields with immediate possibilities include data processing, power generation and transmission, agricultural machinery and mining equipment.

Canadian Consultant Contract in Sri Lanka

Consult Limited, of Don Mills, Ontario, consulting engineers and planners, has been appointed to undertake a feasibility study of about 60 sites in Sri Lanka and assess their potential for supporting small scale hydro-electric schemes.

The study is being undertaken on behalf of the Sri Lanka State Plantations Corporation with financing largely supplied by the Canadian Project Preparation Facility through the Canadian International Development Agency.



Westinghouse Canada Wins Export Award

Westinghouse Canada Inc. is among 15 Canadian companies chosen from more than 250 to receive the *Canadian Export Award* for achievements in international trade.

The award's pennant is shown being presented by Michael Heney (right), director general, Capital and Industrial Goods Division, Department of Regional Industrial Expansion (DRIE). Receiving the pennant for Westinghouse are Jim Carman (left), vice-president, Strategic Planning and Corporate Affairs; and John McCullum (centre), vice-president, Corporate Marketing International.



Third DASH 8 Joins Flight Certification Program

The third pre-production DASH 8 from de Havilland Canada has joined the flight certification program. One of five aircraft to participate in the 1 670-flying-hour program, DASH 8 #3 was scheduled to take its maiden flight in late November.

To date, more than 120 hours have been flown between the first two aircraft. DASH 8 #2 flew for the first time last October. According to de Havilland, specific fuel consumption for the DASH 8 is better than specifications projected at the outset of the program.

New High-Performance Workstation

MASSCOMP Canada, a subsidiary of Lanpar Technologies Inc. of Markham, Ontario, has unveiled its new WorkStation-500 — the first 32-bit virtual memory workstation with an integrated floating-point array processor.

With a combination of enhanced processing power and performance-oriented architecture, the workstation provides a new dimension in computation and graphics capability for real-time numerical analysis in computer-assisted design (CAD), computer-assisted engineering (CAE) and other scientific/engineering applications.



Conference Round-up

Teleconference Symposium

A call has been issued for registration for the world's first International Teleconference Symposium (ITS '84) to be held April 3, 4 and 5 at the Hilton Harbour Castle Hotel in Toronto.

Hosted in Canada by Teleglobe Canada, ITS '84 will be conducted concurrently at five international sites in Sydney, Australia; Tokyo, Japan; London, England; Philadelphia, U.S.; and Toronto. The symposium will feature fully-interactive teleconferenced sessions linking the various sites by the Intelsat satellite system. For further information, contact: Philip van Leeuwen, Montréal (514) 281-5060; or Grace Lake, Toronto (416) 364-8882.

Atlantic Business Outlook Conference

This annual spring conference will be held March 1 at the Hotel Nova Scotian in Halifax. Topics will include the Atlantic, national and international economic outlooks.

For further information, contact: The Conference Board of Canada, Suite 100, 25 McArthur Avenue, Ottawa, Ontario K1L 6R3.

The 1984 Marketing Conference

Held March 29 and 30 in the Westin Hotel, Toronto, conference will deal with issues facing marketing managers.

For further information, contact: The Conference Board of Canada, Suite 100, 25 McArthur Avenue, Ottawa, Ontario K1L 6R3.

Service Offers Low-Cost Business Presentation Slides

Graphic Imaging Inc. of Willowdale, Ontario, now gives businesses, institutions, seminar leaders and professional communicators the opportunity to produce their own professional quality presentation slides quickly and at budget prices.

A microcomputer-based design station keeps client costs low — savings of up to 65 per cent — while image quality is comparable to that offered by the most sophisticated audio-visual production houses. Easy to use menu driven software enables even first time users to produce up to 12 slides an hour.

"The Canada Line" Links North America and Europe

CP Ships, a subsidiary of Canadian Pacific Limited, and Dartcan, a subsidiary of Compagnie maritime belge (CMB), have combined their North Atlantic interests into a new container line linking Europe and North America.

Called *The Canada Line*, it is being launched with an aggressive advertising and marketing program in both Europe and North America. Says Captain Jacques Dewilde, managing director of the new company, "We have a major job ahead of us. CP Ships and CMB are known and respected throughout the world. We must create the same immediate recognition for *The Canada Line*."

IBM Imposter Making Millions — Legally

Impersonating IBM computer terminals has turned into a million-dollar idea for Simware Inc. of Ottawa. The company markets a software package that enables a variety of personal computers and inexpensive terminals to function like versatile and expensive IBM 3278.

Called SIM3278, the simulator has brought in more than \$1 million from buyers throughout North America and Western Europe. It "fools" an IBM mainframe computer into thinking it is "talking" to intelligent terminals and is used to allow common, asynchronous "dumb" terminals and personal computers to communicate with mainframes.

Work Sharing — A Concept Catches On



It began during the deepening recession of 1981. With a considerable sense of urgency, a number of options for stimulating employment were presented to Cabinet. Among them was work sharing.

It was an idea whose time had come. Work sharing was immediately approved and assigned a modest budget. This promptly increased by leaps and bounds in response to demand until today, approximately 14 000 work sharing agreements later, it stands at \$250 million for fiscal 1983-84.

Under work sharing, a firm's employees are given the option of working shorter hours. As a result, the firm now needs additional people to do the same amount of work. Under normal conditions this would be regarded as nonsensical, but these are times when the conventional ways of doing things are not always adequate for today's problems.

Normally, when a business is forced to cut production a layoff is

bound to occur. This is something like cutting off an arm to lose weight. Yet the layoff has always been regarded as the most sensible way for a business to cope with a downturn.

Work sharing offers a less painful solution: ask all employees in the work unit to work fewer hours, enough to cause production to fall to the desired level. This way, those on the verge of being laid off will keep their jobs. If everyone agrees, the government pays a "work sharing benefit" to each affected worker for the time not worked. The benefit equals 60 per cent of their pay, up to a certain maximum, and is financed by the Unemployment Insurance (UI) fund.

Back in 1981 the question was, would the "sharing" workers — those who were not facing immediate layoff — go along? The scheme rested on the willingness of others to share the burdens of recession and unemployment. Work sharing had been accepted

in Europe for a decade. How would Canadian workers react? The number of work sharing agreements to date — more than 14 000 — leaves no doubt about anyone's desire to share the load.

Why does it work? Employees on the lay-off list gain by keeping their jobs and maintaining their skills and work habits. Work sharing also gives the opportunity for workers to retrain and catch up on new skills during their extra time off. Employers gain by being able to retrain workers at government expense. They can also use the work sharing period to upgrade processes or equipment.

UI-funded work sharing first came into use during the winter of 1981-82. The recession was worsening and many companies were being forced to contemplate layoffs. The Canada Employment and Immigration Commission (CEIC) had been studying the work sharing concept since the mid-1970s. This homework enabled CEIC to get the program off to a fast start when Cabinet approved it towards the end of 1981.

Study of the concept had begun in 1976. With several European examples to work from, CEIC officials set about designing a program suited to Canadian conditions. The basic idea behind work sharing — that of government enabling workers to share the load by paying them not to work — was simple. The task of putting it all together into a workable program, however, was a different story, as officials were faced with an array of nitty-gritty details to iron out such as:

- Would there be a limit on the size of the firm? (no);
- Would there be a limit on its length of operation? (two years);
- What was the smallest number of workers who could take part? (two);
- What was the smallest reduction of work allowable? (20 per cent for any worker, 10 per cent overall during the life of an agreement);
- What were the time limits of a work sharing agreement? (six week minimum, 26 week maximum, with extensions when approved by CEIC or when the firm was facing the possibility of a permanent layoff);
- Could firms take part more than once? (yes, if they remained off work sharing for as long as they had been on it.)



After necessary amendments to the UI Act, the way was cleared for a field test in the fall of 1977. (The Act had been changed to allow for elimination of the normal two-week waiting period, plus the addition of a guarantee that receipt of work sharing benefits would not affect eligibility for UI benefits later on.)

There were 24 pilot agreements field tested between November 1977 and September 1979, at a cost of \$1.5 million. The money represented payments in UI work sharing benefits to 3 200 workers. These pilot agreements showed that work sharing was more expensive than laying off workers and paying them regular UI benefits. During the try-out period the cost of work sharing was two-



and-one-half times the cost of regular UI, a ratio which has since been pared to one-and-a-half times.

Employees sharing work will lose a portion of their gross weekly earnings averaging about 10 per cent. For the employees who are to be laid off there is an average net gain in earnings of between 30 and 40 per cent.

Ironically, when the test results were being evaluated in 1979, officials weren't forecasting great things for work sharing. There were other provincial and federal programs available, including UI, and it was difficult to see why a firm would choose this program over the others. People had no way of knowing how bad things would become. By early 1982 work sharing was being looked at by more and more unions — and employers — as a means of averting temporary layoffs. By the end of May 1983 up to 108 700 temporary layoffs had been prevented. Even more remarkably, a total of up to 259 800 workers had agreed to absorb losses in pay by going on work sharing.

With this demand, the government extended the program to May 1984, and increased its budget to \$250 million. Also, Cabinet decided to recognize training undertaken during work sharing. This means a worker can take on-the-job training on a work sharing day, and the employer's out-of-pocket training costs will be paid by the government. The trainee, meanwhile, collects a UI work sharing benefit. Previously, a worker who opted to train on a work sharing day was paid no benefit.

This link between work sharing and training also means a plus for the employer: "down time" normally associ-

ated with training is avoided when training is scheduled on a work sharing day, when the machines are idle anyway.

Employers and employees alike have reacted positively to work sharing. A survey of 350 companies found that 80 per cent of employers were satisfied with the program and 83 per cent were willing to try it again. Most companies saw the advantage of holding on to experienced, skilled manpower. They also enjoyed the union support and the possible savings in manpower costs. A minority complained about extra costs incurred for administration and fringe benefits.

Work sharing has a positive effect on morale, managers claim, and helps reduce absenteeism. It is also a good time to re-examine marketing and sales methods or upgrade equipment or methods of production.

Employees are naturally enthusiastic about the program. Most would go on it again and a majority (66 per cent) would even accept higher unemployment insurance premiums to support it.



Workers point out that work sharing helps them avoid the emotional problems and family squabbles created by the trauma of losing one's job.

The future prospects of work sharing appear promising. It is anticipated that work sharing combined with training will help companies adjust to the rapid growth of technological advancement and modernization which requires workers to retrain to catch up. ☐

Specially prepared for Canada Commerce by the Department of Employment and Immigration.

Energy — A Controllable Cost in the Future

A ccording to the Iranian government, the West will face “a very cold winter” if Iranian oil shipments through the Persian Gulf are stopped by the Iran-Iraq war.

A recent study by the Science Council of Canada indicates that many of Canada’s natural resources are running out. The impact on these resources should the Strait of Hormus be closed is difficult to visualize, but one thing is 100 per cent sure, it is better to be safe than sorry. And that is where energy conservation comes in.

of encouraging manufacturers to bridge that gap.

Unfortunately, according to James Gilmour, Science Council’s director of research, “consumer ideas have been pushed into the background by the recession”. The demand is not there but the work is continuing along lines which will stimulate it.

John Piper, advisor, Commercial and Agricultural Program in the Energy Conservation and Oil Substitution Branch of the Department of Energy, Mines and Resources (EMR), says that

The task forces which have been established in the commercial, institutional and agricultural sectors include:

- **Health Care Facilities**, designed to help stimulate energy conservation in Canada’s 1 400 hospitals and 4 300 long-term care facilities;
- **Hospitality Industry**, aimed at hotels, motels and restaurants;
- **Office Buildings**, created to increase energy conservation awareness by commercial office building owners, managers and tenants;
- **Post-Secondary Education**, which promotes energy conservation at some 30 universities and 180 community colleges;
- **Agriculture**, which plans to identify problems in energy management on the farm and establish “norms” for energy consumption;
- **Distributive Trades**, representing more than 230 000 businesses employing 17 per cent of the Canadian work force.

The Department of Energy, Mines and Resources has also assisted in the preparation of audio-visual programs, newsletters, press releases and “how to” manuals, and has conducted case studies. It provides educational material; contributes to the organization and presentation of workshops and seminars; and, on behalf of the various task forces, involves itself in studies related to energy management. The overall program objective is energy conservation.

With this in mind, members of the Canadian Hospitality Industry Energy Management Task Force (called *Energaction*) meet several times a year to discuss ways and means of disseminating this bank of knowledge.

According to Ray Hoover of Winnipeg, *Energaction* chairman, if Canadian tourism operators want to become and stay competitive in world tourism markets, they must learn to do so as operators in other countries have done — manage controllable costs better. And energy is one area where significant, highly cost-effective savings can be made.



Petrochemicals, a non-renewable energy source.

The Science Council paper, which was released last fall, states that all is not well in the “consumer” society, even though much of the conservation and efficiency-oriented technology necessary to prepare for the future has already been developed.

It seems, however, that the introduction and use of this technology is not widespread. This is due to the fact that there is, as always, a very broad gap between development and commercialization of new products. Demonstrated consumer demand is the one sure way

the incredible technological leaps forward which have taken place in the last 10 years have brought us better, more sophisticated, cost-effective methods of heating, lighting, insulating and air conditioning. The problem is getting businesses and people to start using them.

One approach has been the formation of a number of task forces which have been at work over the past few years finding out just how Canadians can reduce their energy consumption. Start-up funding has been provided by EMR.

“Our restaurants alone spend close to \$400 million annually on energy,” says Chairman Hoover. “There is no doubt such costs constitute significantly to the high price of Canada’s tourism product.”

Breakdown of the energy bill in Canada’s restaurants by type of equipment varies from one operation to another but, on the average, Canada’s foodservice industry “energy pie” is divided as follows:

Type	Value 1981 \$ 000 000	%
Food Preparation	160	40
Heating, Ventilation, Air Conditioning	120	30
Lighting	60	15
Hot Water	40	10
Refrigeration	20	5
	400	100

EMR estimates that, with suitable no-cost or low-cost conservation methods, the total foodservice industry energy bill could be reduced by more than \$100 million a year. This figure represents the energy consumption of approximately 40 000 Canadian homes during a single year.

Energaction has developed an attractive package which could help cut energy costs by as much as 20 per cent. Included is a 15-minute audio-visual presentation aptly called *Take the*



Conservation of hydro-electric energy also vital.

Plunge which illustrates the growing financial importance of good energy management in the hospitality industry.

The presentation gives examples of simple yet effective no-cost, low-cost measures which will help curb energy costs. A screening may be arranged by the nearest provincial or territorial tourism industry association, Hotel Association of Canada, the development branch of any provincial or territorial tourism department or the Canadian Restaurant and Foodservices Association.

Also included in the *Energaction* package (developed by members of the year-and-a-half-old, non-profit organization) is a series of check lists with from 20 to 40 specific points for no-cost, low-cost energy conservation improvements — for kitchen staff, laundry room staff, grounds keepers, fleet vehicle managers, repair and maintenance staff, chambermaids and managers.

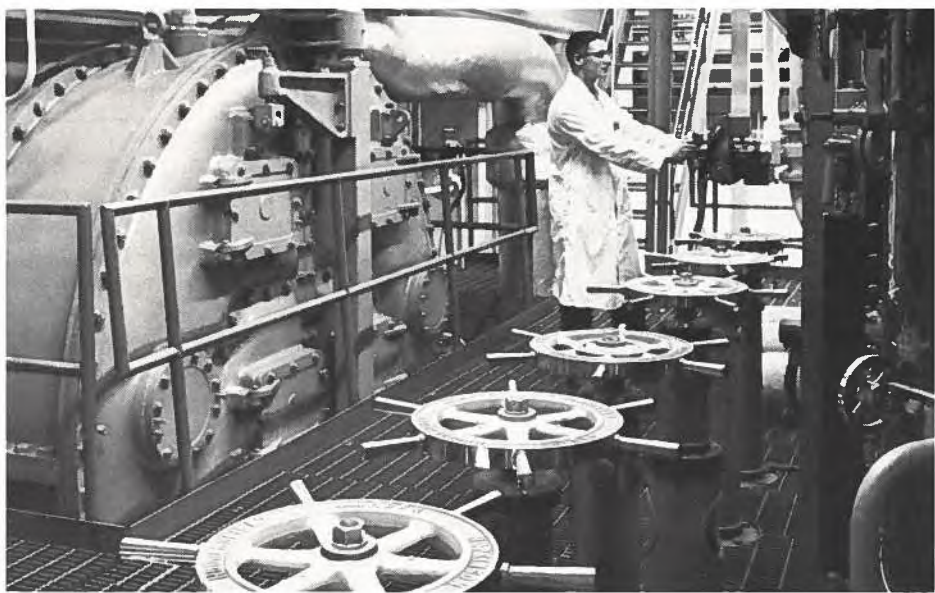
Chambermaids, for instance, are reminded to turn off television sets and radios when rooms are being made up and guests are not in them; to reduce thermostats to prescribed minimums; to make sure air conditioning or refrigerator evaporator coils are clean; and to ensure that rugs, draperies and furniture do not obstruct heating or cooling vents.

Suggestions for managers include making sure that everyone knows about the energy conservation program; setting a good example; forming energy action groups or committees with representation from as many departments or areas as possible; holding small workshops on energy conservation; contests for poster designs, slogans, etc.

The third part of the *Energaction* package is a handbook by former foodservice executive Ted Fletcher, now a consultant and university professor. The book tells how to do an energy audit; how to run an efficient energy management program; and how to reduce energy consumption through more energy-effective maintenance and repairs. Names of companies and organizations specializing in energy-efficient equipment and procedures are also listed.

The package, which costs \$140 per unit, may be ordered from **Energaction**, 1016-130 Albert Street, Ottawa, Ontario K1P 5G4

— by Susan Hallett
For Energy, Mines and Resources



Massive controls for energy conservation.

Atlantic Industry Stands in Line to Pay for Service It Shunned When Free



PDAS computerized operation in use by staff Fred Kennedy. Watching are Donald Raymond, senior distribution analyst, and Beth Saulnier, administrative assistant.

When the Physical Distribution Advisory Service (PDAS) opened its doors in 1974 with funding from the federal government and all four Atlantic provinces, its expert services were offered free to companies with distribution problems.

There were no takers, and little interest.

Today, a decade later, PDAS charges up to \$475 a day to diagnose and treat physical distribution problems — and companies are lining up to pay.

The difference, says PDAS executive director Fred Kennedy, is the amazing success track record of the service. Latest estimated figures show that PDAS has saved its Atlantic Region clients close to \$7 million and, in doing so, has turned more than one company on the verge of bankruptcy into a viable operation.

“We had two strikes on us at the start,” says Kennedy. “One, we were offering a free service and that created suspicion as to our capability. Two, we were funded by federal and provincial government money, and this created fears that we were just another example of government interference in private enterprise.”

A new federal agreement that will pump \$1.9 million into the service during the next five years was recently signed. When Ed Lumley, minister of the federal Department of Regional Industrial Expansion (DRIE) announced his department’s boosted funding (previous federal input through the former Department of Regional Economic Expansion [DREE] was \$100 000 annually), he added a new link to the service. For the first time DRIE clients with good ideas but not the expertise or the money to devise their own physical distribution activities will be put in direct touch with PDAS and the salvage work will start long before a company reaches the point of no return.

These companies will not automatically receive free service. “It will depend on individual circumstances,” says Fred Kennedy. “But if we can put a company on the right track and it hasn’t the means to pay, we now have the mandate to go ahead and supply our expertise without worrying whether the bill will ever be paid.”

Kennedy smiles when he thinks back to the early days of PDAS. “Atlantic Region companies had never been exposed to physical distribution

experts and it was almost impossible to convince them we had something important to offer by showing them how to get their goods to market on time, and at a competitive price. That is basically the essence of physical distribution.”

Today Kennedy looks back on those days philosophically. He points with pride to dozens of testimonials and documented facts that show his service can reverse the fortunes of failing or faltering companies.

Once unique in Canada, PDAS has found its expertise and success copied in many other regions. Provincial investigative teams from other parts of Canada, including the Northwest Territories, have sat in on PDAS operations and returned home to start up similar service organizations. A former PDAS employee now heads a distribution advisory service in Manitoba.

What does PDAS offer that is making such remarkable turnarounds for its clients? “Put simply,” says Kennedy, “we offer a complete program of guidance to eliminate difficulties and deficiencies in inventory management, warehousing, order processing, customer service, material handling, transportation, plant and warehouse site selection, and marketplace-demand forecasting.”

The fact that many major Atlantic companies are unaware that their profits are being eroded because of operational faults is hard to believe. But sitting in the PDAS files is a letter from the general manager of a large company with more than 100 employees and six branch offices.

Following an intensive analysis of his company’s operations by PDAS, the general manager wrote: “To be totally truthful, we were completely ignorant of the functions of physical distribution management before PDAS pinpointed our problems.” The same company later advised PDAS that implementation of its recommendations had resulted in savings in excess of \$300 000 in one year.

Not all clients investigated by PDAS are this size or report savings even a tenth of this huge sum, but com-

ments by managers and presidents show that their survival is directly attributable to PDAS intervention and advice.

Companies which have already benefitted from PDAS expertise include dairies, a chemical plant, packaged food processors, potato growers, a fast-food distributor, a glass laminator, a tire distributor, a textile plant, a major food chain, metal fabricators, paint distributors, furniture makers and a carpet manufacturer.

"PDAS will handle the problems of just about any type of company," says Kennedy, "providing the difficulties lie in the physical distribution category."

PDAS is committed to three goals. They are:

- To lend assistance and expertise to companies in the Atlantic Region on problems relating to physical distribution; in particular to aid companies whose size and nature of operation make it impractical to develop their own physical distribution expertise.
- To increase the level of awareness in the Atlantic Region of the importance of the physical function. PDAS-managed seminars, organized by local Chambers of Commerce, now to be funded fully by the extra DRIE input, are presented throughout the region to company personnel concerned with the function of distribution.
- To assess the feasibility of, and to promote if viable, proposals which will benefit a group of industries, or a specific geographical region, within the Atlantic provinces.

With the new, increased, federal funding, which is boosted by input each year from the four Atlantic Provinces totalling \$75 000, a new look is coming to PDAS in its responsibility. The steering committee, to which Fred Kennedy reports, will be changed to put greater emphasis on the scope of the operation.

Provincial representatives on the committee will be appointed from departments with mandates for economic, business or industrial development (instead of strictly transportation as in the past) to ensure a greater degree of utilization of expertise both from PDAS and the provincial departments concerned with industry and by their clientele.

A PDAS analysis program can take anywhere from a week to several months, depending on the size of the firm and the complexity of the problem.



The Sumner Company of Moncton saved \$300 000 in a year through PDAS.

"It is important that companies realize that we are not coming in for a few hours to make a list of superficial recommendations," says Kennedy. "One of our staff members will stay with the company until he is satisfied he has unearthed all the problems."

The direct link through DRIE with companies which have been assisted through the federal department's Industrial and Regional Development Program (IRDP) will add a new dimension to the PDAS mandate.

"DRIE, with its knowledge of Atlantic Region industry, will be able to bring to us companies worthy of assistance, but companies we might never hear about because they would consider

the advisory services cost beyond their reach. Our chances of helping many good, but currently non-viable, companies will be drastically increased."

Although the primary objective of PDAS is to assist companies already based in the Atlantic Region, its services are available to outside firms contemplating locating branches or new plants within the four provinces.

The Physical Distribution Advisory Service can be contacted at 236 St. George Street, Suite 315, Moncton, New Brunswick; Tel: (506) 855-0038.

**— by Charlie Foster
DRIE Moncton**



New distribution and storage methods recommended by PDAS.

Federal Business Development Bank

“Shrinking Controls Improve Profitability,” says CASE Counsellor

Shrinkage, in very simple terms, is the difference between your actual inventory and your book inventory. The Retail Council of Canada, in a 1982 *Shrinkage Survey of Canadian Retailers*, refers to it as “the mysterious disappearance of merchandise or cash”. Shrinkage can be a result of poor record-keeping and sloppy management practices, but the primary sources of shrinkage for retailers are shoplifting and internal theft.

Shrinkage is a significant factor for today's business owner. Shrinkage in retail stores approaches 2 per cent of sales, depending on the type of business. But that cost of 2 per cent generally leads to other costs such as increased security, special training for employees, and longer hours for the owner. Controlling shrinkage can make the difference between a marginal business and a successful one.

Two former retailers, now working with the Federal Business Development Bank's CASE program (Counselling Assistance to Small Enterprises), give their views in the following interviews. Co-ordinator Harry Martin (North Vancouver) and Counsellor Harley Henry (Vancouver) have extensive experience in all aspects of the retailing business.

“Unfortunately, you can't eliminate shrinkage,” says Harley Henry, who owned a chain of ladies-wear stores and who was a retailer for 45 years. “It must be built into your budget as a cost like everything else. Obviously, reducing it is to your advantage; but, the smart business owner will always include it in the forecast because shrinkage will inevitably occur due to human error, and some goods are prone to natural shrinkage, such as yard goods.”

Although employee training will help reduce the element of human error, it can never be totally eliminated. “Paying duplicate invoices and pricing stock incorrectly are common mistakes,” says Harry Martin, who held numerous positions in a major retail chain. “Delivery shortages are also a common shrinkage area that can only be

controlled through tighter receiving practices. When receiving goods, the quantity received must be checked and then verified with the requisition. Cash should never be used for major transactions and all invoices should go through to another person who must authorize payment,” cautions Martin. “This eliminates the possibility of one employee having complete control over a transaction.

“If your company does a lot of shipping it is important to ensure that the correct quantities are shipped and that goods around the shipping dock are strictly controlled.” Mysterious disappearances of merchandise or shipping more than what was ordered can have a severe effect on your gross profit.

Attributing shrinkage to a specific area is often a difficult task. Most business owners would prefer to think that their staff was basically honest. Therefore, they tend to attribute merchandise losses to shoplifting rather than consider internal theft.

Shoplifting theft depends a great deal upon the nature of merchandise carried by the store. For example, the Retail Council's study indicated that shoe stores experienced very low shrinkage while pharmacies' statistics were very high. “The product's portability, desirability, and value are key factors in its appeal to shoplifters,” says Martin. “The recent trend towards self-service has led to increased opportunities for shoplifters as well. Floor control by employees is reduced as customers are encouraged to select and compare products on their own.”

Shoplifting deterrents

The best deterrent to shoplifters is an alert staff and a well-designed floor plan. Shopping mall stores with wide-open store fronts and busy pedestrian traffic are perhaps the most difficult to watch. Train your staff on what to look for and keep them attentive to customers' needs without making the customers uncomfortable. Genuine customers will thank you for the courteous

attention, while potential shoplifters will feel they are being watched and will quickly leave the store.

“Talking with other store owners is often the best way to identify shoplifters,” says Henry. “A professional shoplifter will not pick on one store alone, so if you think a shoplifter has been in your store, then tell your neighbour.”

“There are two types of shoplifters: 20 per cent are professionals who account for 80 per cent of the merchandise stolen, and 80 per cent are one-time offenders who account for 20 per cent of the losses. But the store owner has to watch for both. Although a lot depends on location, for example a small town shop as compared with a boutique in a shopping mall, the small retailer doesn't generally get the professional shoplifter. The small retail shop is usually a small enclosed space with limited access — and this is certainly not an ideal situation for shoplifting.

“The professional is usually in and out very quickly,” continues Martin. “They know what they want, where it is, and how they are going to conceal the item and get it out. Once they have the item, they are gone. The amateur, on the other hand, is hesitant, nervous, and always looking around. Even after pocketing an item, the amateur may continue to walk around the store, trying not to look suspicious.”

Some of these amateur shoplifters are kids doing it on a dare or “for kicks” while others may be time-pressured business people or average customers who are annoyed at bad service or long lineups.

“Store layout is another strong deterrent. First, the store should be designed so there aren't any major obstructions such as high racks that a shoplifter can hide behind while trying to conceal something. Keep central racks and display areas at a low level so that you can scan the store from your vantage point.”

This vantage point is extremely important in a store with limited staff.

"The location of your cash register and your wrap table must be in an area where you can watch everything that is going on," says Henry. "If it's close to the door it will be harder for shoplifters to walk out unnoticed. You also must enforce fitting-room controls. Make sure the customer comes out of the fitting-room with the same items that were taken in."

While most police forces don't feel that retailers prosecute shoplifters often enough, be very cautious in accusing someone. You must catch the thief outside the store, and the person who witnessed the theft should be the one to make the arrest. If you attempt to apprehend shoplifters inside the store they can always claim that they intended to pay for the item or were about to put it back. If you spot someone concealing something, don't take your eyes off them; if the shoplifter removes all the identifying labels, it is very difficult to prove that the item (unless it is exclusive) originated in your store.

Some professional shoplifters will even be brazen enough to bring the items back for a full cash refund.

Prosecute any professional shoplifters whom you catch, agree both Martin and Henry, but be careful of putting up threatening signs and not living up to the threats.

"If you catch youngsters shoplifting, who are probably doing it for kicks, then one technique is to reprimand them in your store in front of their parents."

A good scare will often deter them from doing it again, but you can also use the opportunity to explain the impact of shoplifting on a store like yours. It is unlikely that a youngster stealing a tube of lipstick or a hockey puck understands the cumulative effect of shoplifting on the profitability of small retail businesses.

Most business owners attribute loss of merchandise to shoplifters. However, the clever and dishonest employee can be a huge liability to your firm. If you find cash irregularities or a higher incidence of missing merchandise when a certain employee is working, then you should investigate. Employees have ample opportunities to smuggle portable merchandise or materials out of the store. A dishonest employee may not only be interested in merchandise but also in tools and supplies.

Internal theft possibilities

"One fundamental in reducing employee theft is to let the staff know that you are aware of the opportunities that exist," says Martin. "You can't eliminate all the opportunities, so it's a good idea to let them know you're not blind to the possibilities."

"The biggest and most expensive area of opportunity and availability is probably cash," says Henry. "Taking money out of the 'till' is easy, but it's also easy to catch when the daily balance is prepared. Dishonest employees are usually more devious."

"False returns are an area to look for," adds Martin. "An employee can easily record a false merchandise return, then pocket the money that has been taken out of the cash to pay for merchandise that has presumably been put back into stock. This is why two people should be responsible for returns and other situations such as 'voids' where an item was incorrectly registered. Clearing a 'void' should be done in front of the customer, otherwise a legitimate transaction could be falsely cancelled from the register tape. Check the number of times 'No-Sale' has been punched up; if it is too frequent there may be a problem. Make sure every sale is recorded, insist that the cash drawer always be closed and, if possible, have one employee responsible for the cash register."

"The cash should be balanced every day, and if a cash float is left for the next day it should be verified occasionally. Sometimes I would arrive in the store unexpectedly and ask for a cash balance in the middle of the day," says Henry. "This keeps everyone on their toes. Also, in stores that offer employees discounts on merchandise it is important to ensure that they can't record their own transactions. This should apply whether the employee wants to make a purchase or simply make change. There's no system which is flawless, but you can reduce the opportunities. The majority of employees are honest and hard working and if they suspect a fellow-employee is cheating the company, the news will get back to you somehow."

Shrinkage can very easily go undetected until an inventory count. Unless you are experiencing consistent cash shortages or you see a full rack of leather coats suddenly missing, you may never suspect that shrinkage may be a problem in your business. But can your business afford to give away 2 per cent of its sales?

Both Harry Martin and Harley Henry are firm in their belief that small business owners must be aware of shrinkage. Identifying potential loss areas and taking action to detect shortages are the first steps in successful shrinkage control. □

— Prepared for Canada Commerce by the Federal Business Development Bank (FBDB).

SHRINKAGE PERCENTAGES BY VARIOUS RETAIL STORE TYPES

Store Type	Shrinkage expressed as percentage of sales				
	Under .75%	.75 to 1.40%	1.41 to 1.99%	2.0 to 2.99%	Over 3.0%
All Stores	23.8	29.5	19.0	18.1	9.5
All Clothing Stores	25.0	29.2	29.2	16.7	0.0
Family Clothing	0.0	33.3	44.3	22.2	0.0
Men's Wear	20.0	60.0	20.0	0.0	0.0
Women's Wear	45.5	18.2	18.2	18.2	0.0
Dept. & Gen. Merch.	5.3	26.3	31.6	31.6	5.3
Pharmacies	0.0	0.0	40.0	20.0	40.0
Shoe Stores	47.4	36.8	10.5	5.3	0.0
Supermarkets	14.3	57.1	14.3	14.3	0.0
Toy Stores	0.0	71.4	14.3	0.0	14.3
Miscellaneous	30.8	19.2	3.8	23.1	23.1

reprinted courtesy of 1982 Shrinkage Survey, Retail Council of Canada

The first of two parts:

Foreign Exchange Explained

Why should any business involved in export or import understand how foreign exchange works?

Foreign exchange could well mean the difference between profit and loss for the exporter according to Diego Giurleo, manager of economic research for international money markets of the Royal Bank.

Speaking at a recent seminar in Ottawa sponsored by the bank, Mr. Giurleo pointed out that while the Canadian dollar has enjoyed relative stability in relation to the American dollar, this was far from the case with most other world currencies. It was this widely fluctuating relationship with currencies other than American that could and has created problems for Canadian businessmen unaware of the foreign exchange market.

For example, a Canadian manufacturer who sold a widget to an Argentine importer for 100 pesos on June 30, 1983, would be selling it for \$14.11 (Canadian) but if he received payment on August 31, two months later (not an unusual delay in international transactions) those same 100 pesos would only be worth \$11.18, a difference of \$1.83. Over the same period, 10 000 Italian lira depreciated in value from \$8.80 to \$7.70; 100 Venezuelan bolivars from \$12.58 to \$9.30; and 100 French francs from \$16.13 to \$15.25. At the same time, 100 Canadian dollars lost only 42 cents as compared to 100 American dollars.

Unless exporters are willing to take the risks in the international money markets they have two options — either enter the foreign exchange market or demand payment in Canadian dollars (an option that is often closed since the purchaser wants to remit his payment in his own country's currency).

And although most foreign exchange transactions for Canadian business involve payments for goods received, they also cover purchases of imports and possibly repayments on loans of a trans-border nature.

What then is the foreign exchange market?

Let us return to Diego Giurleo who in his talk, said:

"As we all know, all markets provide facilities where buyers and sellers gather to exchange commodities. The soya bean market brings together buyers and sellers of soya beans. Similarly, for all traded commodities, there exist markets where exchanges can be undertaken.

"All the foreign exchange market does is provide facilities where buyers and sellers can exchange currencies. In other words, the commodities in question here are currencies, or international monies.

"The only difference between the foreign exchange market and other markets is that trading does not take place in a central physical location, similar to the stock market. Instead, trading in currencies takes place in all the major financial centres around the world.

"In North America, we have New York, Toronto, Chicago and San Francisco.

"In Europe, it's London, Frankfurt, Paris and Zurich, while in the Far East we have Hong Kong, Singapore and Tokyo (which is emerging as a major financial centre).

"Therefore, the market for a particular currency is defined simply as the combined buying and selling of that currency in all centres throughout the globe."

Against this background, who participates in the marketplace? Mr. Giurleo asked.

"Well, the major participants are the international banks.

"Although the bulk of foreign exchange activity represents banks trading on their own accounts, the major reason banks participate in the market is to service the needs of their clients."

Mr. Giurleo pointed out that banks act as principals in foreign exchange transactions, assuming the risk associated with foreign exchange rate movements between the time that purchases and sales are fully matched.

"Who are the other participants?" he asked. "Basically, we have multinational corporations, investors, speculators and central banks or monetary authorities in various countries around the world."

The multinational corporations involved in exporting, importing and international investment use the foreign exchange market to obtain funds required for foreign currency denominated transactions.

International investors participate in the market in order to diversify their portfolios. Their objective is to obtain assets with a foreign currency mix which leads to a maximum return within an acceptable risk limit.

Speculators, on the other hand, are active in the foreign exchange market in order to take advantage of quick profit opportunities that arise from foreign exchange rate fluctuations.

"Finally", Mr. Giurleo went on, "we have the monetary authorities or central banks. Their interest is simply ensuring that domestic currencies (in the case of Canada, the Canadian dollar) trade in a stable fashion on foreign exchange markets.

"Together, all these participants make up the foreign exchange market as we know it.

"But the bulk of trading activity, as we mentioned, represents banks trading foreign exchange between themselves. It is because of this fact that the foreign exchange market is commonly referred to as the inter-bank market."

How and when do these institutions and individual players participate in the market?

Banks, for instance, deal with each other, either directly or indirectly through brokers. On a direct basis, banks deal mainly through telephone or telex. For example, a Toronto based bank will telephone a New York based bank and establish the terms of a foreign exchange transaction.

On an indirect basis, banks utilize brokers who perform the middleman role in the foreign exchange market. Today, brokers are truly international, and they could be matching, for example, an offer to buy a currency in Toronto with another bank which is offering to sell that currency in Frankfurt. Brokers are generously compensated by commission fees that usually are a percentage value of the transaction executed.

Central banks also intervene in the foreign exchange market by buying and selling currencies either directly with commercial banks or indirectly through brokers.

The large speculators and investors who have access to the inter-bank foreign exchange markets will usually deal directly with the banks or else will participate in the foreign currency futures market.

"When do participants operate? It's really quite simple," Mr. Giurleo explained. "The market operates 24 hours a day.

"Rapid international communications are therefore very important. Traders are kept constantly informed of market developments through various international, financial and political news monitors. Today's technology allows market participants to verify exchange rates globally and at any one time, the rates for a particular currency will be the same in all centres.

"Let's focus on the banks' participation in the marketplace. As we know, the world consists of several time zones. Because of this, it will be true that the market for any given currency will be most active when the home country traders are dealing in the market."

For example, in the case of the Canadian dollar, the market will be most active when the Toronto banks and the other Canadian banks are trading in the marketplace. Thus the Canadian dollar market is busiest from 8:30 to 4:30 Toronto time daily," he said.

As a rule, in North America the market has most depth in the morning when the large European dealers are also active.

The size of the market is impressive. Altogether, the most current measures estimate the total foreign exchange turnover around the world to be about \$200 billion U.S. daily. Of this amount, roughly 20 per cent represents commercial or corporate related business. The remaining 80 per cent represents professional trading between banks.

"This gives you an idea of the degree of bank involvement in the foreign exchange market. In Canada alone, foreign exchange turnover is estimated to be around \$6 billion U.S. daily," he said.

"These numbers illustrate the enormity of the foreign exchange market as it is today and why it's important for us to know more about it."

Foreign Exchange Transactions

Mr. Giurleo turned to the subject of foreign exchange transaction and proposed to deal with the following questions:

- How do we define foreign exchange?
- How are exchange rates quoted?
- What should be known before a transaction takes place? and
- What type of transactions exist?

"For any particular country, foreign exchange is defined as the currencies of all other countries, or for that matter, any liquid claims on the currencies of other countries.

"These liquid claims could take the form of a foreign bank note, a cheque, a draft, a telegraphic transfer or any other accepted medium of settlement. And all a foreign exchange rate tells us is what the price of one currency is against another."

However, how are these prices actually quoted?

Because the U.S. dollar is the world's key currency, all traded currencies are normally quoted against the U.S. dollar.

There are two ways of expressing exchange values against the U.S. dollar — Continental terms and U.S. dollar terms.

In Continental terms, an exchange rate is expressed in terms of the number of foreign currency units per U.S. dollar. For example, with the Canadian dollar, it takes \$1.25 Canadian to equal \$1 U.S. With the West German mark, it takes 2.5 Deutsche Marks to equal \$1 U.S. The reference point is always \$1 U.S.

Exchange rates are also expressed in what are known as U.S. dollar terms. In this case, the exchange rate is quoted in terms of U.S. dollar per foreign currency unit. The reference point is 1 foreign currency unit; in other words, how many U.S. dollars does it take to make up 1 foreign currency unit.

"In the case of the Canadian dollar, we would say it would take 80¢ U.S., for example, to make up \$1 Canadian. In the case of the Deutsche Mark, it would take 40 U.S. cents to make up 1 Deutsche Mark," he explained.

In financial markets, the Canadian dollar is usually quoted in terms of Canadian dollars per U.S. dollar — that is, in Continental terms. However, the press normally reports the Canadian dollar in terms of U.S. dollars per Canadian, U.S. dollar terms — "Today the Canadian dollar closed at 80 U.S. cents." This has often led to misunderstandings, for obvious reasons.

"All we really have to remember is that Continental terms are simply the reciprocal of U.S. dollar terms, and vice versa.

"Therefore, if it takes 1.25 Canadian to equal 1 U.S. dollar, taking the reciprocal of 1.25 — that is, 1 over 1.25 — we'd get 80 cents. Similarly, if we were to take the reciprocal of 80 cents (1 over 80) we'd get \$1.25.

"It's common to find most exchange rates expressed or quoted in either U.S. dollar or Continental terms, with perhaps one exception, the Pound Sterling.

"The Pound is almost always quoted in U.S. dollar terms — that is to say, how many U.S. dollars it takes to make 1 pound. (At current exchange rates, we would say it takes \$1.50 U.S. to make up 1 pound sterling.)

"Although as we mentioned," Mr. Giurleo continued, "the U.S. dollar is the world's key currency and we somehow always seem to use the U.S. dollar as the reference unit, exchange rates are also quoted against all other currencies. For example, the Canadian dollar could be expressed against the Pound Sterling, or the Deutsche Mark, or the Japanese yen, and so on. These are cross rates. The reasons they're called cross rates is that they're arrived at by crossing the U.S. dollar exchange rate for each respective currency.

"For example, if Canadians are taking a vacation to Germany, they would obviously want to know the Canadian dollar/Deutsche Mark rate. From our examples, we arrive at a Canadian dollar/West German Mark rate simply by crossing their respective U.S. dollar rates, e.g. it takes \$1.25 CAN to make up \$1 U.S., and it takes 2.5 Marks to make up \$1 U.S. It follows that \$1.25 CAN equals 2.5 Marks. Or it takes 2 marks per Canadian dollar.

"In other words, we've reached the Canadian dollar/Deutsche Mark rate simply by crossing their respective U.S. dollar rates. Similar cross rates could be obtained for any combination of traded currencies.

"Now let's investigate what must be known before a foreign exchange transaction takes place.

"Firstly, we must know which currencies are being bought and sold — is it the purchase of U.S. dollars against Canadian dollars or the sale of yen against Swiss francs, and so on.

"Secondly, it is important to know timing considerations — what is the time frame?"

He distinguished between two dates:

- The transaction date, which simply refers to the date on which the transaction or deal was actually struck. For example, if a particular currency is sold today, today is the transaction date.
- The settlement or delivery date. This is simply the date when the funds or monies involved change hands; in other words, when the settlement takes place — today, tomorrow, or at some definite or indefinite time in the future.

"We must also know the form of settlement. Is it cash, a cheque, a draft, a mail transfer or is it some other medium?"

"Finally, we must be aware of all the restrictions in dealing with specific currencies."

When dealing with currencies which are under exchange controls, one should be most familiar with the regulations and procedures involved. (In Canada, there are no foreign exchange controls.)

All of these elements — which currencies are being bought and sold; the timing considerations; the form of settlement; the restrictions; foreign exchange transactions specifics — must be known before an actual foreign exchange rate is quoted. Only then can a transaction be completed.

Basically, there are two types of transactions — an outright transaction and a swap.

The outright category is, in turn, subdivided into two categories — spot transactions and forward transactions.

A spot transaction involves a foreign exchange deal where the funds are delivered at the earliest possible date. For most currencies, spot refers to cash settlement within two business days. However, in the North American inter-bank market, the U.S./Canadian dollar spot rate is for delivery in both currencies the following business day.

This is simply because the markets are highly integrated and settlement takes less time. The same is true for the Mexican peso in the North American market. In all other markets, spot transactions are for two-day settlement in order to allow time for preparation and emission of payment instructions to banks in different countries and time zones.

The second type of outright transaction is the forward transaction. Forward transactions are differentiated from spot transactions only because they involve foreign exchange settlement at some period beyond one or two days' delivery. Forward exchange rates are determined by adjusting the spot rate by a premium or a discount which is applied to the term between the spot and the forward date.

So, in striking a forward contract for delivery in a year's time, the way to establish the price is by attaching either a premium or a discount to the spot rate. That would give the forward rate.

"How would you determine this premium or discount?" he asked. "Basically, it's going to reflect interest rate differentials for similar financial instruments denominated in the two currencies. The high interest rate currency will trade at a forward discount against the low interest rate currency, and vice versa."

Forward exchange rates are most actively quoted for the one, two, three, six and 12-month fixed periods.

However, broken terms within and beyond the one-year period are also negotiable. Although deals have been struck up to and beyond the seven-year period, beyond the one year forward exchange rate markets are generally thin; there's not very much activity beyond the one year.

"To understand the usefulness of the forward market, consider the case where we have a Canadian exporter who has just signed a contract to deliver goods to a French customer a year from now. Payment for the goods that he is to deliver will be made at that time in French francs.

"The Canadian exporter has no idea what will be the value of French francs, in Canadian dollar terms, in a year's time. He cannot forecast the future. Therefore, he faces an exchange rate risk.

"To eliminate this uncertainty or risk, the exporter will approach his bank and will sell the French franc proceeds to be received in a year's time, in the one year forward market, at a rate which is established today. Hence, he is receiving French francs in a year's time, but he has a contract on the other side with the bank, whereby he has just sold the future proceeds.

"The price is fixed. It's established. There is no longer a risk. He knows exactly what the Canadian dollar value of the earnings will be a year's time."

Mr. Giurleo noted that all individuals involved in international transactions face exchange rate risks and participate actively in the forward market.

Generally, he said, there exists a forward market for all major currencies free of exchange rate controls.

"Aside from outright spot and forward transactions, there is the second basic type of foreign exchange transaction — the swap transaction. This simply involves the simultaneous spot purchase or sale of one currency against another, combined with a forward sale or purchase of the same currency. In other words, swap transactions are the combination of a spot and forward transaction. Swap transactions are most often used for synchronizing receipts and payments for different maturities in different currencies.

"An example of a swap transaction would be, a Canadian firm which currently holds U.S. dollars, but needs them only in a year's time. The firm would sell the U.S. dollar today on the spot market, simultaneously purchasing them back one year forward. Consequently, what they've done is establish an actual rate today for the funds that they will receive in a year's time when they need them." □

In the second of this two-part article, Diego Giurleo will explain how exchange rates are determined and how to manage foreign exchange risk.



AN ADVERTISING MESSAGE

Are you interested in reaching an audience of 35 000 at no cost?

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Over 20 is a new small, low floor, highly accessible, heavy-duty truck not designed by Chrysler but based on the design of Mercedes-Benz. Designed for area transit operators and transit authorities. To achieve its very low, ground clearance, the van has been designed with the push-button advantage in its rear, allowing it to be raised or lowered. Its unique design allows it to be disassembled in an hour which includes the engine, transmission, front and rear axles, suspension and steering. The whole vehicle can be removed in less than an hour and returned to the same spot in time.



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Cold Weather Starts
As the snow of the year, cold weather starts are the cause of Canadian motorists. One Canadian manufacturer has developed a complete solution for the winter months — the new string and lightweight changeable parts. The new string and lightweight products are made in Canada. In addition to the 10 different parts which make up the length of the equipment and gear train, all other parts are replaceable.



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Explosion-resistant system for use in areas where there is a high concentration of flammable vapors. The system is made of heavy-duty steel and is designed to withstand the most severe conditions. It is available in a variety of sizes and configurations to meet the needs of any application.

Please Note: If the copy is on a product, it must conform to the Canadian-content provisions established by the Canadian General Standards Board. These provisions identify as Canadian for our purposes "any consumer product of which the last substantial operation was performed in Canada, adding significant Canadian value, in an undertaking equipped for the purpose, resulting in a new product and representing an important stage of manufacture".

New Procurement Program Promotes Canadian Products

Every year, federal, provincial and municipal governments spend an estimated \$60 billion on the procurement of goods and services of which the federal government's portion is about \$6 billion.

But just how much of it is spent on goods and services that originated from Canadian sources? And just how many of these goods and services are actually available in Canada? Are Canadians being deprived of economic development and even jobs by government procurement outside Canada?

These are problems that governments at all levels have been facing for some years and, in a recently announced program — the Annual Procurement Plan and Strategy (APPS) — the federal Department of Supply and Services (DSS) is attempting to tackle them, with the co-operation of the Department of Regional Industrial Expansion (DRIE).

One of the prime objectives of DSS is to acquire and provide goods and services for the federal departments and agencies in the most economical manner possible while fostering the Canadian economy by procuring from Canadian sources wherever possible and practicable (every \$1 million of DSS contracting in Canada creates and maintains 66 jobs).

However, considering the serious effects of the worldwide recession and with Canadian economic recovery gaining momentum, it is felt more important than ever that all government programs with significant impacts on investment, job creation and industrial competitiveness be harnessed to the fullest. This is one of the reasons for the establishment of the new APPS.

Comprehensive Plan

The Annual Procurement Plan and Strategy is a comprehensive plan designed, through procurement, to aid in achieving national socio-economic goals, according to a DSS release. It outlines the process for using "the power of government procurement as a catalyst for industrial and regional growth".

Goals for 1983-84 fiscal year are directed at — industrial source develop-

ment; regional source development; international competitive environment; federal-provincial relations; multinational enterprises; productivity; employment.

The key to APPS, the release states, is "co-operation between government and industry and co-ordination of government purchasing through the appropriate timing of contracts, the linking of similar industry sector requirements of the government and relating financial assistance to the development plans of the suppliers".

To ensure that large public institutions and corporations are fully aware of what Canadian industry has to offer, APPS proposes the establishment of a comprehensive data bank as the main element of a national sourcing information system.

A prime DSS objective is to acquire and provide goods and services to the federal government economically.

The foreign content of manufactured goods purchased by the federal government is estimated at between 40 and 50 per cent, although 88 per cent of contracts are awarded in Canada. APPS is committed to procuring in Canada whenever possible, especially from small business, and to paying a premium for Canadian content, if necessary, under Canada's obligations under the General Agreement on Tariffs and Trade (GATT).

Increased funds would also be made available for the development of Canadian alternatives to goods and services now available from foreign sources. It has been estimated that only a relatively small investment in this way

could significantly stimulate the Canadian economy and, at the same time, improve Canada's opportunities for international trade.

Regional Development

Regional development is another major concern of APPS and DSS will increase amount allowed for procurement in the regions to \$1.3 billion in 1983-84 fiscal year. Closer co-operation in procurement between the federal government and the provinces is to be stressed.

Immediately, under the program, a number of "procurement initiatives" have been set up including:

- Development of domestic production of helicopter transmissions and gear boxes;
- A video disc strategy aimed at exploiting that emerging technology to the benefit of Canadian industry;
- A computer terminal sourcing strategy aimed at the domestic industry;
- A national sourcing information system to ensure Canadian industrial capabilities are taken into account more fully in the sourcing decisions of public and private sector entities;
- The development of a modular exhibit program.

Co-operation in Procurement

"Co-operation and consultation between the federal and provincial governments in the economic development field are particularly important to avoid unproductive duplication of programs and expenditures, and to resist balkanization of the Canadian market."

This statement, part of a background paper on APPS and taken from the *Economic Development for Canada in the 1980s* report, plus the fact that some \$60 billion is spent annually by governments at all levels on procurement of goods and services, emphasize the tremendous industrial and regional leverage such combined purchasing power can and does exert.

DSS co-operative procurement efforts to date have resulted in Memoranda of Understanding with several provincial governments establishing the



basis of co-operative supply. Since 1973, the department has operated a co-operative drug procurement and distribution program for most provinces.

Most recently there has been an exchange of information and consultation to identify industrial development opportunities in such areas as import replacement; job generation and regional development; a co-operative procurement strategy for water bombers.

The federal government's procurement is also seen as a lever to encourage multinational enterprises to rationalize their Canadian operations which is expected to contribute towards a more stable policy environment for the multinationals in Canada.

Under DSS sourcing policies, multinationals are accorded rationalized status for particular products and their imported products are then treated as equivalent to Canadian-made goods provided that:

- their Canadian operations satisfy the established Principles of International Business Conduct;
- their imported goods are of a similar level of technology as those produced in their Canadian operations.

Employment and Productivity

Since every \$1 million of DSS contracting creates 66 jobs, the nearly \$6 billion slated for 1983-84 should generate or maintain some 396 000 jobs, leading to an increase in employment.

Promoting increased productivity within the federal supply system should help achieve the urgent economic goals in the fight against inflation and in job creation. Improved supplier productivity will increase the levels of Canadian content and improve Canadian performances in the international marketplace.

Also, more aggressive use of high productivity technology will support new product innovation and research and development in Canadian industry.

Better identification and marketing of business opportunities can help promote productivity and job creation. Advanced notification could expand competition in the contracting process, stimulating greater price and cost control.

In addition, government import replacement efforts would be more successful if Canadian firms were given more time to develop proposals for new products.

DSS is trying, wherever practicable, to increase the proportion of competitive contracts in relation to sole-sourced contracts anticipating that this will reduce the cost of products to government; reduce the cost of acquisition; improve the productivity of selected companies through increased domestic competition.

However, according to the news release on the new APPS program, it "reaffirms a commitment to the preservation and renewal of the international trading order and notes that the federal government must work harder to encourage Canadian firms to compete internationally.

"A key objective is to increase Canada's market share of trade, especially in the U.S. defence market, United Nations agencies and procurements funded by international development banks." DSS will work with the Canadian Commercial Corporation (CCC) toward these goals.

Report on Market Size

A report, presented in September 1983 and based on the 1979 calendar year, gives a breakdown on the size and struc-

ture of the public sector market. It covers the procurement of goods and services of the three levels of government (including hospitals), government business enterprises and universities.

Major aims of the report include gathering, compiling and structuring data; examining the results in terms of demand for and sources of supply of public sector goods and services.

Points covered in the report include:

- The type of goods and services consumed by the public sector within the provinces;
- The provincial distribution of this market;
- The foreign content of public sector purchases;
- The impact of the public sector market on employment;
- The provincial ability to supply the market;
- The provincial share of this market.

One of the major findings of the report was that the market, at all levels, is highly penetrated by imports. Of the \$43.5 billion spent in 1979 in the public sector, 17 per cent went to direct imports but, when the imports of raw materials and services are included, the figure increases to 30 per cent.

(The most recent figures available show the problem of import penetration has not improved and of current estimated \$60 billion spent, between 40 and 50 per cent goes to imports.)

The report estimated that, while the domestic portion of this market created or maintained about 1.03 million jobs in 1979, nearly 190 000 jobs were actually lost by the imports.

APPS A "Planning Tool"

In announcing the new Annual Procurement Plan and Strategy, Supply and Services Minister Charles Lapointe stated that the program "provides a planning tool whose application within the regional, national and international market places can boost the potential of Canadian business and show the way to build on regional strengths".

He concluded that his department and the Department of Regional Industrial Expansion were putting together "strategies that are designed to expand Canadian sourcing capabilities, advance our industrial potential both within the domestic and international contexts, and help to lay the foundation for a stable economic future".



Canadian Jewellery Opportunities in Japan

Kimonos and high technology, sukiyaki and hamburgers, these are all recognizable as modern Japan — a mixture of traditional and western. Another western influence of growing interest is jewellery.

According to a report prepared by J.W. Van Zant of the Jewellery and Silverware Section, Leisure Industries Division, Department of Regional Industrial Expansion (DRIE), the Japanese consumer demand for western-style jewellery is a fairly recent development and is steadily increasing.

Japan is Canada's second largest costume jewellery market and there is room for expansion. Mr. Van Zant reports there appear to be opportunities developing for Canadian manufacturers in well-designed machine-made products and innovative or new western trend items such as men's jewellery.

The precious jewellery industry in Japan has developed only within the last 15 years, according to the report. It was a result of the rising demand for jewellery among consumers, the high economic growth of the late 1950s and 1960s, the rapid increase in personal disposable income, living standards, westernization of lifestyles and a mass consumption society.

Previous to 1973, the industry was insular in outlook, manufacturing and design capability. A major factor affecting development was the restriction on the import of gold and gold products.

The lifting of these restrictions in 1973 brought immediate and significant effects to both the Japanese jewellery market and industry. Faced with rising demand, gold liberalization and the resulting growth of an import jewellery market, the domestic industry was

forced to upgrade its quality and devote more attention to jewellery design.

However, according to the report, to this day there is a strong perception among many Japanese consumers that the domestic industry's quality, finish and design still lag behind those of western countries.

The Japanese industry has many of the identical structural characteristics of jewellery industries worldwide. It is a typical small business industry — small in scale, highly fragmented, privately owned and operated — but to a significantly greater degree than similar industries in Canada or the United States.

Jewellery manufactured in Japan is primarily a function of market demand and there are significant differences between that demand and the market requirements of most other countries:

- Extensive use of platinum. Between 70 and 80 per cent of all platinum used in Japan is for jewellery as compared with less than five per cent in the U.S. and Canada. This is even more noteworthy because Japan uses almost 40 per cent of platinum consumed worldwide.
- The popularity of 18KT gold. More than 85 per cent of all gold jewellery sold in Japan is 18KT in contrast to Canada and the U.S. where only 10 per cent is 18KT.
- The popularity of ring jewellery. The ring market accounts for more than 40 per cent of sales in Japan whereas neck chains are the most popular items in Canada and the U.S. accounting for 45 per cent of sales.

The strength of the Japanese industry is that it produces and designs almost exclusively for the domestic market and has an established awareness of the complex distribution channels. However, the report notes there are several weaknesses that can be exploited.

Firstly, although the industry is a leader in design, it has been slow to exploit developing markets such as men's jewellery, chain jewellery, etc.

Secondly, although the industry is slowly modernizing, it is still highly labour-intensive in areas where Canada and other western nations have adopted modern production methods. This gives foreign countries the opportunity to compete favourably with domestic production in stamped and machine-made precious jewellery.

The jewellery import market in Japan is estimated at about \$150 million of which costume jewellery represents about 25 to 30 per cent or \$35 to \$45 million. Major countries supplying precious jewellery to Japan include Italy, Hong Kong, Thailand, France, the U.S. and Germany with Italy accounting for about 40 per cent.

Canada's performance in costume jewellery has been good accounting for an estimated five per cent of the market.

The success western jewellery companies have had in Japan, according to Van Zant's report, is to a great extent part of the infatuation the Japanese consumer has for western trends and fashions. Although Japanese designers have won numerous awards for jewellery design, the consumer still identifies Europe as a major design and fashion source.

In addition, there is a strong belief that Japanese quality and finish do not match those of European jewellery and quality and finish are of great importance to the Japanese consumer.



The position of the Canadian industry in relation to both other exporting nations and to the Japanese industry is that of a recognized competitive source for costume jewellery but still virtually unknown in Japan as a source of precious jewellery. This is despite the fact that Canadian jewellery exports to other major markets are predominantly precious jewellery.

The growth of Canadian costume jewellery exports to Japan has been rapidly increasing from less than \$200 000 in 1977 to an anticipated \$2 million in 1983. The Japanese market is now the Canadian industry's largest costume export market after the U.S.

There are different factors affecting the efforts of Canadian precious jewellery manufacturers in Japan. The industry has a low profile and it is doubtful if sufficient funds will ever be available to promote and publicize Canadian jewellery to the same extent in Japan as Italy, France, Israel or Germany. Also Europe is still considered the leader in fashion trends.

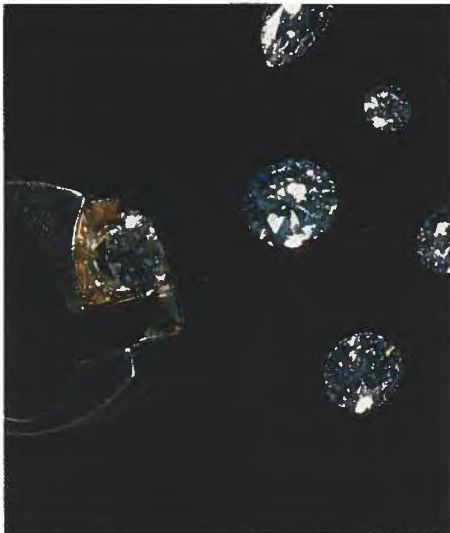
However, Van Zant reports that specific opportunities for the Canadian industry do exist. For instance, plant and method modernization have given Canadian manufacturers a distinct competitive advantage in the mid-price range for well-designed, machine-produced products such as gold chain, earrings, men's jewellery and other stamped items. In addition, the Canadian industry generally is more aware of emerging jewellery styles and trends and is quicker to produce them.

Quality and finish of Canadian jewellery has always been recognized as of international standard in the countries to which it is exported and generally superior to U.S. jewellery — a fact now becoming known in Japan. Van Zant believes that if this trend can be continued it should have a positive effect on the sales of Canadian fine jewellery to the Japanese.

Continuity and repeated visits to Japan are vital if the Canadian industry is to sustain a presence there. This is shown by the success of the Canadian costume jewellery which, after five years, has become firmly established.

Van Zant's report makes the following recommendations:

- Aggressively promote the Canadian industry and publicize award winning Canadian designers;
- Distribute promotional literature and background material on events with a positive effect on the industry's image;
- Develop an advertising theme to which the Japanese consumer can relate. For example, since Canada is the non-Communist's second largest producer of gold and forth largest silver producer, a tie-in might be developed between the availability of raw material and the design and fabrication of Canadian jewellery;
- Publicize and promote more aggressively the opportunities in Japan for Canadian companies that can effectively service and compete in the market. 



Major difficulties Canadian and other western nations must overcome include those of language, customs and understanding the roles of various participants in the distribution channels. Also, westerners and, particularly, North Americans are often frustrated with the complex and lengthy negotiations often required before any major Japanese firm will consummate a business arrangement. The Japanese consider knowledge of the product and the company's management of great importance in any distribution negotiation.

The Port of Saint John

A city's own enterprise gives new life to a Port and an attraction that is making a growing impact on Atlantic Canada's economy.

When they asked me to do an article on the port facilities of Saint John, New Brunswick, I could just see myself down on the wharves, interviewing the dockers and taking down the usual statistics — the tonnage of the vessels, their port of origin, their destination, and so on. However, I also wanted to get to know the city a bit in order to be able to write a proper introduction, so I made an appointment with the industrial commissioner of the Saint John Fundy region, Bill Thompson.

So, there I was, one sunny Monday morning in October, making my way toward Market Square, which, I was told, was located very near the port. I was imagining, with my city-dweller prejudices, a dusty, unattractive building near the wharves, like a motionless crane, overshadowing the ships in the harbour. After all, an industrial port wasn't supposed to be pretty, was it?

I entered the building. To my surprise, everything was dazzling under a bright, pervading light. The immense bay windows looked out onto the shimmering sea. On the city side, the roads overlapped like a mosaic. The arrangement of the buildings, the pleasant juxtapositioning of old and new, and the mixture of port and city activities, all created an extremely warm and friendly atmosphere.

I was told it was the rebirth of Saint John, with major projects going on all around the city. The first steps had been taken several years ago when the people decided to take charge of their own future and implement a solid infrastructure in an effort to promote business and tourism.

They decided to give a facelift to the downtown area, one which would do everyone proud. But first, the municipal authorities consulted members of the business community and ordinary citizens alike. Then the city fathers chose the best suggestions. A rare and precious feeling of belonging was thus created within the community, impelled by a survival instinct which dictated the



Saint John, a blend of modern port with attractive restored city centre.

improvements made to the city. It must be recognized here that the balanced choice of the values established by the people of Saint John was at least partially responsible for the miracle which occurred there.

Being a bit early, I went into a charming little café in Market Square and ordered a glass of juice. From my comfortable vantage point, I could see a cargo ship being loaded with salt in the harbour. In the distance, an oil rig bustled with activity. Closer, to my left, I could see pedestrians going off to work. To my right, children were lining up in front of the municipal library, which would soon be opening its doors.

After a quick tour of the sites, I went to the nearby city hall to meet Bill Thompson. In Mr. Thompson's opinion, Saint John was at a turning point in its history. The renovation of the "uptown" area coincided with the modernization of the port and several historical celebrations, including the

bicentennial of the city's founding by the Loyalists. The festivities would continue into 1984 with the bicentennial of the founding of New Brunswick. Then, in 1985, there would be yet another bicentennial: the incorporation of the City of Saint John.

These events would be topped off, in 1985, by the Canada Summer Games, which would bring together approximately 3 400 young athletes from every corner of Canada to take part in competitions over a two-week period. An aquatic centre and an all-weather 400-metre track were under construction, and several existing facilities throughout the city would be undergoing extensive renovation.

Market Square was officially opened on May 17, 1983. The new urban centre includes more than 60 retail operations, half of which are food and beverage outlets, as well as the impressive new Saint John Regional Library and the Trade and Convention Centre.



The Brothers Rocca, two men intimately involved in the urban development of Saint John.

Market Square's developer, Pat Rocca of the Rocca Group, the City of Saint John, and the federal and provincial governments have all contributed to the project. Phase II will include the construction of the Hilton International Hotel, waterfront condominiums and over 150 apartments. The subsidiary agreement signed between the then Department of Regional Economic Expansion and the provincial government on October 14, 1980, provided for contributions toward the construction of the convention centre and the hotel components of the central complex.

Mrs. Eileen Travis, president of the Saint John Board of Trade and the regional library, received me later in her office, located in the library in Market Square. By the way, if you visit the library, ask to see the magnificent research room on the second floor where they keep special collections. Mrs. Travis was bubbling with enthusiasm over the economic benefits which were already being generated as a result of Saint John's urban and port redevelopment.

Stressing the devotion and generosity of the community, Mrs. Travis noted that the success of any endeavour depended on the determination of all those involved. She said that it was necessary, first of all, to use existing resources and to take advantage of any spirit of co-operation shown. It was the hospitality of the entire city, she claimed, which drew businesses to Saint John. Of course, the support of the various levels

of government was always welcome, but the spirit of mutual assistance demonstrated by all the citizens was the real reason for the city's prosperity. The Saint John Board of Trade was aware that Market Square would have an economic impact on tourism and business, in addition to setting the tone for the Port of Saint John.

The concerted efforts of port, municipal, provincial and federal authorities, and of members of the business community, have had a catalytic effect on the local economy. Because life in Saint John is so tied up with port life, the urban redevelopment required a great deal of planning and care was taken to consult as many people as possible.

During the course of my visit, I was able to see for myself the truth in Mrs. Travis's words. For example, for several months, the people of Saint John had been pooling their efforts to prevent the demolition of an old theatre in King Square. It had been necessary to collect one million dollars in order to stop the magnificent "Bi-Capitol" theatre from coming under the wrecking ball and becoming just another of the many drab parking lots. And this with a population of only 115 000! Even the children chipped in. Some doom sayers had claimed it would be a hopeless task. Yet the size of the challenge was all it took to get the people of Saint John going and make the undertaking a decided success.

It was not until I had been in Saint John for two days that I began to understand the strategy used by Bill Wienand, development officer for the Department of Regional Industrial Expansion (DRIE), who had announced my visit to the port authorities. In fact, Bill had arranged many of my appointments, especially the first day. My agenda had even included a visit to the New Brunswick museum. It was a wonderful idea. The meetings I had at the beginning of my visit were designed to familiarize me with the environment, the people — in short, to allow me to get a feeling for what was going on in Saint John. I must admit that it did not take long for me to feel the collective enthusiasm which prevailed in the city. This global approach, if I may use such an expression, made it easier for me to understand the context in which port activities took place.

Saint John plays an important role in New Brunswick life, with several million tons of merchandise and commodities handled in its port each year. The New Brunswick economy is based, to a large extent, on exports. The United States is, naturally, the largest market for goods and services such as fish, forest products, oil and electricity. Forests cover 85 per cent of New Brunswick's total territory. Wood pulp, newsprint, lead and zinc are among the other products exported to Western Europe and elsewhere.



Market Square, an indisputable tourist attraction.

Special Feature

New Brunswick's mining industry is currently undergoing an unprecedented expansion. The annual value of the various minerals extracted has risen from \$18 million in 1961 to \$530 million in 1979. In addition to boasting the title of the largest North American producer of antimony, the province is the second largest producer of peat moss in Canada. It is also one of the largest producers in the world of frozen potato products, supplying 21 per cent of all the potatoes eaten in Canada. Person-hours lost through strikes are the lowest in Canada, while labour force productivity increases year by year.

New Brunswick exports its surplus electrical energy to the New England states. The province is continually striving to maintain its lead in the area of energy reserves by periodically developing hydro-electric, thermal and nuclear facilities.

The Port of Saint John comes under the jurisdiction of Ports Canada, a Crown corporation responsible for administering the activities of Canada's nine national ports. The port has 26 berths, the waterfront is 4.7 kilometres long, and there are 115 055 square metres of storage space.

The port includes several private piers, including those of Atlantic Sugar, CN Marine, Rothesay Paper, Irving Oil, MOT and the Canaport Marine Terminal.

It is undoubtedly the diversity of the services offered which best characterizes the Port of Saint John. Its facil-

ities can handle many different types of ships. The port infrastructure is constantly being modernized and adapted to customer needs.

The Port of Saint John also has an international role, mainly with respect to Third World countries and the Far East. The goods exported to these countries sometimes include manufactured products, but are mainly raw materials such as from forest, mineral and agricultural resources. The main goods handled in the Port of Saint John are, in decreasing order of importance in terms of tonnage: fuel oil, crude oil, gasoline, paper pulp, wheat, unrefined sugar, asbestos, newsprint, chemicals, paper and paper products, fruits, vegetables, lumber, motor vehicles, motors and parts, flour, cement and concrete.

Two rail lines serve the port: Canadian National (CN) and Canadian Pacific (CP). The Ports Canada authorities in Saint John feel that the presence of these two rail lines permits a better synchronization of freight transportation. Each line offers particular services to its clients. Canadian Pacific handles a majority of the container traffic, while Canadian National serves the eastern side of the port and is involved in between 15 and 20 per cent of all the port's activities.

Shipping lines calling at the Port of Saint John also call at ports in 50 or more different countries. Carriers know that by routing their ships to Saint John, they can connect with either CP Rail or CN Rail or any of a number of Canadian and American truckers. They are also aware of the advantages of being able to load New Brunswick forest products. The Forest Products Terminal Corporation (FORTERM), a consortium of stevedoring companies, operates the terminal built for the handling of forest products. Since its opening, the terminal has been expanded and enhanced, the most recent addition being a roll-on, roll-off ramp, giving New Brunswick's forest-based industries a competitive edge in world markets.

During its first two years of operation, FORTERM handled almost two hundred ships and more than 1.2 million metric tons. The firm's revolutionary new handling techniques have made possible enviable productivity records such as four hundred tons per hour per hatch.

Since almost all of New Brunswick's lumber mills are located near



Saint John, it would not be cost-effective to transport the wood by rail. Thus, most forest products are brought to the port by truck. Two hundred thousand tons of woodpulp are trucked to the Port of Saint John each year for exporting to the Far East and Europe. Japan and Britain buy significant quantities of timber. According to M.F. McCavour, executive director of the Saint John Port Development Commission, a large quantity of newsprint is sent to Rotterdam to be stocked and delivered at a later date to various European countries.

Irving Pulp and Paper Limited and Rothesay Paper Limited rank among the largest pulp and paper mills in the world. With an annual production capacity of 320 000 metric tons of newsprint, Rothesay Paper is one of the largest producers of this commodity. These two companies, which export to Western Canada, the United States, Central and Latin America, Africa, the Mediterranean, the Middle East, the Far East, Southeast Asia and the Caribbean, naturally use the port's facilities to the fullest.

According to Mr. McCavour, the oil-producing countries are using wood more and more as a house-building material. Canadian firms have publicized the advantages of wood housing abroad, particularly in Egypt and Algeria, and these efforts are already beginning to pay off in the form of increased lumber exports.



Two railway networks serve the Port of Saint John.



Canadian Pacific

Huge container crane at Rodney Terminal.

Labour-management relations at the Port of Saint John are frank and cordial. "We're on a first name basis around here," says Gordon C. Moulard, general manager and chief executive officer of the port. "We exchange views because we share the same objectives, but if someone gets out of line, we don't beat around the bush." Regular meetings are held between the unions and trade promotion organizations.

Effective ship loading requires extraordinary efficiency. Loading methods have changed rapidly in recent years and, more and more, shippers are "unitizing" their shipments. Goods are containerized. Thus it is necessary to have large open spaces in which to work. The Port of Saint John has 9.5 hectares of open, concrete-paved space in order to facilitate cargo handling.

Britain and Western Europe are the only two areas in the world not served by the Port of Saint John for transportation of containers in cellular container ships. Instead, services calling there deal with the Ports of Halifax and Montréal. The Pacific Rim countries, on the other hand, use the Port of Saint John via the Panama Canal.

The port has one of the most modern and most productive container terminals in the Rodney Terminal, operated by Brunterm Limited. Often called a "super" terminal, Rodney's strategic location gives it rail and road access to the major North American markets.

More than 30 per cent of Canada's total population live and work in the 877-kilometre Montréal-Toronto-Windsor corridor. Brunterm's operation brings this important market 386 kilometres closer to the shipowner than any other container terminal in Canada's Atlantic provinces. Brunterm, combined with CP Rail's container service shortcut through the State of Maine, virtually guarantees prompt delivery.

In addition to providing access to the U.S. Midwest, the 20 hectare terminal is also in an excellent position to reach the markets in the Boston



Canadian Pacific

Multiple service ways facilitate rapid handling of containers.

(740 km) and New York (1 207 km) areas, either by highway or by CP Rail interchange with U.S. railroads.

Rodney Terminal is directly served by CP Rail, the rail arm of Canadian Pacific. Rather than travelling the more circuitous all-Canadian route from Saint John, CP Rail cuts almost a straight line inland, across the State of Maine, to Canada's industrial heartland. It has an annual throughput capacity in excess of 2 000 20-ft containers. Total berthage has been extended to 975 metres, with a minimum depth of 12.2 metres at low tide, allowing even the largest container vessels to berth without difficulty. Three container vessels can be handled simultaneously. The terminal is equipped with three efficient high-speed container cranes, each with a lifting capacity of 40 long tons under the spreader. They are all fitted with a quick-change head block and cargo beam for handling heavy lifts of up to 45 long tons. The terminal, which is completely paved and floodlit, is equipped with six rail tracks to ensure the constant availability of rail cars for the immediate processing of both import and export containers.

Located only 122 kilometres from the United States border, Saint John has excellent access to the U.S. interstate highway system and to the Trans-Canada highway, thus greatly facilitating highway transportation.

The Port of Saint John will soon have ultra-modern facilities able to handle roll on-roll off (ro-ro) ships. These facilities, the largest of their kind in Canada, will be located at the container terminal. On-site rail service and immediate access to a multi-lane thoroughway will facilitate future ro-ro operations.

The stevedores of Saint John, always on the look-out for technological innovations, are currently familiarizing themselves with the operation of LASH (Lighter Aboard Ship) carriers. Under this system, a mother ship and barges are used to transport wood pulp from, for example, the Ste-Anne-Nackawic mill. The mother ship leaves barges at different ports to load, and picks them up later. The barges are loaded right onto the mother vessel.

The Port of Saint John has a terminal especially designed for the loading of potash for exporting. Present moving capacity of 70 000 tonnes will be expanded by an additional 200 000 tonnes of capacity. Potash, a pinkish solid used

Special Feature

in the manufacturing of potassium salt and certain soaps and detergents, is essentially composed of impure potassium carbonate. The Potash Company of America, which is already mining potash deposits in Penobsquis, is at present the main user of the terminal. Denison Potash Potash Company will become the second user of the port's potash terminal when it begins mining operations near Sussex in September 1985. Existing potash deposits are good for at least 25 years.

The salt business is also flourishing. Mined at Penobsquis by the Potash Company of America, the salt arrives in the port by truck and is later loaded by conveyor into 30 000 DWT dry bulk carriers.

the shipment of potash cargoes from Saint John to the Great Lakes in the summer months. Return cargoes could include grain for export.

The Saint John shipyard, which dates back to the time of the tall ships, is also very active. It should not be forgotten that the ship which adorns the New Brunswick flag is a symbol of the province's sea activities and its first shipyards. Oil tankers, ferries and ice-breakers are among some of the ships that have been built at the shipyard in the shortest possible time.

The facilities of Saint John Shipbuilding & Drydock Co. Ltd. are conveniently located to provide service and support to vessels using the North

The only contract left was the \$150 million semi-submersible oil rig under construction for Husky Oil Ltd. and Bow Valley Resources Ltd. of Calgary. But, on June 29, word came that the local shipyard had won the lion's share of a \$3.85 billion contract for the construction of six frigates for the Canadian Armed Forces, three of which were to be built in Saint John. The local shipyard had beat out a Québec-based consortium and was suddenly back in business.

This contract will result in \$650 million in investments in the Atlantic region and will provide 8 100 person-years of employment. The Saint John shipyard won this contract, so important for the local and regional economies, thanks to its enviable labour relations record. John Dunn, representing the four trade groups working at the yard, said during the ceremonies marking the announcement of the contract: "We all know this is a great day. We have a great team, from management right down to the guys with the hard hats and the tool bags. We are going to build the three best ships that ever sailed the seas."

Both J.K. Irving, president and chief executive officer of the shipyard, and a large proportion of Saint John's labour force, were on hand to see their efforts come to fruition on August 18, 1983, at the contract-signing ceremonies. Andrew McArthur, president and general manager of the Saint John Shipyard & Dry Dock Company Ltd. said the event was the culmination of five years of planning, preparation and negotiation.

Irving companies have undoubtedly created more jobs in New Brunswick than any other company. It is involved in many different areas including oil refining, construction, hardware, the manufacturing of concrete and frames and forest products.

Irving Oil Limited, which operates Canada's largest oil refinery in Saint John, is well known to all. The company's modern facilities allow tankers to pump oil without having to dock in the port. An underwater pipeline, linked to a special buoy, services the tankers. This technique, used only at the Port of Saint John, allows deep-water off-loading.

Crude oil from Latin America is refined in Saint John by Irving Oil and then shipped in smaller tankers to Montréal, the New England states and other Atlantic destinations.



Vast and well-maintained loading areas are essential for container handling.

Many raw materials leave the Port of Saint John for foreign destinations. Port authorities and all development agencies in the area are trying to increase the worth of these resources to New Brunswick by adding value prior to export. For example, consideration is being given to the local manufacturing of fertilizers, using the province's potash resources. This would create jobs, increase industrial and port activity, and generate significant economic benefits.

The Port of Saint John has a promising future. The many and varied services provided there cannot help but contribute to its expansion. Negotiations are currently under way with regard to

Atlantic, U.S. Eastern seaboard and Canadian Arctic sea routes. Served by the deep-water approaches, the shipyard is located in the sheltered, ice-free harbour of the Port of Saint John. The company has wide experience in the design and construction of ships to meet all kinds of demands: oil tankers, ice-breakers, barges, tugs, vehicle and passenger ferries, floating cranes, hydrographic and oceanographic vessels, fishing vessels, and so on. The firm has facilities capable of assembling 50 000 tons of steel per year, and cranes capable of lifting 175 tons.

Earlier in 1983 it seemed the recession had caught up with the shipyard.



Canadian Pacific

A flourishing and active port is synonymous with economic prosperity.

Oil exploration in the Saint John area is unique. From downtown, you can see the Glomar High Island IX oil rig, drilling just a few kilometres out of port. This is a joint venture of Irving Oil and Chevron Resources Canada Ltd. and it is hoped that oil will be found at a depth of 3 000 metres.

Thus, the usual meaning of the expression "offshore" does not really apply here. In Saint John, literally everything — including the oil — is just a stone's throw away.



From Mr. McCavour's office on the eleventh floor of city hall, I could see men busily loading potatoes onto a ship. This prompted me to ask Mr. McCavour what the importance of this product was for Saint John.

"First, I should tell you that these perishables are transported during the cold months, from November to mid-February. In the past, the railway equipment available to the New Brunswick and Prince Edward Island producers was not very modern, and at times the potatoes that arrived at the port were frozen or damaged. The importing countries therefore asked that the potatoes be held in the port in order to verify their quality. Ten days was usually sufficient to determine whether or not the potatoes had suffered frost damage. If damaged, water drops would appear on the potatoes and the buyer would refuse them. Today's modern storage techniques as well as potatoes being shipped by truck to the port for export permit more effective handling of perishables and such problems no longer occur. Although the Port of Saint John handles a large percentage of the potatoes exported, some are now being loaded in smaller ports along the coast as well."

The cleanliness of the port seems to go hand in hand with the tidy look of the city. The Port of Saint John is, among other things, one of the safest ports around. Strict measures have been adopted to limit access to the port and provide fool-proof security against the vandalism and theft which are sometimes problems elsewhere. In addition,

special attention is given to environmental protection and work safety. Half-day workshops on work safety will soon be offered to port employees. The port was recently given an honourable mention by the Dominion Fire Commissioner for the safety of its facilities; and Donald MacGowan, environmental control officer for the port, won the Regional Fire Commissioner's Award for Fire Safety.

"Port Days" is an annual industrial promotion event organized jointly by the port authorities and the Port Development Commission. It is attended by approximately 500 users of Saint John's port facilities. People from all over the world are invited to speak to participants, and there are useful discussions aimed at improving port services. This year, for the first time, there was also an exhibition of the heavy equipment used on the docks.

There are some well-founded rumours going around that the Port of Saint John could benefit from the ever-increasing amount of trade between Canada and China. Trade relations with this country will result in increased demand for raw materials. Wood pulp, lumber, newsprint and potash and other minerals are just some of the goods which will attract Chinese cargo boats to the Atlantic provinces. In addition, as its import and export markets grow, China has an increasing need for consultants in areas such as port development, administration and engineering. The Port of Saint John should take advantage of this new opportunity.

The next decade will present major challenges for the authorities of the Port of Saint John. Here, as in industry, success is a function of cost. When the price of a product is calculated, transportation costs must be included. If prices are good, there will be no shortage of buyers. Shipowners, operators and port authorities will have to keep these principles in mind if they wish to penetrate new markets.

Finally, in the words of E.G. Hare, director of marketing for the Port of Saint John: "We may not lead all ports in tonnage throughput, but we can be a leader among ports in productivity, a leader in systems development, and a leader in adapting to the most modern cargo and vessel handling techniques. A producer par excellence." □

— by Pierre Simard
Commerce Canada

The Many Faces of Design

Setting: Montréal. Décor and scenery reminiscent of late autumn. Outside, the snow is falling in big, wet flakes, somersaulting in the heavy Friday night air, flickering briefly in the headlights of the oncoming automobiles and finally, sadly, being absorbed into the grey city slush. With the wind whipping around them, the all too rare pedestrians are either hurrying home or dashing from one store to the next. Night has fallen and the city is ablaze with the lights of its countless shops.

Setting: Palais des Congrès. Décor reminiscent of an exhibition. First, the motley crowd of visitors. Then, the objects. Crafted into furniture, the most comfortable of woods have taken on wildly revolutionary shapes. Precious metals are showing off fine sculpted lines and shimmering stones. The finest fabrics are also making an appearance, cut and sewn into garments of all sizes and shapes, upholstery for furniture, rolls of woven and knitted material, lace, etc. Then, there is the pottery, the ceramic ware, the glasswork and the porcelain — in short, everything we have created to liven up our everyday fare. Finally, there are magnificent specimens of all the decorative arts — the serigraphs, the paintings, the tapestries, the sculptures, and the batik. All these objects, illustrating the latest trends in artistic creation and fashion, were on view at the Via Design exhibition.

Organized by Diffusart, this national event — Via Design — took place from November 18 to 27, 1983. In addition to the exhibition itself, Via Design set the stage for an international colloquium on the theme "Design Pays", attended by Canadian, French, Italian and American designers of great reknown. Among these celebrities were: Don Watt, already well known for product packaging (notably, Nestlé and Salada products); Kenneth Walker, a specialist in open-concept offices; Victor Papanek, designer and author of *Le Design pour un monde réel*; Gae Aulenti, one of the most influential contemporary designers; Douglas Ball, the creator of Sunar office furniture; and Carlo Forcolini, designer and president of the Artemide GB Inc. group.

Held from November 18 to 22, the colloquium dealt with such things as the relationships between the designer and the manufacturer and between the designer and the public, as well as marketing, data processing and the international market. It was designed primarily for specialists in the field and heads of companies, and allowed these people to reap the benefits of the speakers' thoughts and experience with regard to various aspects of their activities.

The organizers of Via Design, having noted that when making major purchases, Canadian consumers tended to shun local products in favour of imports, wanted to make the general public aware of the creative, innovative and manufacturing capabilities of Canadian firms. They also wanted to make

these firms aware of the need both to manufacture products capable of competing with imports and to make inroads into foreign markets. Unfortunately, some of the approximately 200 exhibitors grouped under the too vast banner of design lost sight of this two-fold objective. Moreover, in trying to give as broad as possible a definition to the concept of "design", for fear of leaving someone out, the organizers of Via Design failed to make a clear distinction between interior decorating and design, and even between arts and crafts and design. Thus, the exhibition had stands on items only remotely related to design: a magazine for business people; a relaxation tub; and the publications of a major publishing firm.

On the other hand, there were many stands dealing with a very important aspect of design: industrial design. Described by one of the exhibitors as the study of the form and function of products manufactured by industry, industrial design is not only a creative activity which seeks to reconcile the functional, formal and economic aspects of these products, it is also a form of co-operation. It is in co-operation with other specialists and marketing experts that the designer chooses the materials



The ultra-light aircraft Pelican from ULTRAVIA AERO Inc.



Beautiful lines and quality construction — two characteristics of this furniture presented at the Via Design exposition by Casa Geva of Montréal.

and coverings and selects the manufacturing and marketing methods and techniques. The designer is also responsible for the presentation and packaging of the final product. In carrying out all these tasks, the designer must bear in mind the interests of both the manufacturer and the consumer.

The stand of the Ontario College of Applied Arts and Technology, with its knitting computer, was one of the highlights of the show. Developed as part of the Telidon program, this computer has been used by the students for just over a year now to design and make clothing. Improvements which will make the computer's applications even more interesting are currently being studied.

Technomarine Inc., of Lanoraie, Québec, Canada's largest manufacturer of dock and gangway systems, also had its wares on display. Of a very unique design, these docks are made of a soldered aluminum alloy frame covered with pressure-treated wood decking, requiring no painting or maintenance, and able to resist freezing and thawing for at least 25 years. Buoyancy is provided by large reinforced fibreglass drums filled with polystyrene foam. Thanks to the exceptional lightness and the resistance of its docks, Technomarine has been able to sell its products in seven American states and its main customers in Québec are Transport

Canada, the St. Lawrence Seaway Authority and the Québec Department of Recreation, Fish and Game.

Another industrial design highlight was undoubtedly the Pelican. The Pelican is an ultra-light airplane designed by a Québec engineer and manufactured in Repentigny, Québec, by ULTRAVIA AERO Inc. It is sold in a kit and, since most of the parts are ready to be assembled, the buyer can fly aboard his or her Pelican in less than 120 hours. According to the aircraft's specifications, it has a wingspan of 11.2 metres, is 4.2 metres long and weighs 95 kilograms empty. Equipped with a 4-stroke engine, the Pelican has a cruising speed of 80 kilometres an hour, and can reach a maximum speed of 105 km/hr., while still using only 4.5 litres of fuel per hour. Another aspect which adds to the Pelican's appeal is its price: between \$7 000 and \$8 000.

No show on design would be complete without some attention to products which are still at the prototype stage or which have just come on the market. At the Palais des Congrès, these products were found at a stand called the "Invention Emporium". This large showcase included the latest discoveries, in various areas, of approximately 40 Québec inventors. In the area of recreation, there was a bicy-

cle with brakes in the saddle, and an aquatic board with a whole range of safety devices and a 9-horsepower motor, allowing it to cut across the water at a speed of 65 km/hr. With the holiday season approaching, visitors could not help but think of future presents when they saw a multi-dimensional strategy game, a device which made putting on snowshoes a breeze, a new accessory to keep beer cold in the carton or, conversely, a creation making it possible to keep coffee hot in its cup without burning oneself or having the coffee taste of smoke.

These days, everyone is interested in energy conservation, particularly inventors, who find it a challenge. Visitors of Via Design saw the latest inventions in this area: stoves and fireplaces which not only used wood as a fuel but also generated heat from the combustion gases, thanks to a special patented burner. And then, so as not to lose the heat saved, another Québec inventor was showing extruded aluminum weather stripping which could be installed in the twinkling of an eye along door or window frames. Many Canadians might hesitate to buy an outdoor fireplace, given the vagaries of the Canadian climate. However, the rotating fireplace makes it possible to cook outdoors, regardless of the direction or force of the wind.

Some of the other inventions unveiled were: a mitre box for portable power saws; a special tool for planting shrubs; and an electronic cigar lighter.

Finally, for archery buffs who, for obvious reasons, are not entirely free to practise their favourite sport at home, an inventor from St-Léonard, Québec, has designed a device in which, instead of an arrow, a metal shaft moves, as would a piston, inside a tube filled with oil. When the archer pulls back the cord and shoots, the oil acts as a brake on the shaft. Thus, the archer can keep in practice without having to leave home and without risk of accident since, in a manner of speaking, he is shooting blanks. Simple, you might say, yet someone had to think of it. When all is said and done, is this not the secret of many inventors and designers? After all, the method we have chosen to count, in groups of 10, loses all its mystery when we stop to count our fingers. . . .

— by Yves de Martigny
Canada Commerce

Canadian Company Makes Impact on Disposables Market

Making small, perhaps even mundane but very important, disposable personal hygiene products, an aggressive Brantford, Ontario, company — Dafoe & Dafoe Inc. — has cornered a growing portion of the North American market.

In fact, today the company has been described as North America's leading manufacturer of private label and generic brand baby and adult diapers, sanitary napkins, pads and cotton swabs.

It was in 1975 that Heather and Ken Dafoe decided to go to work for themselves in a new venture and a new type of husband-and-wife partnership. Starting on a modest scale, the new company grew rapidly and now employs 400 in five plants — the original plant in Brantford, three plants in the United States and one in England.



Ken and Heather Dafoe.

Ken is chairman of the board and Heather is president. Says Ken, "Heather runs the company and I make it grow. Everything but sales reports to her."

Ken Dafoe had considerable experience in marketing similar products to those Dafoe & Dafoe now sells. He worked for several large U.S. corporations, including Johnson & Johnson for whom he spent 10 years as a sales representative and executive in Trinidad, Jamaica and Mexico. Heather Dafoe had done office work for some seven years but had been not been working outside her home prior to undertaking the new venture with her husband.

By June 30, 1976, their company's sales had reached \$129 000 and that was only the beginning. Since then growth has been steady, and, at times, even spectacular.

By June 30 this year sales will be more than \$55 million and Dafoe & Dafoe is out to achieve sales of \$100 million for three years ending June 30, 1985. "We are on target and I can see no reason why we shouldn't achieve this goal," says Ken Dafoe.

When it started in 1975 the company had only 930 square metres (10 000 square feet) of leased space in Brantford. Today it operates from 8 100 square metres (87 000 square feet) in Brantford alone and a total of 24 000 square metres (256 000 square feet) in its four plants.

Federal government help has been important to the company. It has received some \$400 000 through the Industry and Labour Adjustment Program (ILAP) of the Department of Regional Industrial Expansion and further assistance of up to \$150 000 in loans from the Federal Business Development Bank (FBDB).

By 1979, the company had expanded into its plant in England and, in 1980, opened its first U.S. plant in Georgia and its next two in California and Pennsylvania in 1981.

This makes a "nice switch" according to Heather Dafoe. "The majority of plants in Canada are American or British-owned and operated."

The Dafoe's believe in encouraging young Canadians. In 1981 they hired four graduates from the University of Western Ontario in London, Ontario, and now, at an average age of 24, all four are running Dafoe companies as vice-presidents/general managers.

"Our ability to hire aggressive people, pay them well and develop them should give us a tremendous 'team' for our projected growth," the Dafoes state.

Dafoe & Dafoe products are geared to the retail and service industries across North America and in Britain. Currently more than 20 large retail chains in Canada and at least 100 in the

United States are marketing the company's family of private label or generic brand products.

The company believes firmly in long-term business and association. The best way (the Dafoes agree, the only way) to attract and keep a customer is by supplying a first line quality product at a price that is profitable not only to the manufacturer (Dafoe & Dafoe) but to the retailer or service industry as well.

Dafoe & Dafoe products more than meet the criterion of quality. They are considered equal if not better than national brands on the market today and each product is subject to the most stringent testing on a regular basis.

And it pays off. In 1981 Dafoe & Dafoe was awarded the Government of Ontario's *Award for Industrial Achievement*.

The company is constantly expanding to meet the demands of its ever-increasing market. In the past six months it has boosted its manufacturing capabilities with the addition of four disposable diaper and two sanitary napkin machines — worth more than \$6 million.

What happens after Dafoe & Dafoe reaches its 1985 sales goal of \$100 million? "That's easy. We go for \$250 million by 1990!"



Dafoe & Dafoe quality products.

Regional Offices

The Department of Regional Industrial Expansion maintains regional and local offices in each province for your convenience:

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