

**Canada Small Business Financing Program:
Capital Leasing Pilot Project (CLPP) Evaluation Survey**

August 2006

Submitted to Industry Canada



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EXECUTIVE SUMMARY

Phoenix SPI was commissioned by Industry Canada to conduct research related to the *Canada Small Business Financing Act* (CSBFA) Capital Leasing Pilot Project (CLPP). A telephone survey was undertaken with representatives of 150 SMEs that obtained capital leases under the CLPP. Based on a sample of this size, the overall findings can be considered to be accurate to within +/- 7.3%, 19 times out of 20 (finite population factor applied). Fieldwork was conducted July 18-31, 2006, and interviews averaged 12 minutes.

Background Characteristics

The following summarizes some of the key characteristics of the business executives and their firms included in this survey:

- Almost half of the survey respondents were owners of the business (45%), while just under one-third (30%) were the company's president.
- Almost half of the firms represented in this research (48%) have fewer than five employees. Relatively few (9%) have more than 20 employees.
- The largest number of participants (35%) said their business' total revenue for the previous year was between \$100,001 and \$500,000. Almost as many (33%) said they had revenues over \$500,000. Fully, 16% grossed \$100,000 or less.
- Over one-third (35%) obtained the capital lease to purchase vehicles. Slightly fewer, 28%, used it to purchase manufacturing equipment. Taken together, equipment purchases were cited by 50%, including equipment for manufacturing, medical/health, forestry, lodging, heavy, construction, and hotels/restaurants.
- A majority of surveyed businesses (53%) were older than three years.
- Surveyed companies are located in Quebec (41%), followed by the West (34%) and Ontario (21%).

Awareness

Awareness of both the CSBFA and CLPP was very limited. Only 18% claimed to be aware of the CSBFA before being contacted for this research, while slightly fewer (16%) said they were previously aware of the CLPP. Not only were levels of awareness low, the knowledge that respondents had of the CSBFA and CLPP was thin. In both cases, the relatively few executives that claimed to be aware offered very general feedback when asked what they knew. For instance, 37% of those aware of the CSBFA described it as a government program designed to help small businesses obtain financing, while others pointed to loans being guaranteed by government (22%), and that government would share losses (7%). The situation was similar among those aware of the CLPP. In both cases, a substantial proportion of those who claimed to be aware could recall nothing at all (30% for CSBFA and 42% for CLPP). In short, overall awareness was low, and knowledge tended to be very general and thin.

Executives were much more likely to be aware, in a general way, that the capital lease their business obtained is guaranteed under a government program (49%). That said, half of those who received the CSBFA lease (40%) were not aware of the government guarantee.

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Among those who were aware of this, two-thirds said they knew the guarantee is a provision of the CSBFA. One should treat this with some caution given the low levels of awareness previously acknowledged by surveyed executives.

Financing Experience and Incrementality

Before obtaining the CLPP lease, surveyed companies financed their capital acquisitions using a variety of methods. However, relatively few used leases, whether capital leases for equipment (11%), operational leases (3%), or other lease arrangements (3%). Heading the list of financing approaches that were used were term loans (17%), personal funds (12%), and the bank¹ (11%), with small numbers having used venture capital, lines of credit, cash, or family/friends. One-third (31%) said their business had made no capital acquisitions before obtaining the CLPP lease.

While almost one-third (30%) had not sought financing during the previous 10 years (excluding their CSBFA lease), almost half (45%) had obtained financing from a bank or other financial institution on two or more occasions. Consistent with this, a sizeable minority (43%) had applied for a loan or capital lease in the year prior to obtaining the CSBFA lease. Clearly, many of the surveyed firms were relatively experienced in terms of obtaining financing from banks or other financial institutions.

Of those who had applied for a capital lease or loan in the year prior to obtaining the CLPP lease, two-thirds were successful in obtaining it (64% received the full amount). Just over one-third (36%) were turned down. Although a number of financing options were considered, surveyed businesses were much more likely to have considered a normal bank loan (33%) at the time they first decided to apply for financing. This was followed at a distance by 15% who considered leasing (40% had considered no other options at the time they obtained their CSBFA lease).

At the time they received the CLPP lease, fully 49% said that this was the only option available to their business ('don't know/no response' excluded). This could be viewed as *full financial incrementality* – that is, surveyed firms would not have had any financing options without CLPP. In addition, 21% said that other sources were available, but this either did not cover the full amount needed or would have had less favourable terms (*partial financial incrementality*). Conversely, 30% said that other sources of financing were available with similar terms, but they still preferred the CLPP lease.

More than one-third (37%) of surveyed lessees believe that if they had not obtained the CLPP lease their business would have been prevented from setting up or expanding ('don't know/no response' excluded). This could be viewed as *full incrementality* in terms of economic impact. For 28%, not obtaining the lease would have meant a delay in the set-up or expansion of their business, while 13% said they would have proceeded on a smaller

¹ This response was provided verbatim by survey respondents. Without further details regarding which type of bank financing they used to finance their capital acquisitions, these responses could not be re-assigned to a more explanatory category.

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scale. These latter two combined together, 41%, could be viewed as *partial incrementality*. Only 21% said that not receiving the lease would have had no impact at all.

Many surveyed firms experienced positive outcomes as a direct result of obtaining the CLPP lease:

- ⇒ 75% were able to increase productivity (this likely means increased production, not increased productivity per se)
- ⇒ 57% said the lease allowed them to broaden the geographic scope of their business
- ⇒ 48% claimed it resulted in a decrease in costs
- ⇒ 49% identified the development of new products and processes
- ⇒ 45% said it allowed them to pursue opportunities for other investments, and
- ⇒ 36% said it freed up funds to finance working capital items, such as inventories or accounts receivable.

Looked at another way, only 7% of surveyed firms said they experienced none of the positive outcomes identified above, while 9% experienced one such outcome. At the other end of the spectrum, 42% experienced four or more of the positive outcomes as a result of obtaining the capital lease, while a similar proportion (41%) experienced 2-3. Clearly, most of those who received a CLPP lease experienced a significant impact on the operation of their business.

Underscoring the positive impact that the CLPP lease has had on businesses, one-quarter felt that their company would have ceased to operate had they not obtained the capital lease at that time.

Employment Impact

In terms of job creation, more than two-thirds of surveyed firms (69%) created new jobs as a direct result of having obtained a CLPP lease: 42% created one or two positions, while 27% created three or more. Moreover, almost all of the firms that created new positions (87%) indicated that one or more of the new jobs were full-time (33% created part-time positions). The jobs tended to be manufacturing and labour jobs (42%), followed by technical, management, and administrative/support positions (each cited by 13-17%).

In addition, 61% claim that they would have had to eliminate jobs in their company if not for the CLPP lease. One-third (34%) would have eliminated up to two positions, while 27% said the lease preserved three or more jobs. Fully 93% of firms that maintained positions as a result of the CLPP lease maintained jobs that are full-time, while 30% maintained one or more part-time positions. Positions involving manufacturing or labour (33%) and management or professional services (28%) were the most likely to have been cut had the business not obtained the CLPP lease.

For many surveyed firms (39%), the CSBFA lease also resulted in upgrading or improving existing positions in the company. As well, 20% think the lease resulted in new jobs created by their suppliers or customers. It is noteworthy that only four surveyed firms had to eliminate positions after they had obtained their CLPP lease.

INTRODUCTION

Phoenix Strategic Perspectives Inc. was commissioned by Industry Canada to conduct research related to the *Canada Small Business Financing Act* (CSBFA) Capital Leasing Pilot Project (CLPP).

Background

Under the provisions of the *Canada Small Business Financing Act*, a Capital Leasing Pilot Project was launched on April 1, 2002. The purpose of the pilot project is to test the effectiveness of a lease-loss program in increasing opportunities for investments by small and medium-sized enterprises (SMEs) through improved access to capital lease financing. The performance of the pilot project, which will be a determining factor in the decision whether to include capital leasing permanently in the CSBF Program, will be measured primarily by its ability to satisfy two key objectives set out for the CSBFA:

- **Incrementality** - i.e. that the capital leases made under the pilot project would not have been made or would have been made on less favourable terms for the SME; and
- **Cost-recovery** - i.e. that the pilot project will be independently cost-recoverable separate from the core CSBFA loan program, where user fees will cover projected claims payments over the life of the capital leases made during the five years of the pilot project (administrative costs not included; absorbed by Industry Canada).

The CLPP is a partnership between the federal government and the leasing institutions to extend access to financing for the supply of equipment to small businesses through capital leases. This five-year pilot project is set to expire on March 31, 2007, and an evaluation is underway at the time of this report.

Industry Canada has commissioned similar work for the CSBF (core) Program as part of its recently completed five-year review (1999-2004). This consisted of an SME awareness study completed in 2001, and an awareness and satisfaction study completed in 2004 that included representatives of SMEs and financial institutions.

The objectives of the current research originate from the research, analysis, and reporting requirements under the results-based management and accountability framework (RMAF) for the pilot project. The RMAF requires that research be completed on job impacts, incrementality, and program awareness. The results of this research and analysis will be part of the pilot project's final evaluation report and will be used to assess whether the pilot should continue as part of the core CSBF Program or expire at the end of the 2006-07 fiscal year.

The current research was designed to obtain information from SMEs with capital leases registered under the CSBF Program's Capital Leasing Pilot Project. Specifically, the research measured the following in relation to the CLPP's client SMEs (lessees):

- the level of awareness of lessees regarding the CLPP;
- the level of incrementality of leases;
- the level of job creation/maintenance due to the project; and

- the extent to which the lease provided opportunities for other investments.

Research Activities

To address the research objectives, a phone survey was undertaken with representatives of SMEs with capital leases registered under the CSBF Program's Capital Leasing Pilot Project. The following specifications applied to this study:

- The survey was administered to 150 lessees, in French or English, from July 18-31, 2006. The average interview length was 12 minutes. Based on a sample of this size, the overall findings can be considered to be accurate to within +/- 7.3%, 19 times out of 20 (finite population factor applied).
- The sample was based on a list of approximately 900 lessees provided to Phoenix by Industry Canada. Duplicates (i.e. firms with multiple leases) were removed, as were all of those companies with leases that were in default.
- While a sample frame would normally have been developed for this type of study to guide the data collection, based on a review of CLPP lessee statistics, the value of this for the current project would have been marginal since all records in the sample frame needed to be called in order to complete the 150 interviews, particularly given the time of year of the data collection (i.e. summer).
- The questionnaire drew on questions used in previous research undertaken in support of the CSBFA. Using previous surveys as a point of reference, the questionnaire incorporated questions related to job impacts, incrementality, and program awareness. The main focus of the questionnaire was on collecting factual and behavioural information, with a limited number of attitudinal measures.
- Following preparation of the survey sample and approval of the questionnaire, both were provided to Opinion Search for the data collection.
- A pre-test was conducted in both official languages. The data from the pre-tests was retained and included in the final dataset.
- A letter was sent by Industry Canada to potential respondents in advance of the fieldwork to advise them of the research, introduce Phoenix as the firm conducting it, encourage participation, and assure them of the confidentiality of their responses.
- To ensure that respondents were clearly focused on the CLPP lease, individual respondents were informed, at the start of the interview, about the date of the lease and the name of the company that provided it.
- Sponsorship of the study would be revealed (i.e. Government of Canada).

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The following table presents call distribution information for this study, including the calculation of the response rate (using the industry standard formula):

A (1-14)	Total Attempted	734
1	Not in service (disp 4,44,47)	65
2	Fax (disp 10,46)	32
3	Invalid #/Wrong# (disp 9,12,13,43,77,88)	44
B (4-14)	Total Eligible	593
4	Busy (disp 2,42)	2
5	Answering machine (disp 3,8,45)	127
6	No answer (disp 1,41,48)	57
7	Language barrier (disp 11)	2
8	Ill/Incapable (disp 14)	20
9	Eligible not available/Callback (disp 6,7)	118
C (10-14)	Total Asked	267
10	Household/Company Refusal (disp 15,21)	20
11	Respondent Refusal (disp 22,23,26,27,89)	83
12	Qualified Termination (disp 24,28,29)	14
D (13-14)	Co-operative Contact	150
13	Not Qualified (disp 3X,25)	0
14	Completed Interview (disp 20)	150
	REFUSAL RATE	43.82
	(10+11+12) / C	
	RESPONSE RATE	25.30
	D (13-14) / B (4-14)	
	INCIDENCE*	100.00
	[(14+12) / (13+14+12)]*100	
	[(C1+QualTM)/(NQ+CI+QualTM)]*100	

Note to Reader

- For editorial purposes, the terms ‘lessee’ and ‘respondent’ are used interchangeably in the report to denote survey participants. Additionally, unless otherwise stated, the terms ‘lease’, and ‘capital lease’ are used to denote the CLPP lease.
- The total number of respondents for each question is 150 unless specified differently in the graphs or text. At times, the number of respondents (i.e. not the percentage) who answered certain questions or responded in a certain way is provided. The following method is used to denote this: n = 90, which means the number of respondents, in this instance, is 90.
- It is possible that individuals in firms that benefited from the CLPP lease they obtained may have been more likely to have participated in this survey than those who did not. If this is the case, the positive outcomes identified in the report (i.e. increased productivity, decreased costs, etc.) might be somewhat overstated when applied to the full population of all firms that obtained CLPP leases.
- Similarly, individuals aware of the CSBFA and CLPP may have been more likely to have participated in this survey than those who were not. If this is the case, the

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levels of awareness reported in this report might be somewhat overstated when applied to the full population of all firms that obtained CLPP leases.

Appended to this report are the following (in both official languages):

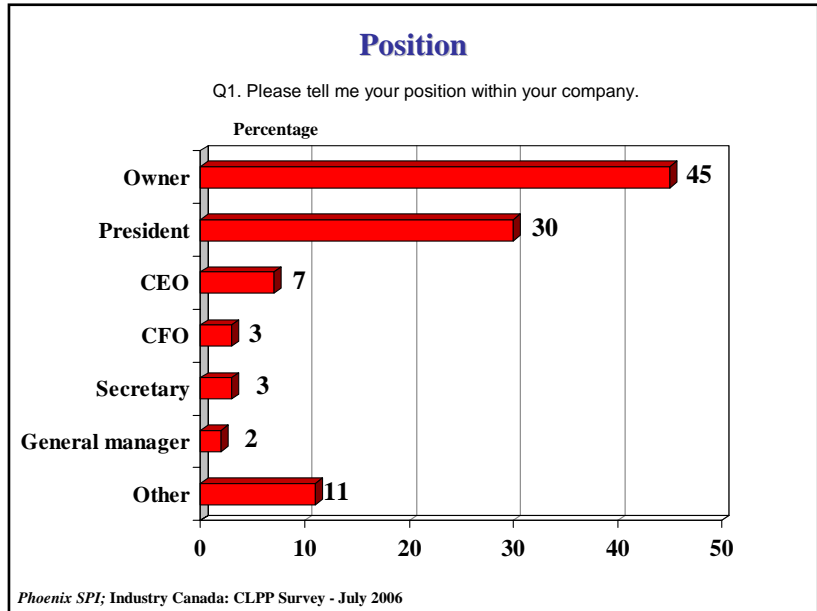
- The survey questionnaire,
- The invitation letter, and
- Profile Comparison: Surveyed Firms versus Full Sample.

BACKGROUND CHARACTERISTICS

The following section presents the characteristics of SME representatives and their firms that obtained a capital lease under the Capital Leasing Pilot Project (CLPP), including the main purpose for obtaining the lease, and the amount and date of the lease.

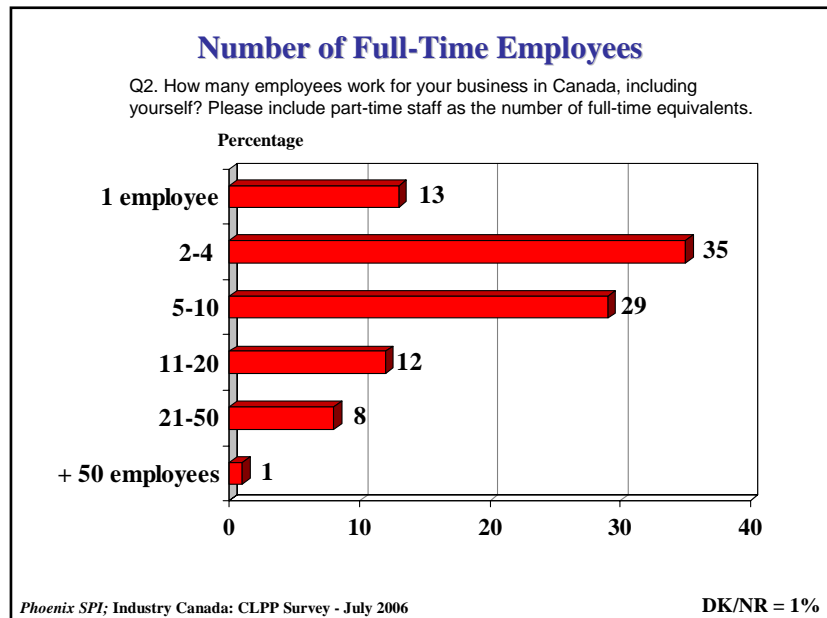
Position of Respondent

Almost half of the survey respondents were owners of the business (45%), while just under one-third (30%) were the company's president. Clearly, very senior executives took part in this survey on behalf of their firms.



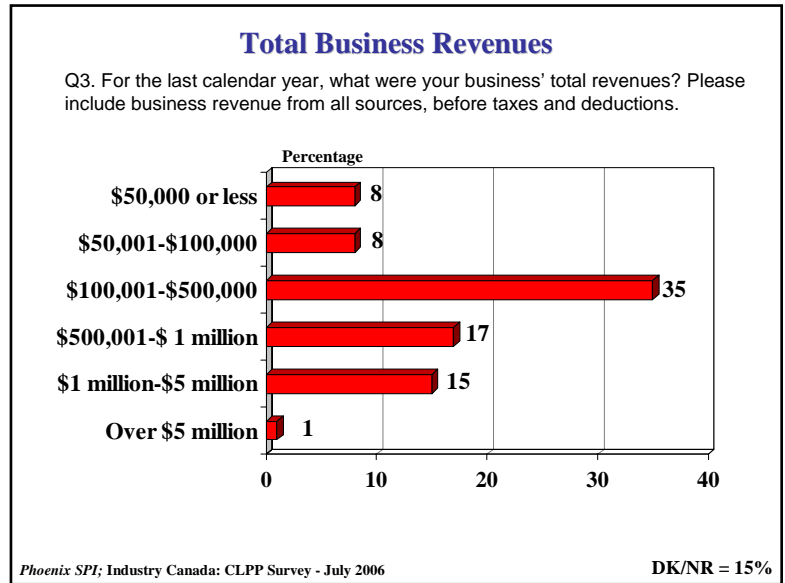
Number of Full-Time Employees

Almost half of the firms represented in this research (48%) have fewer than five employees. Relatively few (9%) have more than 20 employees.



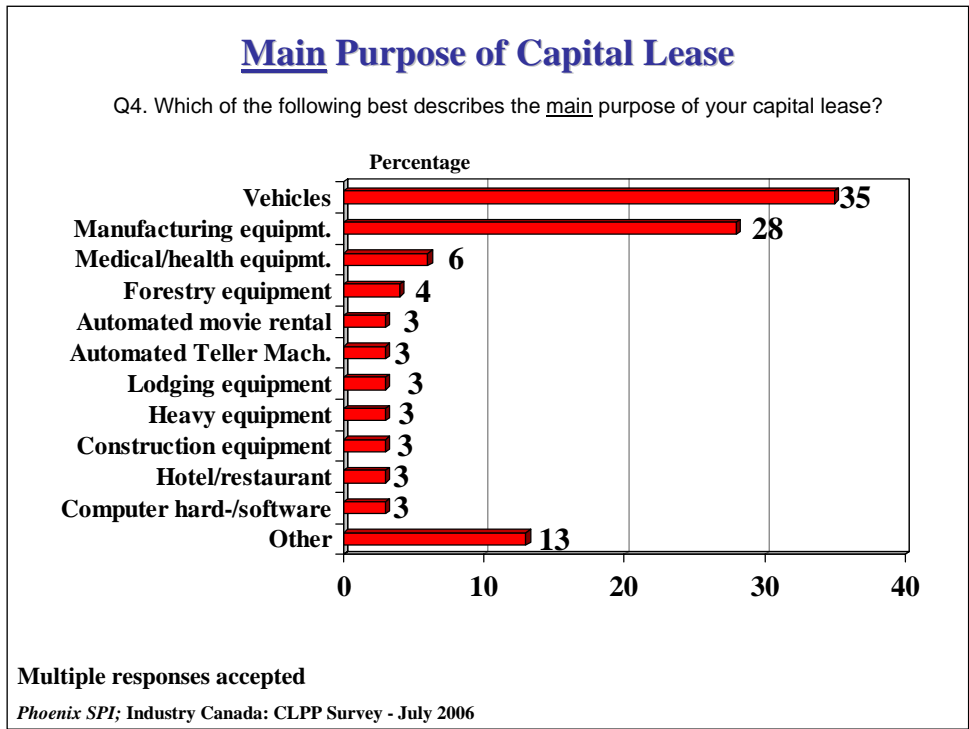
Total Business Revenues

The largest number of participants (35%) said their business' total revenue for the previous year was between \$100,001 and \$500,000. Almost as many (33%) said they had revenues over \$500,000, including 16% who earned \$1 million or more. Fully, 16% grossed \$100,000 or less.



Vehicles & Manufacturing Equipment – Main Reasons for Lease

Over one-third (35%) of lessees had obtained their capital lease to purchase vehicles for their business. Slightly fewer, 28%, purchased manufacturing equipment. However, taken together equipment purchases were cited by 50%, making this the leading use of the capital lease. This includes manufacturing equipment (28%), medical/health equipment (6%), forestry equipment (4%), lodging, heavy, construction, and hotel/restaurant equipment (3% each).

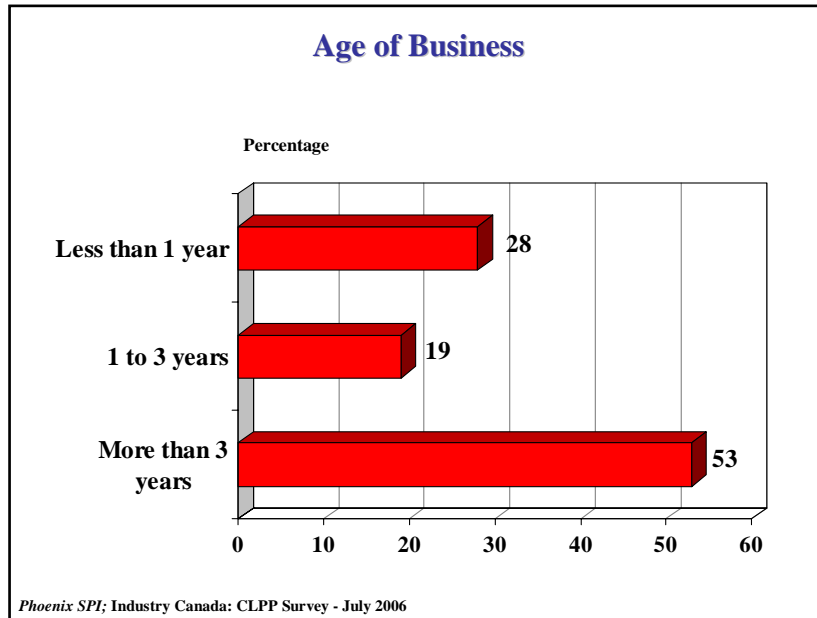


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Few (3%) used their capital lease for automated movie rentals, ATMs, or computer hardware and software. Responses included in the 'other' category are specific types of equipment, such as that required for golfing, aesthetics, or dry cleaning.

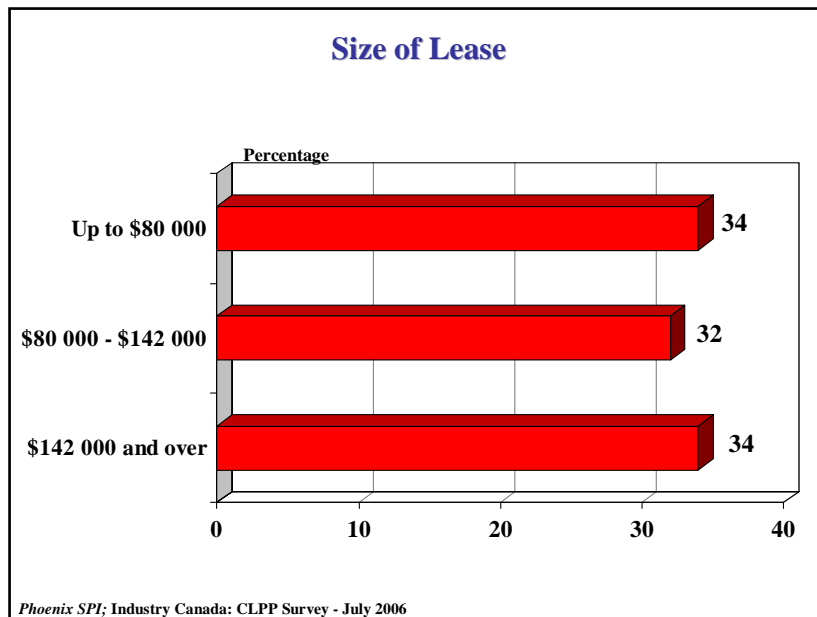
Age of Business

A majority of surveyed businesses (53%) were older than three years.



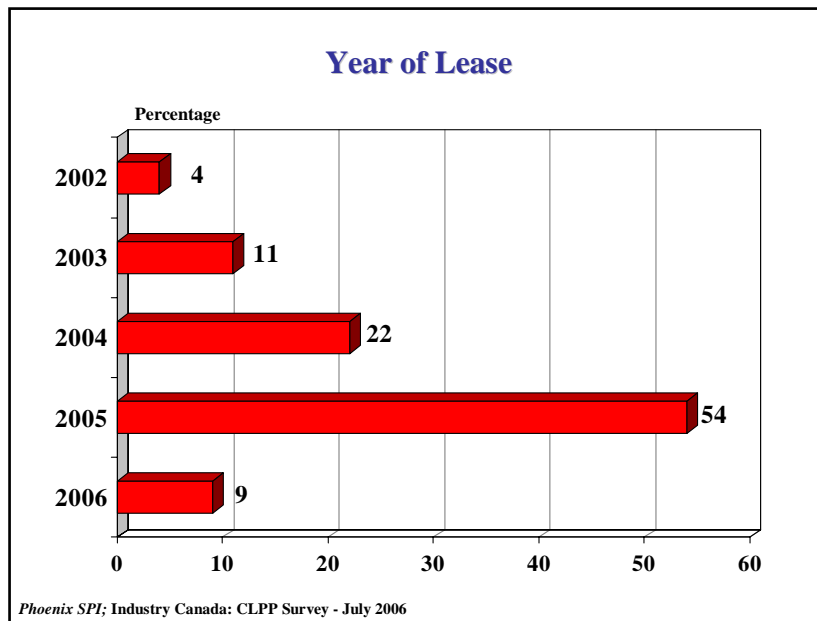
Size and Year of Lease

Firms obtained leases of varying sizes.



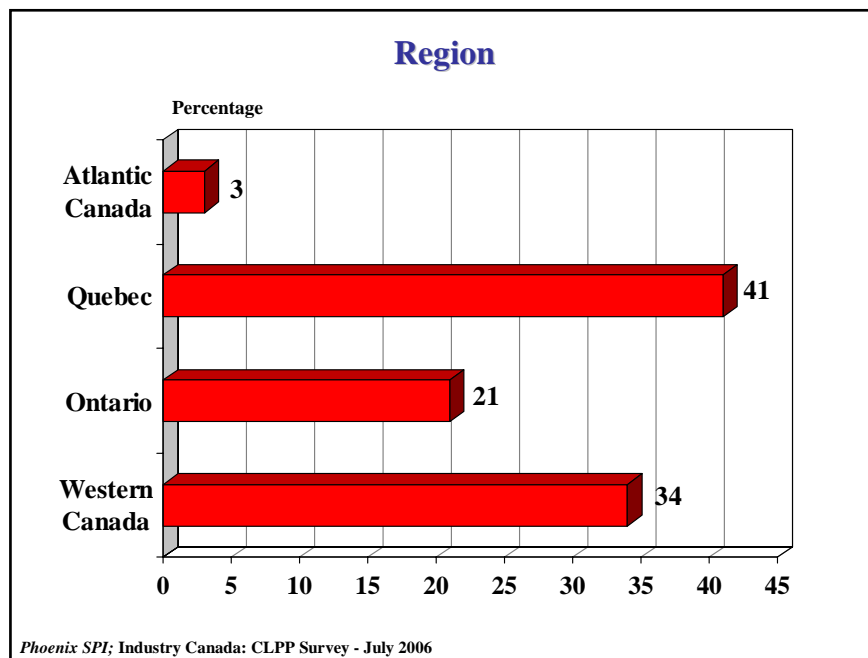
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Most respondents received their CLPP lease in 2005.



Region

Surveyed companies are located in Quebec (41%), followed by the West (34%) and Ontario (21%).

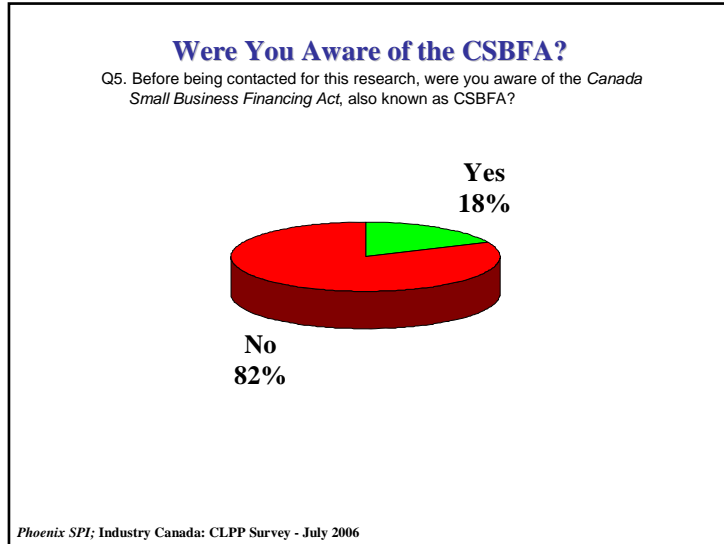


AWARENESS

This section deals with respondents' levels of awareness of both the CSBFA and CLPP, including sources of awareness.

Most Not Aware of CSBFA

Eight in ten (82%) surveyed lessees said they were not aware of the CSBFA before being contacted for this research. Only 18% claimed prior awareness.



Government Help for Small Businesses – Main Knowledge of CSBFA

Those who were aware of the CSBFA (n = 27) were asked what they knew about it. Not surprisingly, feedback tended to be quite general in nature. In total, 37% said it is a government program designed to help small businesses obtain financing. Others recalled provisions, such as loans being guaranteed by the government (22%), and that the government would share losses (7%). A small number (4%) said that it was for equipment purchases, or that the bank discouraged its use.



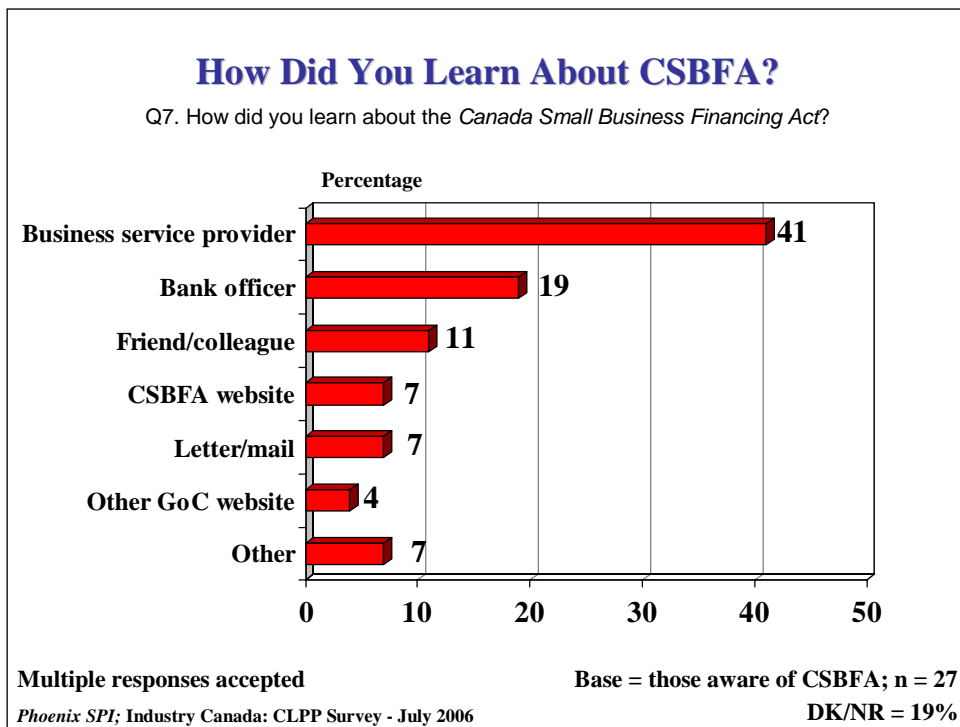
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Responses included in the 'other' category are the perception that the CSBFA helps businesses to expand and that it offers up to \$250,000 of financial assistance.

Nearly one-third (30%) could not recall anything about the CSBFA.

Most Heard of CSBFA from Business Service Provider or Bank

By a wide margin, respondents were most likely to have learned about the CSBFA from a business service provider (41%), such as an accountant or financial advisor. This was followed, at a distance, by bank officers (19%), and friends or colleagues (10%). This suggests that most of those aware of the CSBFA learned about the program prior to their visit(s) to the bank or other financial institution.



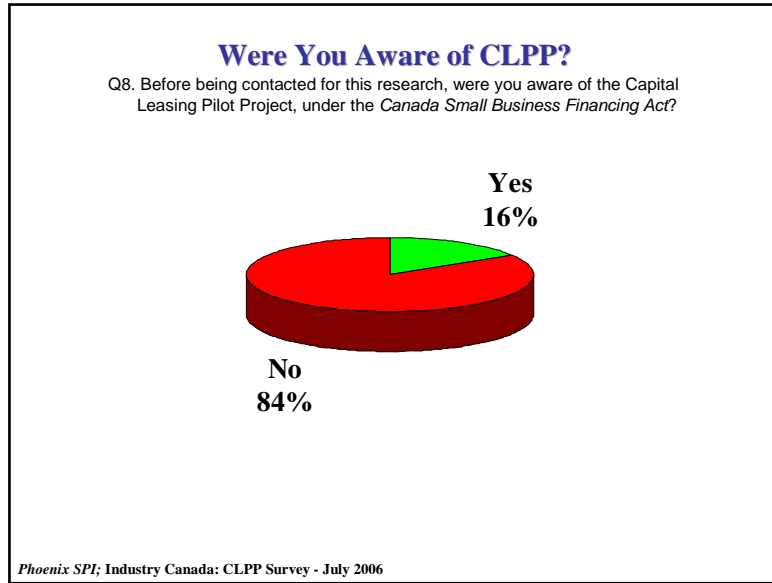
One in ten mentioned the Internet as their source, including 7% who said the CSBFA website, and 3% who pointed to some other government site. Seven percent mentioned a mailing of some kind.

Included in the 'other' category are those who learned about CSBFA from contact with a financial/accounting company or through research that they conducted.

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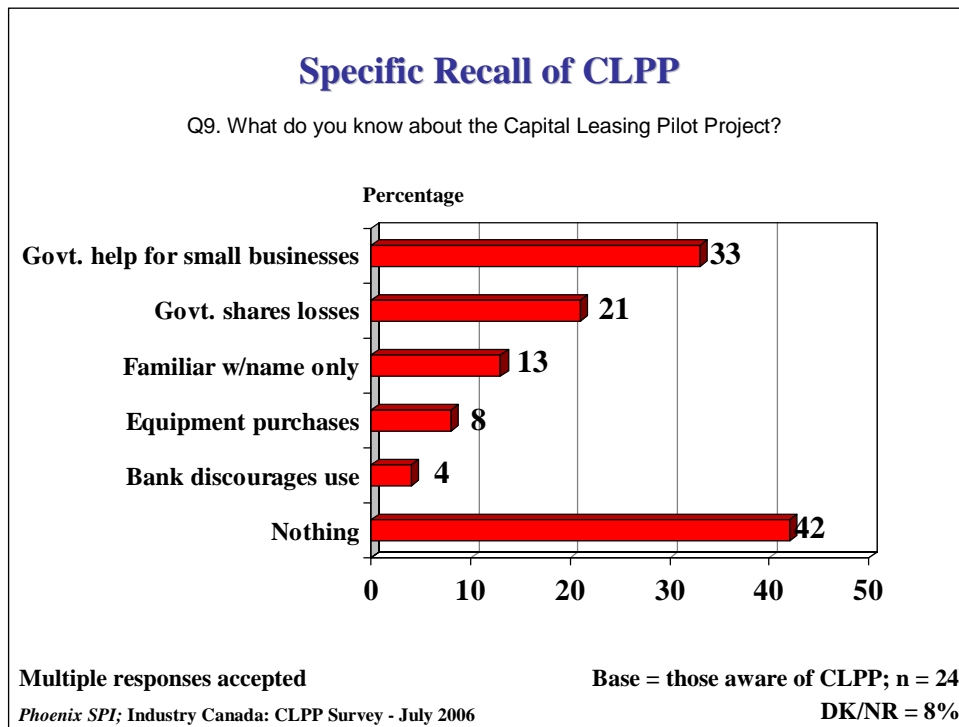
Most Not Aware of CLPP

As with the CSBFA, the large majority of surveyed lessees were not aware of the CLPP (84%) prior to being contacted for the research. A relatively small number, 16%, said they were aware of the pilot conducted under the CSBFA.



Government Help for Small Businesses – Main Knowledge of CLPP

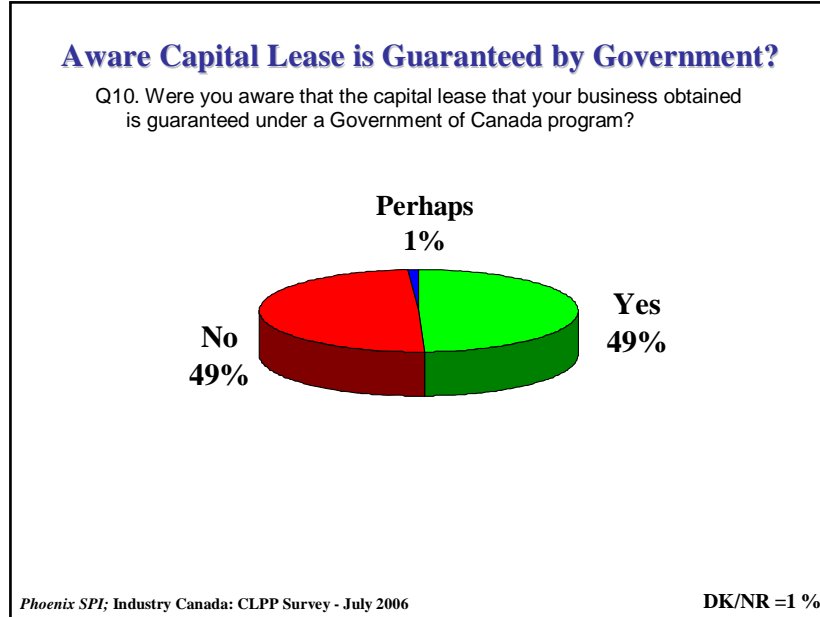
Similar to their recall of the CSBFA, those who were aware of the CLPP (n = 24) were most likely to say that it was a government program to help small businesses finance capital acquisitions (33%). This was followed by an understanding that losses are shared by the government (21%). Thirteen percent were familiar with the name only, while 8% said it was for equipment purchases, and 4% said that the bank discouraged using it.



A significant number (42%) said that they recalled nothing.

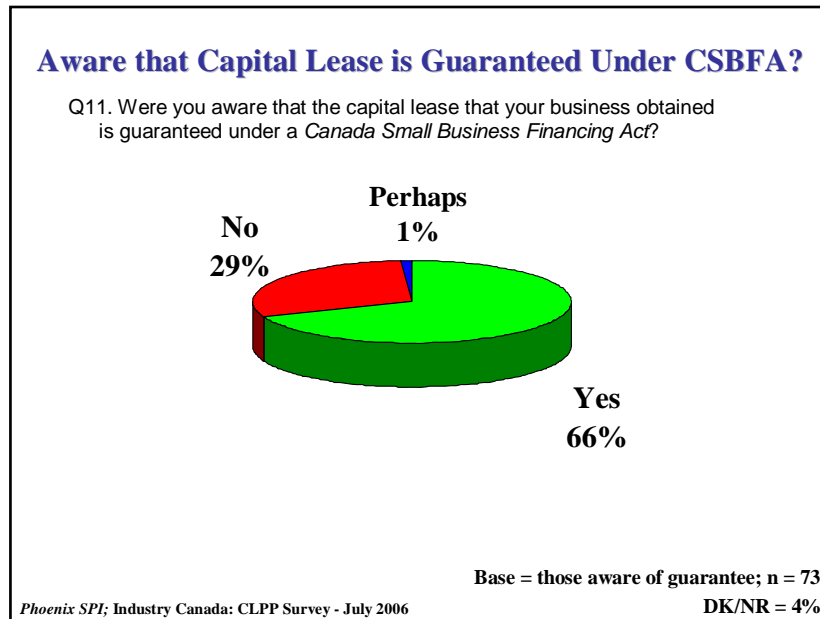
Divided Awareness That Government Guarantees Lease

Respondents were evenly split (49% each) regarding their awareness that the capital lease their business had obtained is guaranteed under a government program.



Many Aware Lease is Guaranteed Under CSBFA

Among those who were aware that their capital lease is guaranteed under a government program (n = 73), two-thirds knew that this guarantee comes as a provision of the CSBFA. Over one-quarter (29%) were not aware that the Act was the source of their guarantee.

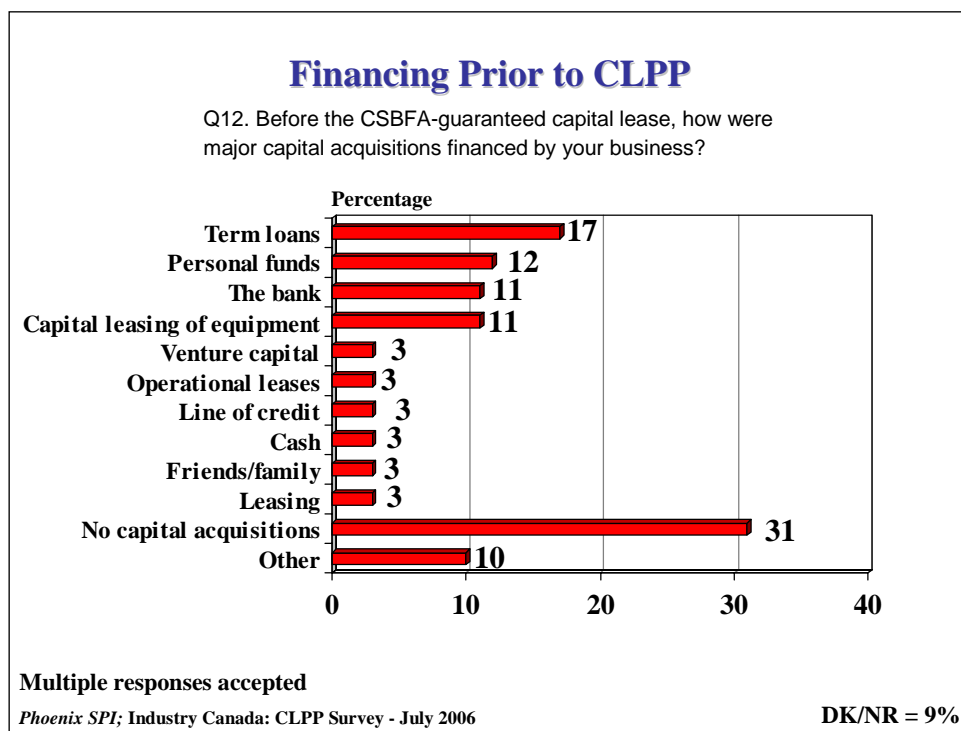


FINANCING EXPERIENCE AND INCREMENTALITY

This section deals with respondents' experience with the CSBFA capital leasing pilot project, as well as their business' use of financing in general.

Numerous Financing Methods Used Prior to Capital Lease – None Dominate

Before the CLPP lease, respondents financed their capital acquisitions using a variety of methods. Heading the list were term loans (17%), personal funds (12%), the bank² (11%), and capital leasing for equipment (11%). Smaller numbers (3%) had used venture capital, operational leases, lines of credit, cash, family or friends, and regular lease arrangements. Note that relatively few used leases to finance major capital acquisitions.



One-third (31%) said their business had made no capital acquisitions before obtaining their CLPP lease.

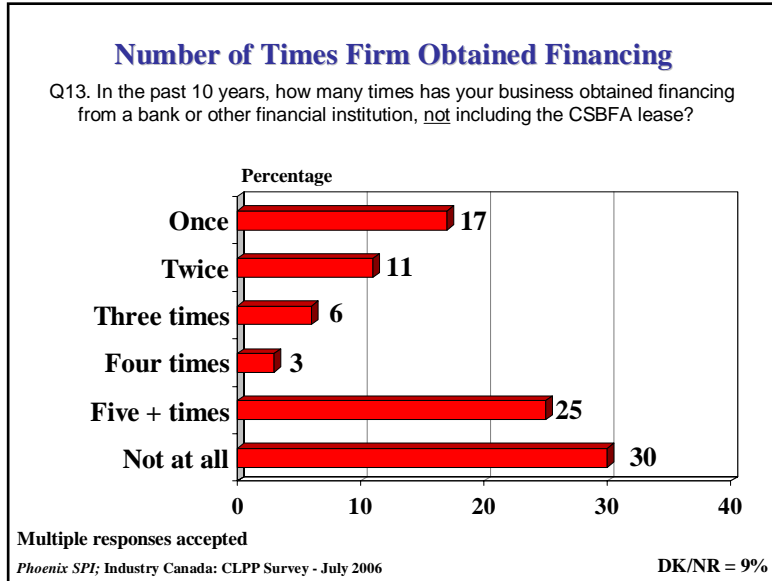
Ten percent pointed to various other sources of financing, including a leasing or financing company in general, dealership financing, or available purchase financing.

² This response was provided verbatim by survey respondents. Without further details regarding which type of bank financing they used to finance their capital acquisitions, these responses could not be re-assigned to a more explanatory category.

Many Obtained Financing Multiple Times in Last 10 Years

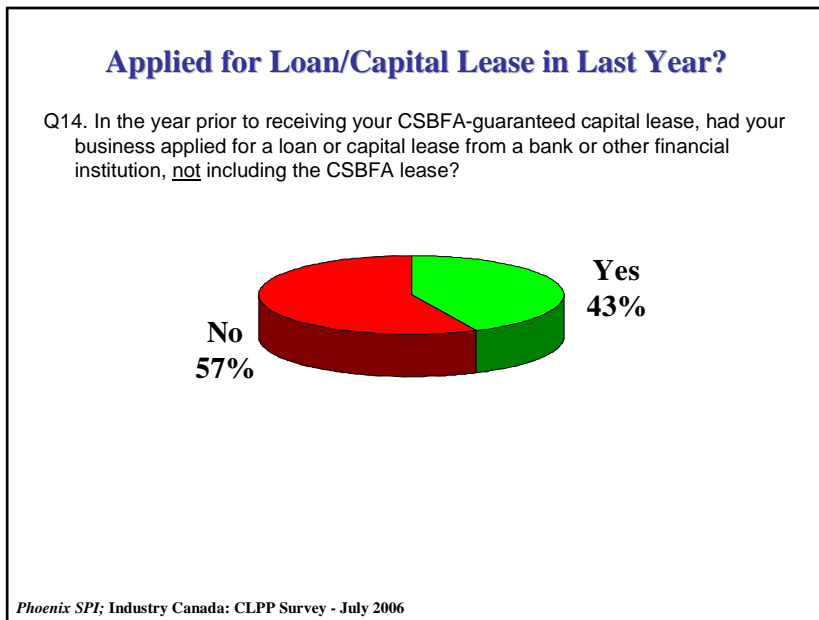
Although almost one-third (30%) had not sought financing in the past 10 years, excluding their CLPP lease, one-quarter had obtained financing at least five times. One in five had done so between two and four times (11% twice, 6% three times, and 3% four times), and 17% had obtained financing once in the past 10 years. The focus was on financing obtained from a bank or other financial institution.

In total, 45% obtained financing on two or more occasions. Clearly, many of the surveyed firms were relatively experienced in terms of obtaining financing from banks or other financial institutions.



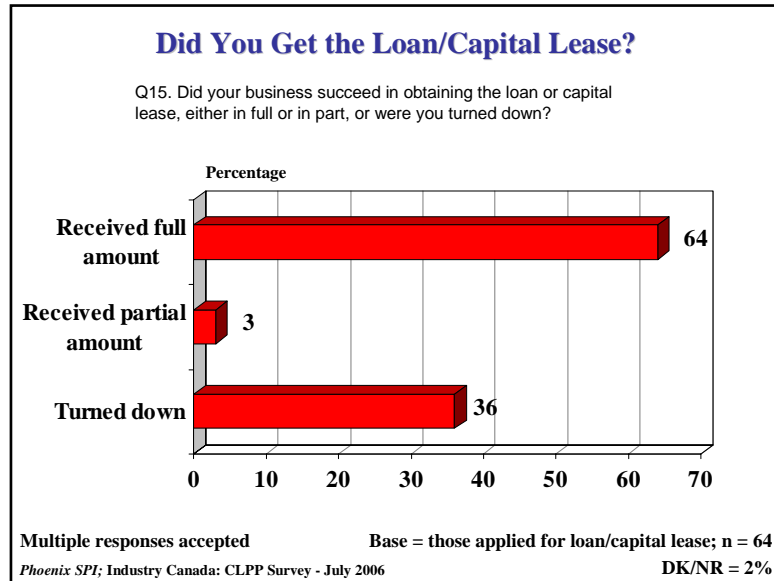
Most Had Not Applied for Loan/Capital Lease in Year Prior to CLPP Lease

A majority (57%) said that their business had not applied for a loan or capital lease from a bank or other financial institution in the year prior to obtaining their CLPP lease. However, a sizeable minority (43%) had done so.



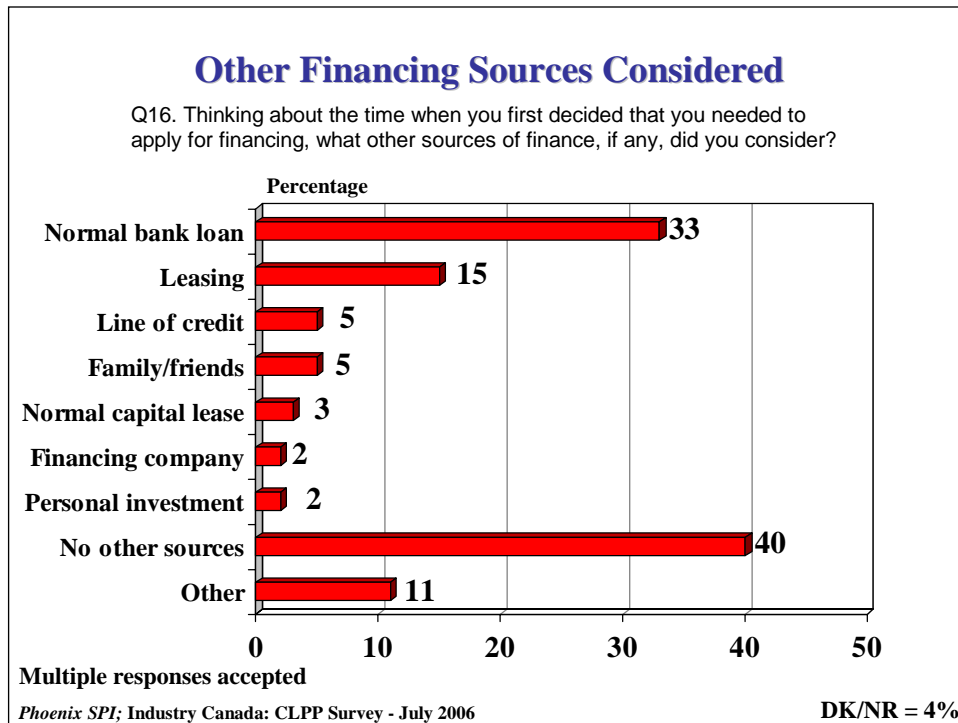
Majority Successfully Obtained Loan/Capital Lease

Of those who had applied for a capital lease or loan in the year prior to obtaining the CLPP lease (n = 64), 67% were successful in obtaining it, with 64% receiving the full amount (3% received part of what they wanted). Just over one-third (36%) were turned down for the lease or loan.



Many Considered Financing via Normal Bank Loan

Although a number of financing options were considered, respondents were much more likely to have considered a normal bank loan (33%) at the time they first decided to apply for financing. This was followed at a distance by 15% who considered leasing. Lessees were less likely (2-5%) to have considered a line of credit, family/friends, a normal capital lease, a financing company or their personal investments.



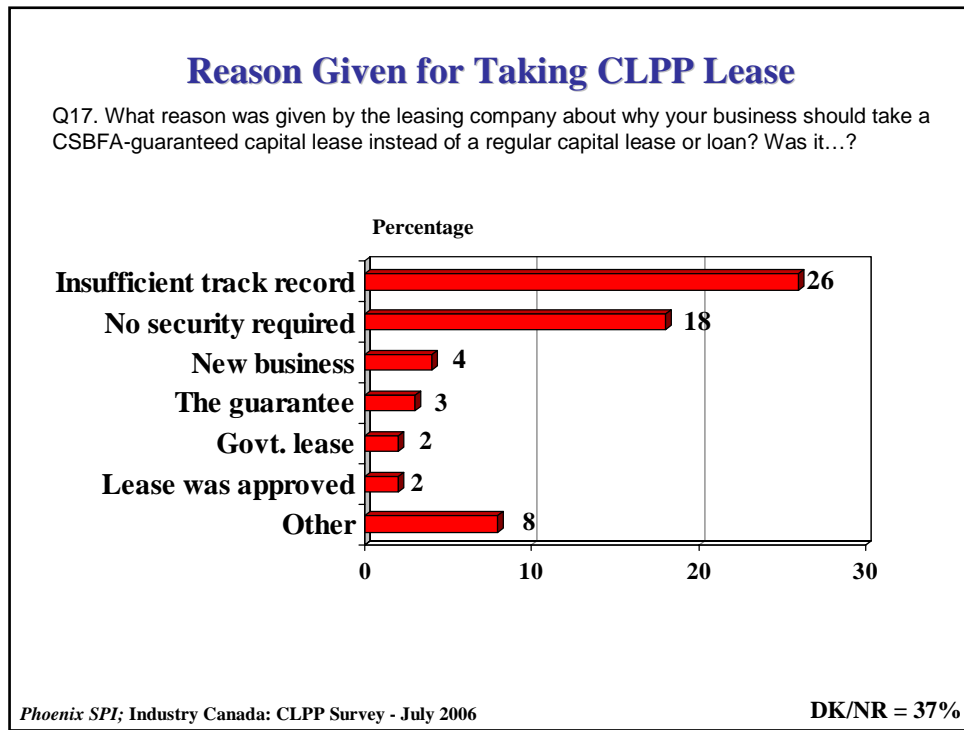
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Many (40%) said they had considered no alternative options at the time they obtained their CLPP lease.

Included in the 'other' category are an entrepreneurs program and a broker.

Insufficient Track Record, Lack of Security – Top Reasons for CLPP Lease

Leasing companies were most likely to have advised that the respondents take a CLPP lease for two reasons (as opposed to other forms of financing). Mentioned most often was the lessee's insufficient track record (26%), followed by a lack of required security (18%). Relatively small numbers (2-4%) said they were told to do this because they were a new business, because the lease was guaranteed, or because it was a government lease. Two percent said they were advised to take the lease because it was approved.

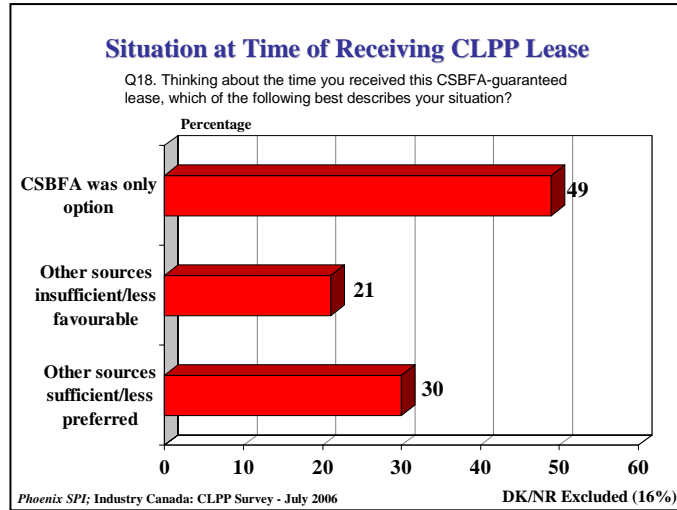


It is important to note that 37% did not know or gave no response. This is consistent with the relatively large numbers of respondents that were not aware that their lease was guaranteed under a Government of Canada program.

Reasons included in the 'other' category are having a good credit rating and being able to take advantage of the tax deductions.

For Many, CLPP Lease Was Only Option

At the time they received the CLPP lease, the largest number of respondents said that this was the only option available to their business (49%) ('don't know' and 'no response' options excluded so that the proportions sum to 100%). This could be viewed as *full financial incrementality* – that is, surveyed firms would not have had any financing options without CLPP. In addition, 21% said that other sources were available, but either it did not cover the full amount needed or would have had less favourable terms. This could be viewed as *partial financial incrementality*. Conversely, 30% said that other sources of financing were available under similar terms to the CLPP lease, but they still preferred the CSBFA lease.



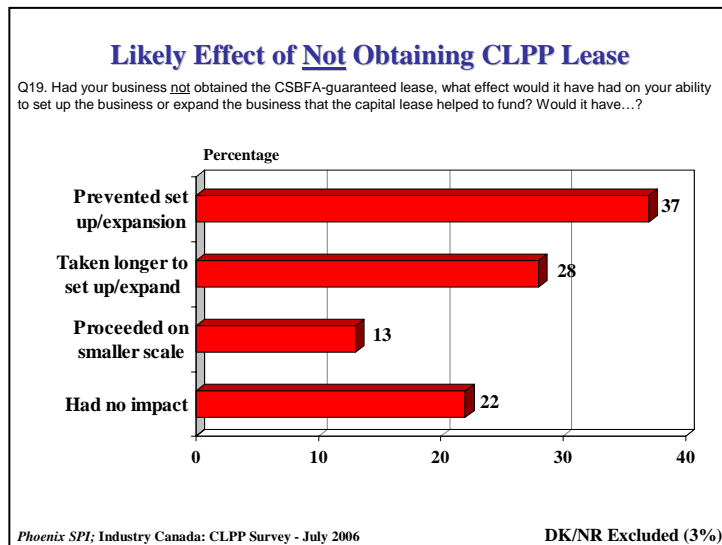
In total, 16% were uncertain or did not provide a response.

In terms of subgroup differences, the following were somewhat more likely to indicate that the CLPP lease was the only option available:

- Firms in Quebec
- Firms with 10 employees or less
- Firms under three years of age
- Firms with less than \$500,000 in revenues

Business Set-up/Expansion Prevented or Delayed Without CSBFA Lease

More than one-third (37%) of surveyed lessees believe that if they had not obtained the CLPP lease their business would have been prevented from setting up or expanding ('don't know' and 'no response' options excluded so that the proportions sum to 100%). This could be viewed as *full incrementality* in terms of economic impact. For 28%, not obtaining the lease would have meant a delay in the set-up or expansion of their business, while 13% said they would have



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proceeded on a smaller scale. These latter two combined together, 41%, could be viewed as *partial incrementality*. Only 21% said that not receiving the lease would have had no impact at all.

In terms of subgroup differences, the following were more likely to indicate that if they had not received the CLPP lease, this would have prevented them from setting up or expanding their business:

- Firms in Ontario
- Firms with 10 employees or less
- Firms that received lease amounts of \$80,000 or more
- Firms under three years of age
- Firms with less than \$500,000 in revenues

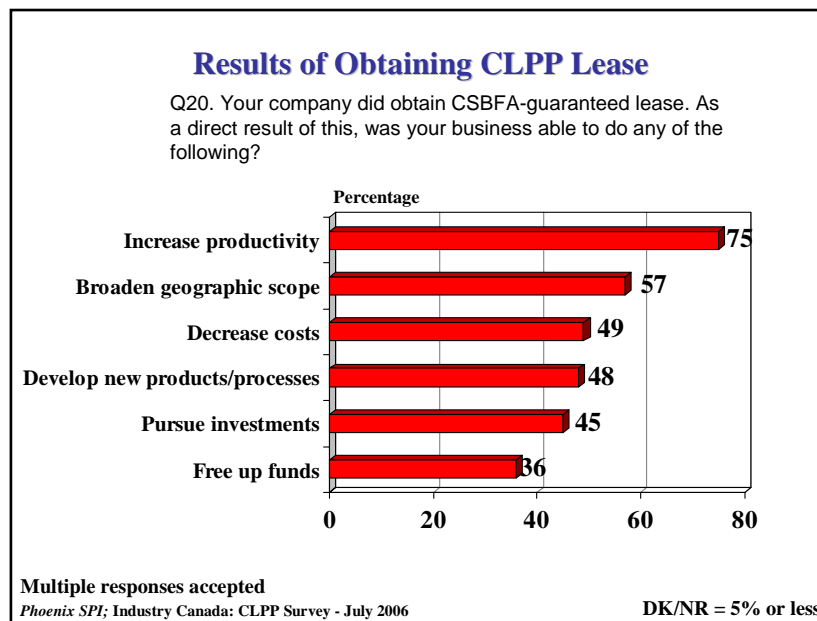
The following indicated that not receiving the lease would have resulted in them taking longer to set up or expand their business:

- Firms over three years of age
- Firms with \$500,000 in revenues or more

Increased Productivity – Most Likely Result of CLPP Lease

Fully three-quarters of surveyed businesses were able to increase their productivity as a direct result of obtaining the CLPP lease. It is important to keep in mind, however, that many respondents (likely most) were not using any type of precise definition of ‘productivity’; for many, what this probably means is that they were able to *increase production*, as opposed to having experienced an *increase in productivity*.

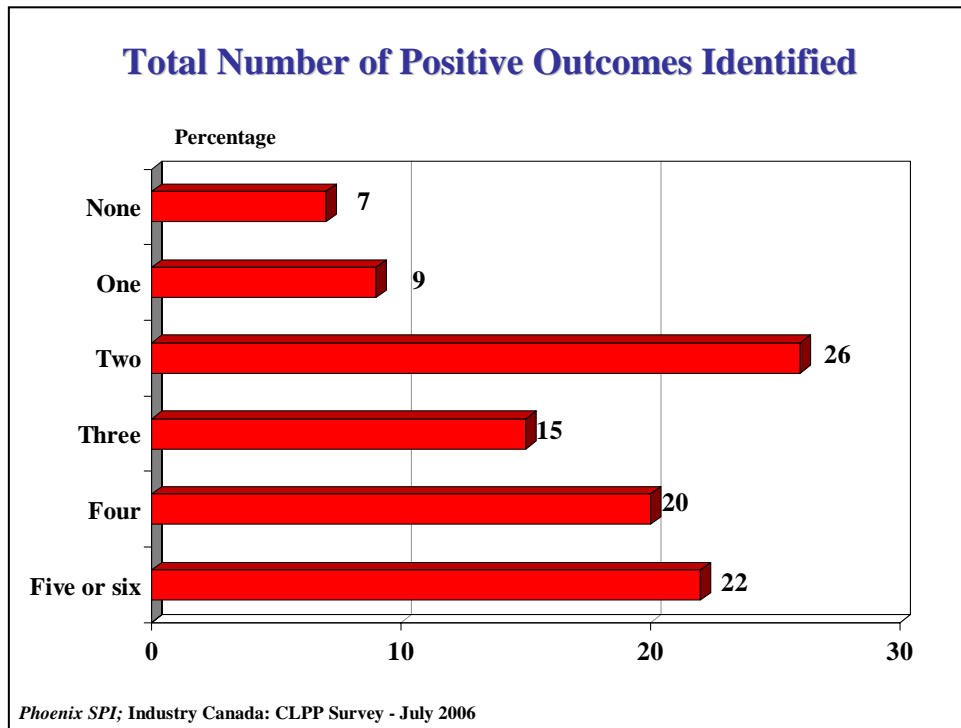
More than half (57%) believe that the lease allowed them to broaden the geographic scope of their business. Approximately half (48-49%) claimed that the CLPP lease had resulted in a decrease in costs, or the development of new products and processes.



Forty-five percent held that the funds provided by the lease had allowed their business to pursue opportunities for other investments. Over one-third (36%) claimed that the lease had freed up funds to finance working capital items, such as inventories or accounts receivable.

The following graph identifies the number of positive outcomes experienced by surveyed firms (regardless of the specific outcome). As can be seen, only 7% of all surveyed firms said that they experienced none of the positive outcomes identified above, while 9% experienced one such outcome. In total, 41% experienced 2-3 positive outcomes as a result of obtaining the capital lease. Almost the same proportion, 42%, experienced four or more of the positive outcomes.

Clearly, most of those who received a CLPP lease experienced a significant impact on the operation of their business.

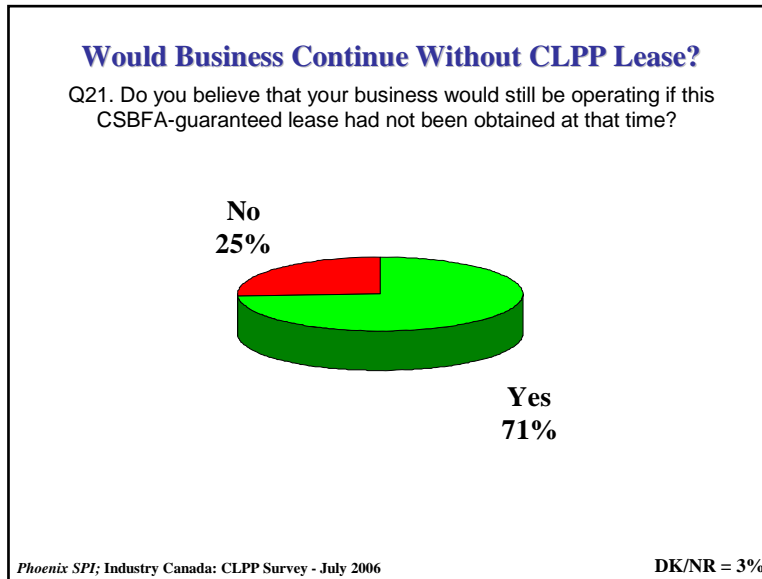


In terms of subgroup differences,

- Firms three years of age and older were more likely to identify each of these outcomes, except for freeing up funds to finance working capital items
- Firms in Quebec were less like to identify each of these outcomes, except for decreased costs and developing one or more new products or processes
- Firms with \$500,000 in revenues or more were most likely to identify each of these outcomes, except for developing one or more new products or processes
- In general, the larger the firm in terms of number of employees, the more likely it was to have experienced each of these outcomes.

One-Quarter Say Business Would Not Have Continued Without Lease

The majority of surveyed lessees (71%) felt that had they not obtained their CLPP lease when they did, their business would still be operating. However, one-quarter felt that their business would have ceased to operate had they not obtained the capital lease at that time.



In terms of subgroup differences, the following were more likely to say the business would not still be operating if the CLPP lease had not been obtained:

- Firms under three years of age
- Smaller firms, both in terms of number of employees and revenues

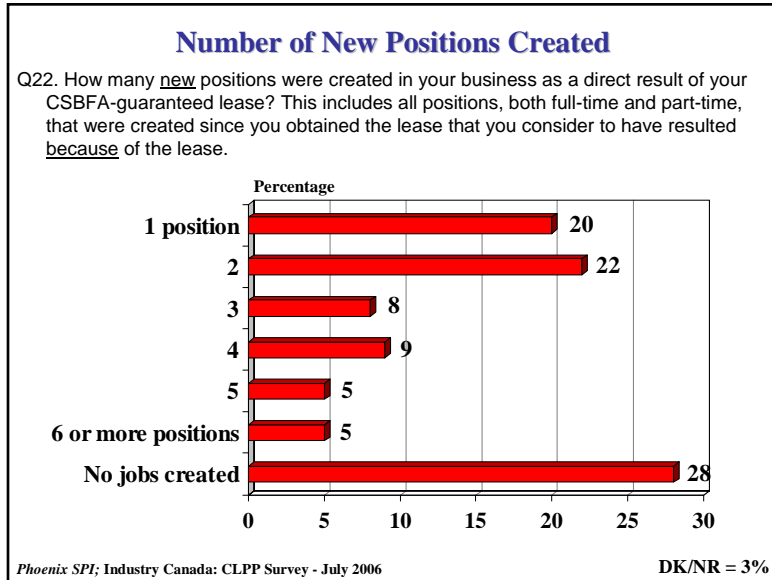
The larger the lease amount, the more likely it is that the firm would not still be operating without having received it.

EMPLOYMENT IMPACTS

This section looks at the impact of the CLPP lease on employment in the lessees' businesses, as well as their suppliers and customers.

Many Firms Created Two or More New Positions

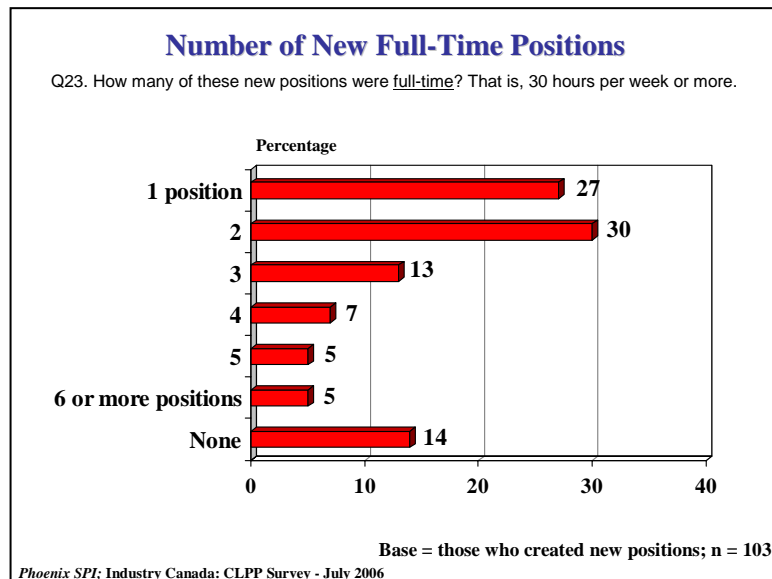
In total, 69% created new jobs as a direct result of having obtained a CLPP lease: 42% created one or two new positions. In addition, 27% claimed to have created three or more new positions. Slightly more than one-quarter of surveyed companies (28%) said they did not create any new positions as a result of the lease.



In general, the larger the company – both in terms of revenues and number of employees – the more likely it was to have created new jobs as a result of obtaining the CLPP lease.

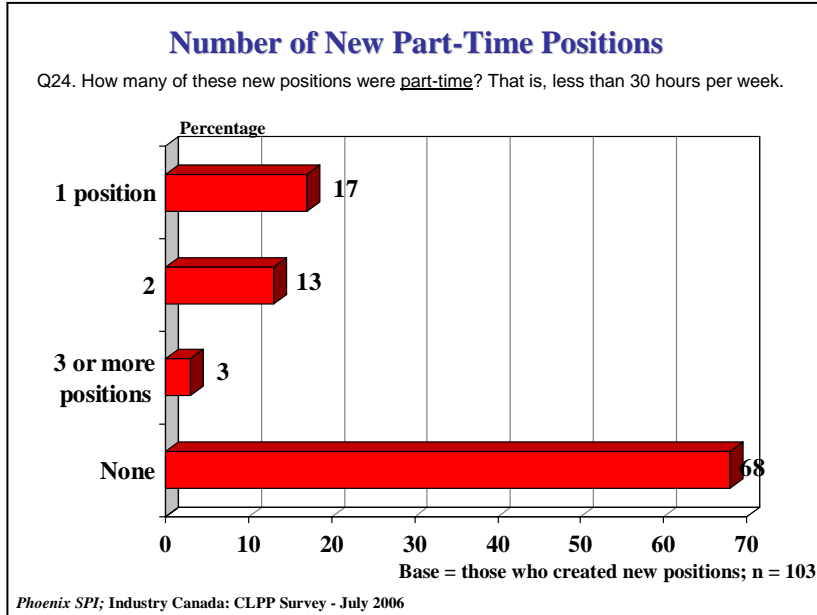
Most New Jobs Were Full-Time

Almost nine in ten of those firms that created new positions (n = 103) indicated that one or more were full-time. Businesses were most likely to have created one (27%) or two (30%) new full-time positions. However, 30% created more than two full-time positions. This includes those who created three (13%), four (7%), five (5%) or six or more positions (5%). Fourteen percent had created no new full-time jobs.



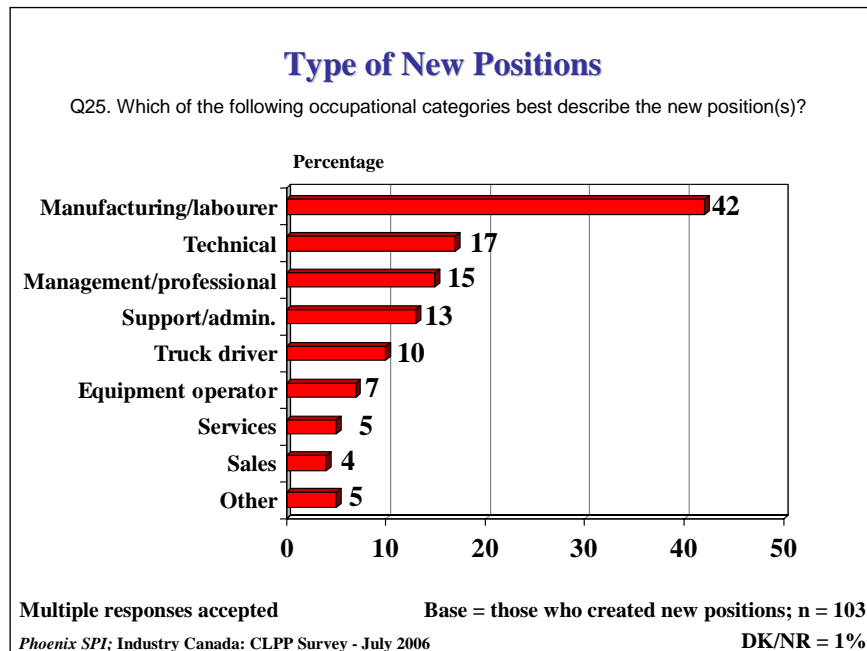
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Two-thirds (68%) of firms that created new positions (n = 103) said that none of these positions were part-time. Of the 33% that had created such positions, 17% had created one, 13% created two, and 3% created three or more part-time positions.



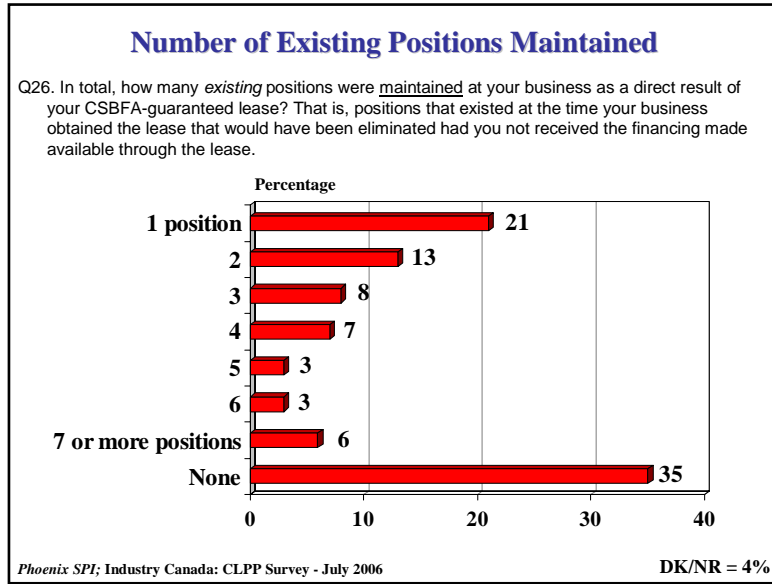
Manufacturing/Labourer Jobs Head List of New Positions

The accompanying graph identifies the categories of the new positions that were created. Identified most often were manufacturing and labour jobs (42%), followed by technical, management, and administrative/support positions (each cited by 13-17%). Also mentioned were truck drivers (10%) and equipment operators (7%). Smaller numbers (4-5%) created service and sales positions. Included in the 'other' category are general machine operators, a production job, and a forester. Note that all job 'types', including manufacturing and labour jobs, apply to the various industries represented in this research, not just to one particular sector, such as manufacturing.



**CLPP Lease Allowed
Two-Thirds to Maintain
Existing Positions**

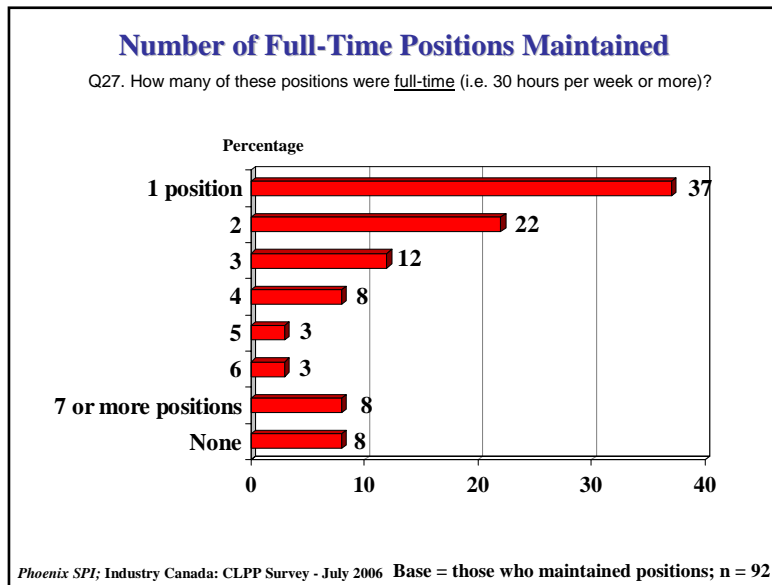
If not for the CLPP lease, 61% of lessees claim that they would have had to eliminate jobs in their company. One-third (34%) would have eliminated up to two positions. For 18% of lessees, the lease preserved between three and five jobs. One in ten (9%) would have cut at least six positions, with 6% cutting seven or more. The remaining 35% said that no jobs depended on their obtaining the lease.



It is noteworthy that just four surveyed firms had to eliminate positions after they had obtained their CLPP lease. The surveyed firms that reported a loss saw the elimination of no more than five positions. All were full-time positions from various occupational categories, including technical, manufacturing/labourer, or services (general).

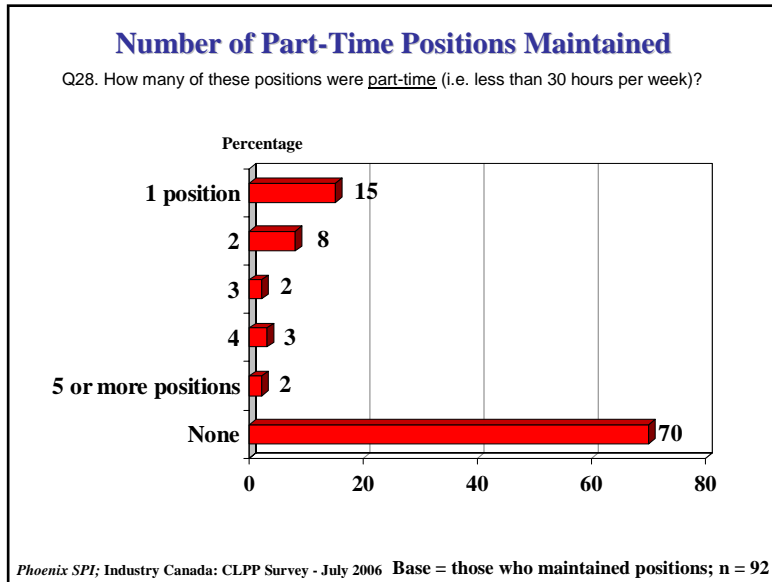
Most Maintained Positions Are Full-Time

Fully 93% of firms that maintained positions as a result of the CLPP lease maintained jobs that are full-time. In most cases (59%), the lease preserved one (37%) or two full-time positions (22%). One in five preserved three to four positions, while 14% had preserved five or more full-time positions.



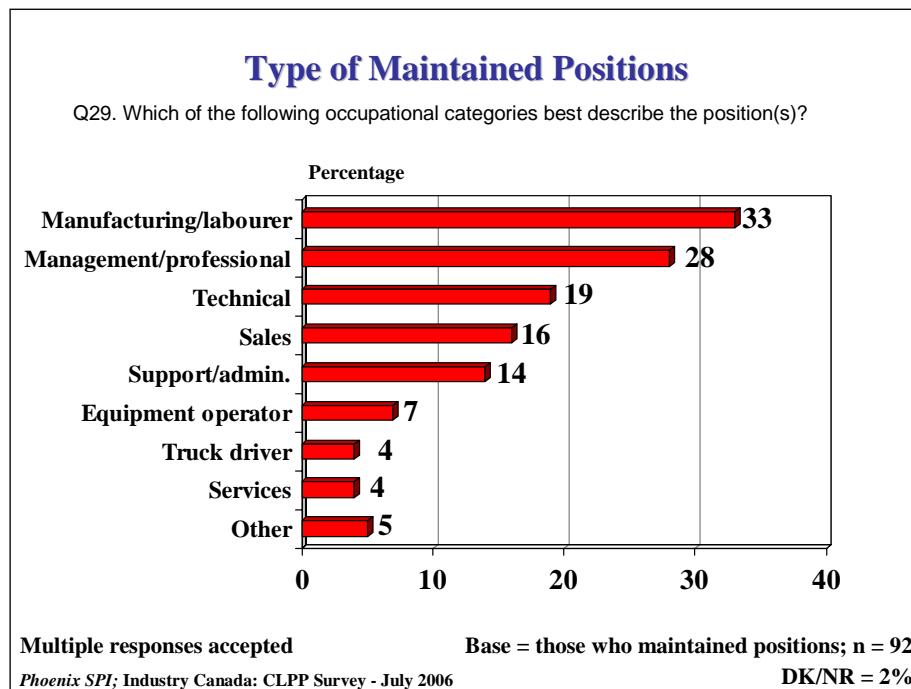
Few Maintained Positions Are Part-Time

The majority of respondents (70%) said that no part-time positions were in jeopardy over their obtaining the CLPP lease. Where part-time positions were in jeopardy, it was most likely to be one position (15%).



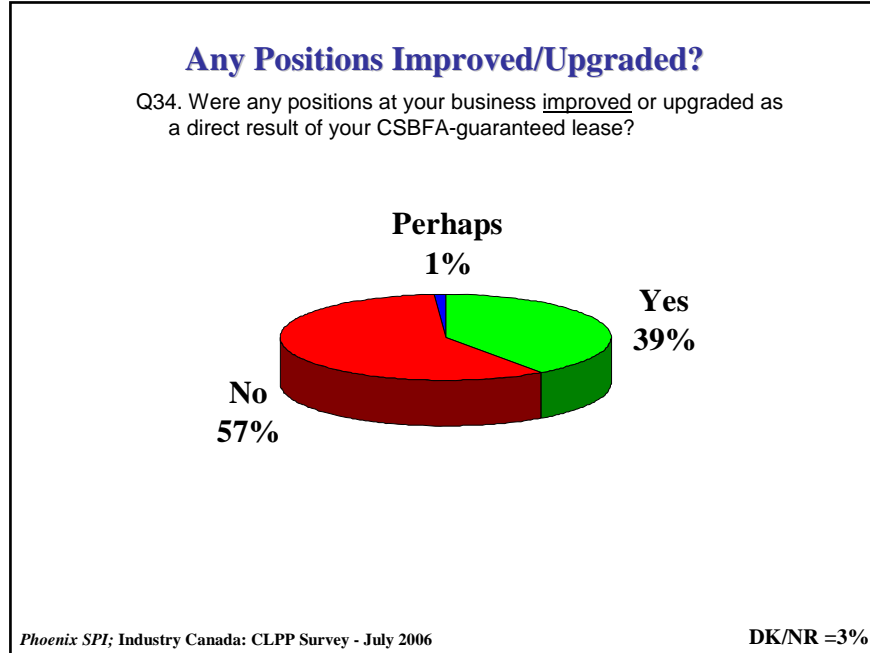
Manufacturing, Management Jobs – Most Likely to be Maintained

Positions involving manufacturing or labour (33%) and management or professional services (28%) were the most likely to have been cut had the business not obtained the CLPP lease. Smaller numbers (14-19%) think they would have had to eliminate technical, sales, or administrative/support positions. Fewer (4-7%) pointed to equipment operators, truck drivers or services in general. Included in the ‘other’ category are skilled trades, and construction and forestry positions.



CLPP Lease Resulted in Upgraded Positions for Many Firms

For many surveyed firms (39%), the CLPP lease directly resulted in upgrading or improving existing positions in the company. However, in most cases (57%) no positions were upgraded.



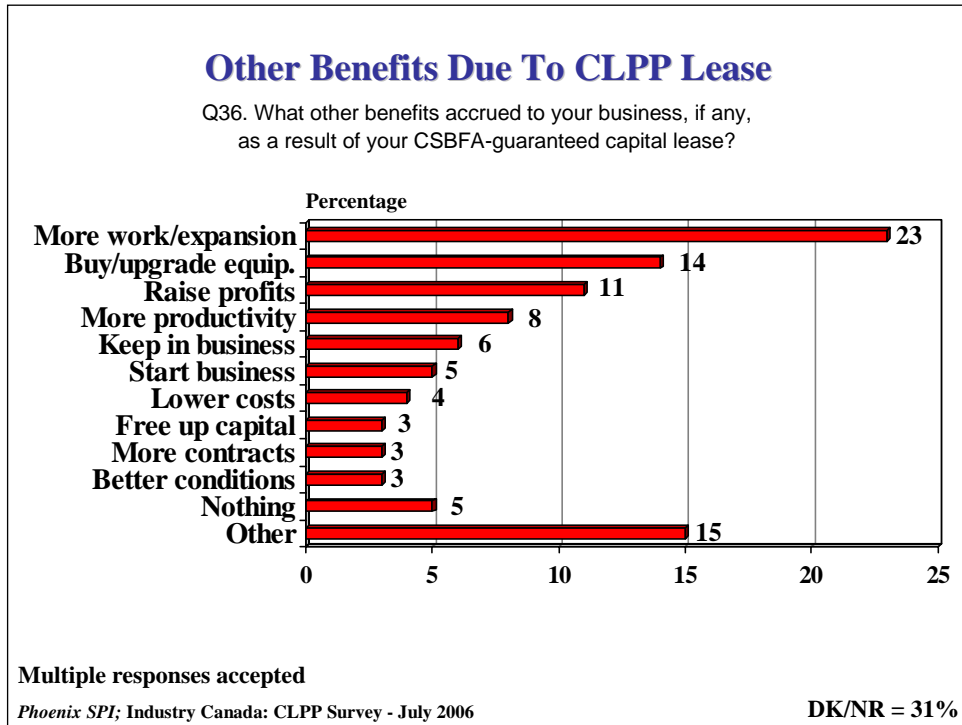
One in Five Say CLPP Lease Created New Jobs for Suppliers/Customers

While exactly two-thirds of lessees said they did not think their CLPP lease resulted in any new jobs created by their suppliers or customers, one in five believe that it did have this result.



Numerous Benefits Seen to Flow from CLPP Lease – Business Expansion Tops List

When asked to identify whether any other benefits accrued to their business as a result of their CLPP lease, lessees were most likely to say that their business was able to expand (23%). This included 13% who cited more work and employment, and 9% who identified business growth/expansion in general. Following this, 14% benefited from equipment upgrades, including new work-specific purchases (5%) and upgrades to current machinery (9%). One in ten (11%) indicated that their lease resulted in increased profits for their business.



Similar, smaller numbers (4-8%) benefited from greater productivity, staying in business, and starting a new business. Included in the other category are less physical labour, new and expanded markets, and better quality control, among others.

APPENDIX

Profile Comparison: Surveyed Firms Versus Full Sample

The following tables present a comparison of the characteristics of firms that took part in the survey with the full sample (i.e. eligible population).

Province	Survey Respondents %	Full Sample %
NF		0.1
NS	0.7	1.1
NB	2.7	3.2
QC	41.3	49
ON	21.3	21.9
MB	2	1.5
SK	2	0.8
AB	14.7	12.3
BC	15.3	10.1
Total	100	100

Gross Annual Revenue	Survey Respondents* %	Full Sample %
Under \$250,000	36.7	35.9
\$250,000 to under \$500,000	28	26
\$500,000 to under \$1,000,000	20	17.8
\$1,000,000 to under \$2,500,000	10.7	15.1
\$2,500,000 plus	4.7	5.1
Total	100	100

*Admin. Data used for purposes of comparison.

Number of Years in Business	Survey Respondents %	Full Sample %
Less than 1 year	28	29.3
1 to 3 years	19.3	20
More than 3 years	52.7	50.7
Total	100	100

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Industrial Sector	Survey Respondents %	Full Sample %
Agriculture (support activities), Forestry, Fishing, Hunting	12	8.4
Mining & Oil and Gas Extraction	2	1.1
Utilities		0.4
Construction	12.7	13.9
Manufacturing	14.7	12.7
Wholesale Trade		0.7
Retail Trade	9.3	6.7
Transportation & Warehousing	18.7	22.1
Information & Cultural Industries	0.7	0.4
Real Estate & Rental and Leasing		
Professional, Scientific & Technical Services		1.6
Admin. and Support, Waste Mgmt & Remediation Srvcs	0.7	0.4
Educational Services		0.1
Health Care & Social Assistance	1.3	2.3
Arts, Entertainment & Recreation	2.7	2
Accommodation Services		0.4
Food Services & Drinking Places	4	6.1
Other Services	21.3	20.6
Total	100	100

Number of Current Employees	Survey Respondents* %	Full Sample %
No employees	28	29.3
1 to 4	47.3	43.2
5 to 9	14.7	14.8
10 to 19	5.3	7.7
20 to 49	4	4.2
50 plus	0.7	0.8
Total	100	100

*Admin. Data used for purposes of comparison.

Total Financing Amount	Survey Respondents* %	Full Sample %
Under \$25,000	6	5.7
\$25,000 to under \$50,000	14	21.1
\$50,000 to under \$75,000	10	14.8
\$75,000 plus	70	58.4
Total	100	100

*Admin. Data used for purposes of comparison.

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Year Capital Lease Entered Into	Survey Respondents %	Full Sample %
2002	4	4
2003	11.3	9.9
2004	22	28.2
2005	54	49.3
2006	8.7	8.6
Total	100	100