THE LOCATION OF OFFICES

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Lack of Interest in the Location of Offices

Although economists, geographers, planners, politicians and others have for a long time been preoccupied with the factors which determine the location of industrial activity, interest in the factors that influence the location of office activity is very recent. The pioneering work by R.M. Haig did not appear until 1927, and only in the late 1960s did the subject start to attract serious attention.

In Canada, there have been a few studies focusing on factors affecting the location of offices in large cities. However, these are generally narrowly distributed reports by or for civic planning departments or administrations, or unpublished works that are equally inaccessible to others interested in the subject. The impetus of most of the office location studies has been provided by the desire of large cities to control the pattern of office locations through containment and/or decentralization to suburban areas in order to minimize congestion in the cores of the cities. In short, public sector interest in the factors related to office location has been largely restricted to the planning agencies of large cities, which see office activities as a liability to be controlled with instruments of civic public policy.

There has yet to be developed in Canada an interest in office activities (from a more regional or national perspective) that would view them as a potential asset for regional economic development to be guided and assisted for the general welfare by national or at least regional policy instruments. This lack of interest in office activities as a tool in economic development is all the more surprising when one recalls that about 40 percent of the Canadian labour force works in office occupations while manufacturing industry, the usual focus

1 This paper is based upon an earlier report for the Nova Scotia Department of Development. The authors acknowledge their indebtedness to the Department for permission to use material drawn from that report.

2 See for instance Bailly and Fernie [3], Bastin [2], Code [6, 7], Department of Planning and Civic Development, City of Vancouver [14], Gad [18], Peat, Marwick and Partners and IBI Group [33], Semple [37] and Woods Gordon and Co. [39].
of attention in issues concerning the location of economic activity, employs only about 20 percent (office and non-office workers).[^3]

Although the reasons for this neglect of an important subject must be merely a matter of conjecture, they appear to be two: first, that the distribution of office activity is generally considered to be determined by the distribution of industrial activity or population, and, second, that services are still regarded as being less important than goods and every region must have an industrial base if it is to prosper. If these are in fact the reasons underlying this neglect, they do not appear to be cogent ones. The activities of a firm, even of a manufacturing firm, extend far beyond production, encompassing among other functions the raising of finances, the marketing of its product and the purchasing of materials and other supplies, all of which may be more efficiently carried out far from producing units. In addition, well over one half of our currently produced wealth is in the form of services.

When considering the location of economic activity in the context of government policies designed to reduce regional disparities, a major concern in Canada, office activity would seem to justify much greater consideration than it has hitherto attracted. Surely, there is no prima facie reason for believing that a regional policy bent on turning (say) Halifax into a manufacturing centre is to be preferred to encouraging the growth of (say) the insurance industry in that city. In the hope of repairing a small part of this neglect, this paper will briefly review the factors that the existing literature (limited as it is) indicates are important to the location of offices, trace recent office movements in Canada, and describe a study carried out to discover the factors relevant to certain office movements in eastern Canada and New England. Finally, the directions that a Canadian program designed to use office location as an instrument of regional economic policy might take will be discussed. Since the locations of government offices are determined mainly by political considerations, only the offices of private industry will be considered.

**Factors Found Relevant to Office Location Abroad**

The factors discovered in other countries (mostly Britain and the United States)[^4] to be important in the location of office activity include the availability of high quality office accommodation; a good local supply of executive, technical, clerical, secretarial and manual workers; high quality personal facilities (housing, education, recreation, etc.) that are attractive to executives and staff whom a firm may wish to move in; high quality business services (lawyers, accountants, banking, etc.); and a prestigious address. There is, however, one other factor, which reappears consistently in the literature on office location as being of prime importance, that deserves special mention since it is not one that has been prominent in location of industries studies. It is ease of communication.

Firms need communications for managerial purposes—transmitting information, making requests and giving directions—and for carrying on their relationships with clients, suppliers of materials, advisers, financial institutions and regulatory agencies. Burns [5] showed that 42 to 80 percent of top managers' time was spent on such communications, and Stewart [38] demonstrated that the percentage for middle-managers was 68. Effective means of communication are therefore of vital importance to a firm and an important determinant of office location [24], particularly where decision-making is "unprogrammed" [36; 31], because the firm operates in a rapidly changing environment.

These factors have apparently resulted in the concentration of office activity in skyscraper-studded metropolises like New York, London, Paris and Tokyo. There do, however, now seem to be some forces that are making metropolises less attractive and are repelling office activity from them. The flights from New York and London being well documented [32; 13]. These forces appear to include increases in office rents; rising taxation; inadequate supply of staff because of long commuting distances, choked roads and public transportation, and the deterioration of city centres as places to live; technological advances, which have reduced the difficulty of communicating effectively from a distance; and population growth, which has tended to make smaller towns large enough to be viable as office centres.

**The Canadian Scene**

The only source of information relating to the actual movement of offices in Canada known to the authors is Dun and Bradstreet [15]. Its survey of twenty-seven head offices that had moved from one province to another during 1977 showed that thirteen had left Quebec (ten of which had relocated in Ontario), and seven had left Ontario (of which four had gone to Alberta). Quebec had apparently suffered the greatest net outflow (twelve firms), while Ontario, Saskatchewan, Alberta and the USA had gained four, three, three, and two respectively.

[^3]: Since some people employed in manufacturing work in offices, there is a small overlap in these figures. However, the conclusion that far fewer Canadians are employed in manufacturing industry (the target of most locations of economic activity studies) than in office-type situations outside manufacturing still stands.

[^4]: See particularly Armstrong [4]; Cowan [8]; Davey [12]; Economist Intelligence Unit [16]; Foley [17]; Haigh [25, 26]; Heenan [28] O'Meara [32]; Rhodes and Kahn [34]; and Robbins and Terlecky [35].
This is some evidence of a westward office movement, with the greatest flow from Quebec to Ontario, but as the survey included only twenty-seven firms, covered a period of only one year, and confined itself to head offices, it is scarcely a basis from which to discern general movements of office activity.

Other data are available that, while not related to office movements as such, are suggestive of such movements. The Financial Post Survey of Industrials, Survey of Oils, and Survey of Mines give information on the geographical distribution of head offices in Canada. In its Census publications and The Labour Force, Statistics Canada provides data on office employment across Canada, and in Construction in Canada it gives information on office construction by province. These publications suggest that there have indeed been some signs of a westward drift of office activity over the last decade and a half, but make it clear that, since almost two-thirds of office employment is now located in Quebec and Ontario, a much stronger flow over a long period would be required to alter the present distribution significantly.

Another piece of evidence provided by Statistics Canada is the value of permits issued for office building by municipalities with populations over 30,000 during the last decade. It indicates that in the large centres, Montreal, Toronto, Winnipeg, Edmonton and Vancouver the rate of increase in the value of building permits has been modest and that the largest increases have been in the suburbs of Toronto, Hamilton, the smaller towns of the Niagara Peninsula, and the Vancouver suburbs.

Structure of the Survey
In order to discover the factors causing movements of offices of private enterprises, a survey was undertaken in 1978 involving personal interviews of the presidents or other senior executives of sixty-two firms which had moved office activities during the previous decade. To encourage frankness, all persons interviewed were assured that their replies would be treated as confidential.

The focus of the study was the Atlantic Provinces, the region of most concern to a government seeking to reduce regional inequalities. Attention within these provinces was confined to the larger urban centres of Saint John (six new offices), Moncton (three), Fredericton (one), Halifax (twenty-five) and St. John’s (one). To these were added several centres in the New England States, primarily urban centres with population and industrial activity similar to those of the Atlantic Provinces—Portland (five), Bangor (four), Augusta (two), and Newton, Chelmsford, Buckport, Yarmouth, Waterville, Hartford, Manchester, Keene, Hampton, and Nashua. Three other towns were added because the locational choice for a new office by each of the firms concerned was between one of the above centres and one or more of these three towns. They were: Laval, Quebec (one new office), Boston (two), and Denver, Colorado (one).

The study was interested in the ways in which firms arrived at the decisions to open new offices in the selected centres, and what factors influenced their choice. Cases where a new doctor had set up an office, or an established law firm moved to new premises or opened a branch office in the same town, or similar office creations were not included; indeed, intrastate and intraprovince movements were excluded, except for nine New England firms that were included because locations outside those states had been considered as alternatives. Instead, attention was concentrated upon interregional movements that involved decisions to operate in a different state or province and choice of a number of locations. Although government offices are an important element in the general office location issue and have been at the core of public policies designed to modify office distribution in countries such as Britain, France and Sweden, they were not included because their locations tend to be decided more on political than economic grounds.

The primary difficulty encountered was in establishing the number of firms satisfying the selection criteria in each centre. Official statistics helped little and the questioning of individuals and organizations knowledgeable about the local areas—city halls, boards of trade, banks, accounting firms, realtors, developers and landlords of office blocks—produced a very limited number of suitable cases.

The lack of interest in office activity was evidenced when interviewers enquired about new local offices which had been opened or closed by out-of-town firms during the last ten years. The persons questioned usually responded by talking about manufacturing plants. They were apparently so used to regarding the arrival of a new plant in a town as a notable event that they instinctively thought that anyone concerned with economic development must be interested in manufacturing. When the informants’ minds could be steered from manufacturing to office activity, they usually found difficulty in thinking of office movements, and it became apparent that although there was plenty of office creation and movement, little of it was of the type with which the study was concerned.

All firms satisfying the selection criteria that could be uncovered were interviewed. Undoubtedly, some appropriate cases were missed, but the study was as near to a complete enumeration as
could be achieved in a reasonable period and the survey sample was felt to be sufficient to indicate some of the factors that cause firms to choose office sites remote from the main centres—a matter of importance to regional policy.

Reasons for Establishing New Offices
Seventy percent of the respondents indicated that their new offices had been set up to develop the local or regional markets. The potential of such markets was in a few cases estimated by market research—in one or two instances fairly sophisticated, but usually crude—but generally firms used rough rules of thumb (one mortgage company opened a new office when business in the local market exceeded $20 million).

In 20 percent of all cases, internal developments in the firms—mergers, policies of decentralization, and so forth—were the reason for the new office location.

Finally, in a few instances, personal preferences of decision-makers regarding the location in which they wished to live, or a chance occurrence (the bankruptcy of a competitor, a change in the legislature’s timetable, or the availability of a key employee in a certain location) led to the establishment of the new offices.

None of the sixty-two firms seemed to open a new office to escape intolerable circumstances (shortage of office space, high taxation, bad sociological conditions, etc.) in the old location.

Procedures for Choosing Locations of New Offices
Choosing new office locations seems to be a haphazard business. George [19] commented upon the limited horizons of manufacturing firms choosing plant locations, but in this respect they appeared to be almost meticulous compared with the firms interviewed in this study. Table 1 shows that more than half of the firms establishing new offices considered only one location, and that none of these carried out a detailed study of the advantages and disadvantages of the chosen site, usually because they considered the choice obvious. Even where more than one location was considered, only ten firms claimed to have carried out detailed studies. The policy makers of the remaining firms claimed to be sufficiently familiar with local conditions. Help was rarely sought from government departments in choosing a new office location.

Factors Determining Choice of New Location
All firms surveyed supplied reasons for their choice of location. Their replies are presented in Table 2.

Availability of Office Space
Only once was the availability of space of importance to a firm’s decision. Since considerable building of large office blocks has taken
<table>
<thead>
<tr>
<th>Procedures Used</th>
<th>Financial</th>
<th>Data Processing</th>
<th>Consulting</th>
<th>Manufacturing</th>
<th>Professional and Misc.</th>
<th>Total</th>
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<tr>
<td>Only 1 location considered</td>
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<td>11</td>
<td>7</td>
<td>1</td>
<td>4</td>
<td>34</td>
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<tr>
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<td>6</td>
<td>3</td>
<td>28</td>
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<td>14</td>
<td>13</td>
<td>7</td>
<td>7</td>
<td>62</td>
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<tr>
<td>Detailed studies (firms considering only one location)</td>
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<tr>
<td>Detailed studies (firms considering alternative locations)</td>
<td>3</td>
<td>--</td>
<td>1</td>
<td>3</td>
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<td>10</td>
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<tr>
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<td>12</td>
<td>13</td>
<td>7</td>
<td>7</td>
<td>59</td>
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<td>14</td>
<td>13</td>
<td>7</td>
<td>7</td>
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<tr>
<td>No such requests</td>
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<td>13</td>
<td>13</td>
<td>7</td>
<td>7</td>
<td>61</td>
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<td>14</td>
<td>13</td>
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<td>7</td>
<td>62</td>
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Table 2

FACTORs INFLUENCING SAMPLE FIRMS IN THEIR
SELECTION OF OFFICE LOCATIONS, BY INDUSTRIAL GROUP

<table>
<thead>
<tr>
<th>Factor</th>
<th>Financial</th>
<th>Data Processing</th>
<th>Consulting</th>
<th>Manufacturing</th>
<th>Professional and Misc.</th>
<th>Total</th>
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<td>1</td>
<td>--</td>
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<td>Supply of Labour</td>
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<td>4</td>
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<td>1</td>
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<td>16</td>
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<td></td>
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<tr>
<td>Availability of Housing</td>
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<td>1</td>
<td>2</td>
<td>1</td>
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<td>Cost of Housing</td>
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<td>3</td>
<td>2</td>
<td>2</td>
<td>13</td>
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<td>Cost of Living Generally</td>
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<td>2</td>
<td>2</td>
<td>1</td>
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<td>Educational Facilities</td>
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<td>1</td>
<td>4</td>
<td>--</td>
<td>9</td>
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<td>Recreational &amp; Social Facilities</td>
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<td>4</td>
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<td>2</td>
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<td><strong>Services Required by Offices</strong></td>
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<td>Office Equipment — Supply</td>
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<td>— Servicing</td>
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<td>Face-to-Face Contacts with Clients</td>
<td>Face-to-Face Contacts with Financial Inst.</td>
<td>Transportation</td>
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<tr>
<td>Communications with Clients &amp; Financial Institutions</td>
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<td>Data Transmission</td>
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<td>2</td>
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<td>Face-to-Face Contacts with Clients</td>
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<td>12</td>
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<td>..</td>
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<td>Management</td>
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<td>Data Transmission</td>
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<td></td>
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<td>Face-to-Face Contacts with Staff</td>
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<td>2</td>
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<td></td>
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<tr>
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</tbody>
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Prestige 2
place during the last few years in all the main centres involved in the survey, the unimportance of this factor is not surprising.

Level of Taxes on Businesses
Although the level of taxes figures prominently in the complaints of business, it appears to have been a factor of little importance in firms' locational decisions, only being mentioned by three firms. Two firms, a firm of consultants and a data processing firm, made a particular point of denying that they even considered taxes. The opinion was heard on several occasions that tax inequalities from one centre to another tend to be short-lived and should not be allowed to influence decision making pertaining to office location.

Supply of Labour
Of more importance was the supply of labour, sixteen firms having mentioned its influence on their locational decisions. It seems to have been more significant for financial firms (nine of twenty-one drew attention to it) and data processing firms (four of the fourteen pointed to it).

Supply of Executives
Of even more importance was the supply of executives, twenty-eight firms having indicated its relevance to their choice of location. Indeed, so important was this criterion that five firms located where their chief executives wanted to live (three were consulting firms, two were data processors), and two other firms (both consultants) located new offices in the only towns in which their new managers would have been prepared to work. One financial firm went to the lengths of formally soliciting the locational preferences of its senior staff, since it believed this would affect their availability for a new office being planned.

The vice-president of a Canadian bank volunteered the opinion that executives were becoming less and less mobile. If he was right, this implies that firms may be deterred from moving to the smaller centres by fears of being unable to attract executives there. On the other hand, a considerable number of executives professed to see a greater importance being attached by executives, especially young executives starting families, to the conditions found only in the smaller centres.

A number of factors influenced the availability of executives. Most frequently mentioned was the cost of housing. Since the purchase of a house is usually the largest capital transaction an executive makes, it is very visible to him at the time of transfer.

The availability of high class housing was also important to executives, but somewhat less so than its cost. Since suitable housing is available in virtually all towns of any size in North America if one is

* Consulting and professional firms were particularly well represented in this group.
prepared and able to pay the price, cost and availability are closely connected.

The cost of living in general was also one of the more frequently mentioned factors affecting the supply of executives. Since at any level of disposable income an executive's economic standard of living is determined by the price of what he wishes to buy, this is not surprising. The president of a consulting firm explained how, when he and his associates planned to resign their well-paying jobs and go into business on their own (which initially, at least, would be much less well-paying), they had to find a place where the cost of living was lower than that to which they had been accustomed in Boston.

Several other factors were mentioned, although less frequently, in connection with the supply of executives. One of these was local taxation. The absence of income and sales taxes in New Hampshire and the relatively high provincial personal income tax in Nova Scotia were mentioned.

Another set of factors included items normally grouped together under the heading "quality of life"; these were mentioned by thirty-five of the sixty-two firms interviewed as affecting the supply of executives to a particular location. At the top of the list came recreational and cultural activities. Mention was made of the importance of outdoor recreation such as sailing, fishing and skiing, and the existence of a large civic centre that brought music, professional hockey and other activities to a Maine city.

A close second in this "quality of life" category was educational facilities. Executives usually belong to that stratum of society which attaches great weight to the education of their children, so the quality of schools and universities is important. The president referred to above in connection with the cost of living mentioned that he and his associates had looked for a location with a good university, since their wives wished to resume their education. With the growth of the number of mature students attending universities, this factor has become more important of late.

Somewhat lower on the list came commercial services—stores, boutiques, restaurants, health services, local transportation facilities, other services demanded by families, and the general physical environment (pollution-free air and water, well-kept municipalities, a pleasant climate, a low crime rate, and the like).

Services Required by Firms
Briefly mentioned as relevant were data processing services and the availability of office equipment supply and maintenance.

Communications with Clients, Suppliers and Financial Institutions
Now we arrive at what was obviously considered by the firms interviewed to be a factor of prime importance in determining the location of offices. It relates to the ability of a firm to communicate...
quickly and effectively with others with whom it has business relationships—particularly clients and financial institutions. At the top of the list firms cited communications with clients; fifty-one out of the sixty-two firms stressed this factor, one which seemed equally important in every office function group.

The importance attached in the literature to face-to-face contacts with clients seems to be borne out by our study. Notwithstanding the availability of telecommunications facilities in all centres of any size in North America, firms still regard as extremely important the ability to communicate in person with clients. Apparently, being able to communicate with clients face-to-face, rather than through telephones, telex, or computers, is much more effective, or, what is more important, is perceived to be more effective.

A related factor is the ability of executives to travel quickly, without fatigue and undue waste of time, so that they can maintain personal contact with clients. Fifteen firms stressed the importance of this. Such quick travel is a function of proximity to airports, adequacy of air service, the nature and condition of the road system, traffic congestion, and parking facilities.

Apart from maintaining face-to-face contact with clients, close and frequent contact with the financial community was also stressed by five firms belonging to the financial and professional groups. The president of a trust company explained with great eloquence the advantages he experienced since being located in a developed financial centre. The day-to-day contact with senior bank officials and other members of the financial community enabled him to keep his finger on the pulse of the local economy, to know the prevailing sentiment, to anticipate development, and to seize business opportunities of which he would not otherwise have been aware.

A factor of minor importance, but one mentioned by two firms, was the availability of data transmission facilities. Generally, these are adequate in centres of any size in North America, but occasionally they may be deficient in some locations.

Management Control

The choice of location seems to be influenced sometimes by problems of management control. Nine firms mentioned the value of face-to-face contact between managers and the people for whom they are responsible and pointed to the difficulties of maintaining effective control and good relationships by long distance communication. Objectively, there is no reason why instructions transmitted by telephone or telex should have a different impact upon the recipient than the same instructions delivered face-to-face; but this is often the case. Similarly, a manager is less able to sense the state of morale of his juniors when he communicates through electronic media than when he is able to observe reactions and detect subtle changes in voice tone or facial expression.

Transport facilities appear to be important in the attempt to manage geographically dispersed units, since fifteen firms stressed the importance of such facilities. Again, the location of airports, the adequacy of air schedules, the state of roads, traffic congestion, and parking facilities are most important.

Notwithstanding the apparent superiority of management by personal contact over contact by electronic means, firms have to rely to some extent upon telephones, telex, and data transmission lines. Generally the availability of efficient facilities for such transmission called for no comment, but its importance was stressed by two firms.

Prestige

Two business consultant firms attached importance to the prestige of a right address when choosing a location—particularly a head office. The first had set up a branch office in a small town in New Hampshire which, the president believed, was viewed by clients as a tax-free annex of Boston, thereby achieving the prestige of a Boston address without actually being in Boston. The second felt strongly that potential clients would not seek advice from a firm unless it could boast an impressive address in a prestigious financial centre.

Factors of Apparent Unimportance

One is tempted to conclude that factors not mentioned by firms as influencing their choice of office locations are of little relevance. Included in this category are the level of office rents, the availability of suitable building land, the existence of an efficient construction industry, and a number of other factors. Similarly, one might be inclined to ignore locational factors which were mentioned only on rare occasions. This latter category would include the availability of good office space, the level of local taxes, the existence of good communications systems, the supply and servicing of office equipment, and wage rates.

The neglect of these factors would be a mistake. That firms never or seldom mentioned a factor may indicate merely that each location considered was satisfactorily endowed. For instance, no firm referred to an efficient telephone system as a determining factor in the choice of a location, yet surely no one would pretend that firms do not regard telephones as important, and that a poor telephone system would not be a severe deterrent. Similarly, no firm mentioned the existence of a reliable electric power supply as important, but surely any firm would be repelled from a location where power failed regularly each day and was of uncertain voltage and frequency even when it was on. In the locations the firms considered, however, both adequate telephone systems and reliable power supply were available. They were therefore not mentioned as factors which influenced the decision about where to locate a new office.
While a survey such as that carried out for this study (and, indeed, any other survey about the determinants of location that relies on answers supplied by business firms) may establish factors relevant to decisions about location, it cannot eliminate any factor. Factors apparently irrelevant may merely be of uniform quality in all the locations considered. It seems likely that this was the reason why the cost of operating offices was not given as a factor influencing location. No firm seemed aware of differences in such costs from one location to another. Indeed, attempts to obtain from the firms interviewed comparative figures of the costs of operating offices in Nova Scotia and elsewhere yielded little of value. Apparently, no firm had conducted a careful cost analysis of various locations before setting up its new office, and the senior executives interviewed were unable to give more than the most vague of impressions about office costs in Nova Scotia and elsewhere. Yet office operating expenses surely cannot be completely irrelevant. If, for instance, in one particular location, only poor yet very expensive office space were available, local business taxes were exorbitant, and no self-respecting executive would be willing to live in the area unless offered a king’s ransom, then a firm might well be deterred from establishing a new office there and instead choose to develop the local market with salesmen based at head office. The correct interpretation would seem to be that, in most locations in the populated parts of Canada and the United States, the costs of office operation are believed to be sufficiently uniform to be ignored when location decisions are being made.

Expectations versus Reality
The somewhat cursory investigations carried out by most firms in the survey might well lead one to suspect that such firms would experience surprises when they had established their new offices in the chosen locations. Firms were therefore asked about their experiences in this respect—how the reality after they had set up their new offices compared with their earlier expectations.

The greatest divergence between expectations and reality was with respect to market demand, having been encountered by fifteen firms. This is not surprising. Although market demand was the factor most firms considered of prime importance and researched most thoroughly, estimates are always open to considerable error. While it is not difficult to discover rates of pay, the availability of office space, and many other observable factors, future market demand, especially in a market the firm has not previously served, is difficult to estimate. Even the most sophisticated statistical techniques provide no more than a guide. The positive and negative discrepancies of market demand expectations and reality were approximately equal, indicating no consistent predisposition to be over-optimistic or over-pessimistic.

The other divergences between perception and reality were: the availability of executives (eight firms); the availability of transportation (eight firms underestimated the problems); the availability of labour (two firms found it better than they expected, two found it worse); setting up costs (four firms); and services to offices (one firm found them not as expected). These discrepancies between perception and reality were, however, remarkably few. In total, only fifteen firms encountered surprises, the remaining forty-seven firms apparently finding conditions much as they had expected. Taking account of the “seat-of-the-pants” approach adopted by most firms when judging the suitability of a new location, this seems a considerable achievement.

Policy Implications

Justification for an Office Location Policy
In our opinion, there are only two tenable economic reasons for an official policy to redistribute office activity. The first reason is to correct a maldistribution arising from ignorance. Where, for instance, a firm proposes to set up an office in Vancouver without seriously considering the merits of Fredericton, because of either ignorance of conditions in Fredericton or an irrational attachment to Vancouver, it may be making a wrong decision. A public policy which encourages it to investigate carefully the comparative benefits and costs of operating the office in each of the two locations might well be justified.

The second reason is to correct a maldistribution arising because the private benefits and costs of operating offices differ from the public benefits and costs of doing so. For example, a firm considering Toronto and Halifax as possible sites for a new office will compare (often in a vague fashion) the expected net benefits of each location, taking account only of the benefits it will receive and the costs it will have to meet. On this basis, the firm may decide in favour of Toronto. If, however, Halifax has a large supply of vacant offices and of unemployed office labour while Toronto has a tight office and labour supply situation, then the public cost of operating an office in Halifax may be very low (because it costs society little or nothing to use resources which would otherwise be wasted), and a public cost-benefit comparison might point to Halifax being the better location. In such circumstances, the firm’s decision to locate in Toronto would be wrong for society as a whole, and public policy might well be justified in encouraging the firm to choose Halifax.

6 George [19] commented on this point at some length in respect of decisions relating to manufacturing activity.
In addition to these economic justifications for public policy to be involved in influencing office location decisions, there are non-economic reasons—ensuring national unity, redistributing income more equitably, seeking political support, and the like. Governments throughout the world, including Canada, have adopted policies to redistribute economic activity among regions within their jurisdictions. Normally, such policies have concentrated on redistributing manufacturing, but there seems to be no reason for this particular emphasis. Indeed, because the cost of transportation of materials and final product is non-existent or negligible in the case of office activity, and because the field study described above suggests that little difference exists in the costs of operating offices from one location to another, there seems a \textit{prima facie} case for concentrating policy on office activity.

\textbf{Directions a Policy Might Take}

It would be inappropriate here to attempt to lay out the details of a program that sought to reduce regional economic disparities by stimulating the growth of office activity in the poorer regions. The general parameters of such a program will, however, be discussed. It might have three main thrusts: to upgrade the environment of the poorer areas, to improve communications between the poorer areas and the world outside, and to break down psychological barriers against locating in the poorer areas.

\textbf{Upgrading the Environment}

It is clear from earlier studies and the survey described above that firms are reluctant to open offices in areas with poor environments, mainly because of the difficulties they would expect to encounter when they sought to attract executives. An office location program should therefore seek to make good any deficiencies in the town planning, the recreational, cultural and educational facilities, and the general municipal services of those centres to which it is hoped to attract new office activities.

\textbf{Improvements in Communications}

Earlier studies and the survey described above also stress the supreme importance of ease of communications to the location of offices, since this appears to be critical to the relationship between a firm and its clients, suppliers and financial institutions, and to the management of geographically dispersed units.

Face-to-face contact is still perceived as necessary for many functions, and consequently the improvement of air and road transportation facilities to ensure that firms' executives can travel quickly and without undue fatigue must be an important element of such a program.

Where face-to-face contact is impractical or not essential, then facilities for the transmission of data become important. While all centres included in the survey for this study appeared to be well-equipped in this respect, technological advances such as the launching of satellites scheduled for the near future promise to make possible facilities for long distance audio-visual conferences, which are closer substitutes for face-to-face contact than are at present available. These are likely to be too expensive for small firms to provide for their own use, and circumstances may not encourage private enterprise to provide rentable facilities of this type, so governments may have to fill the gap initially.

\textbf{Breaking Down Psychological Barriers}

The survey described above also made clear that sites chosen for new offices are frequently chosen without detailed comparison of the advantages of different locations, and that the cost of operating offices is not an important factor in firms' considerations. It therefore seems likely that more firms would choose locations in the poorer regions if they could be induced to consider them.

One way to encourage such consideration is publicity. The target firms for such publicity would be those that might be thinking of shifting their head offices, splitting off certain functions from their head offices (customer billing or cost accounting, for instance), establishing regional offices for better management control of various units of the firm, or setting up branch offices to improve customer sales and service. Since only a small proportion of firms are likely to be in this position at any time, blanket advertising would be expensive and ineffective, so research to locate appropriate firms followed by personal contact with them would be called for.

One way would be to follow the path used in some European countries and offer financial incentives to firms establishing new offices, or expanding existing ones, in the poorer areas. While the survey described above suggested that such incentives were not necessary to compensate for cost differences from one region to another, they would be useful as a device to induce firms to consider the poorer areas as sites for new offices.

It is true that foreign experience of such incentives is not encouraging. British and French schemes, for instance, have been in operation for some years, and although they have been reinforced by restrictions on office buildings in the London and Paris areas, the office outflows from these areas have almost invariably been attributed to economic pressures (particularly high rents and labour shortages).

\footnote{There is considerable literature on the matter: British Institute of Management \cite{4}, Croft \cite{9}, Daniels \cite{10, 11}, Department of the Environment \cite{13}, Economics Intelligence Unit \cite{16}, Goddard \cite{20, 21, 22, 23}, Hall \cite{27}, and Interscan Ltd. \cite{29, 30} being perhaps the most informative.}
rather than to government action, and few movers have ended up in the development areas. But these failures may have been due to faults in the design of the schemes, and need not be accepted as conclusive evidence that office location incentives can never be effective.

It would seem that a program could be introduced into Canada along the same lines as the industrial incentive scheme operated for fourteen years by the Department of Regional Economic Expansion (since 1969) and the Area Development Agency (1965 to 1969), but there are special problems attaching to the operation of an office regional incentive scheme.

First, there is the problem of determining who should be eligible for the incentives. The objective would be to attract offices of export agencies, the accounting departments of oil companies, the regional offices of financial companies, technical service offices of office machine companies, and the like, to the poorer areas, where they would not normally locate.

To define precisely the sort of activity eligible for incentives would be difficult—as the British found with an earlier scheme they operated. One would seek to avoid giving incentives to warehouse operations and offices which provide services exclusively to a local market. Judgement would have to be exercised, and the scheme would have to be discretionary, as DREE industrial incentives scheme is. And, for practical reasons, a minimum size limit for offices would have to be established to rule out applications from a multitude of tiny offices.

Second, the type of incentive would have to be established. On the one hand, it should be attractive—which suggests grants rather than loans or tax incentives—while, on the other, it should allow sufficient control so as to avoid incidents which have occurred in the past where manufacturing firms have pulled confidence tricks on governments, particularly provincial governments.

Third, the size of the incentives would have to be determined. The British scheme provides a complicated package including a rent subsidy for up to seven years, a grant based upon the number of employees involved and the cost of moving the office, and a cheap loan for certain capital expenditures on the new office, which in total can exceed $10,000 per job created. Although this figure is in line with DREE incentive grants during the last decade, and exceeds the amounts offered under the French and Dutch schemes, there is a body of opinion in England which believes that the failure of the British scheme has been due to the incentives being too low. Bearing in mind the greater distances involved in Canada, it may well be that a higher grant per job would have to be incorporated into the scheme.

Conclusions

There seems no reason for the neglect of office location in the Canadian literature, and it is to be hoped that academics, public servants and interested persons may see fit to repair this neglect.

The possibility of extending regional incentives in Canada to cover office activities, as a means of reducing regional disparities, would seem to merit official attention.

References