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**Industrial and Regional
Development Program**

**Annual Report
1990-1991**

Canada 

**Industrial and Regional
Development Program**

**Annual Report
1990-1991**

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Minister of Industry,
Science and Technology and
Minister for International Trade



Ministre de l'Industrie, des
Sciences et de la Technologie et
ministre du Commerce extérieur

September 17, 1991

His Excellency, the Right Honourable Ramon John Hnatyshyn, P.C., C.C., C.M.M., C.D., Q.C.
Governor General and Commander-in-Chief of Canada
Government House
1 Sussex Drive
Ottawa, Ontario
K1A 0A1

Your Excellency:

I have the honour to submit to Your Excellency the Annual Report on the Industrial and Regional Development Program (IRDP) for the period April 1, 1990 to March 31, 1991.

You will find under appropriate headings in this report a summary highlighting the major accomplishments of this program.

Yours sincerely,

A handwritten signature in dark ink, appearing to read 'Michael H. Wilson'. The signature is written in a cursive, slightly slanted style.

Michael H. Wilson

INDUSTRIAL AND REGIONAL DEVELOPMENT PROGRAM (IRDP)

ANNUAL REPORT

APRIL 1, 1990 TO MARCH 31, 1991

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A. INTRODUCTION

The Minister of Industry, Science and Technology is required, under *Section 15 of the Industrial and Regional Development Act*, to report to Parliament by the first day of June following each fiscal year on the administration of the Industrial and Regional Development Program (IRDP). Under the provisions of the Act, the final date to submit applications for financial support under the IRDP was June 30, 1988. This eighth annual report includes a brief explanation of the IRDP and an analysis of the Program's operations for the period from April 1, 1990, to March 31, 1991.

An explanation of the terms used in administering the Act appears on page five of this report.

The IRDP was implemented in July 1983. The objective of the Program was to promote regional and industrial development by assisting private sector initiatives aimed at improving productivity, job creation or maintenance, sustained growth and international competitiveness. Assistance was provided to business through contributions and repayable contributions.

Two types of applicants were eligible for support:

- Commercial operations, consisting of manufacturing or processing operations that could benefit from the Innovation, Establishment and Modernization/Expansion elements of the program.
- Essentially non-profit organizations carrying on activities in support of commercial operations could apply under the Innovation and Marketing elements.

Although the Program was national in scope, financial assistance was available in all regions of Canada based on four tier groups into which census divisions were classified:

- Tier I - consisted of the most developed census divisions of the country where approximately 50 percent of the population lived.
- Tier II - was comprised of census divisions that were next in line on the development scale and accounted for approximately 30 percent of the population.
- Tier III - covered the relatively less developed areas and accounted for approximately 15 percent of the population.
- Tier IV - included the least developed areas in which no more than five percent of the population resided.

The level of financial assistance available under the IRDP was scaled in proportion to the tier group level in which the eligible project was located (i.e. the higher the tier level, the greater the maximum possible assistance). Tier group designations were made according to a development index, which was a measure of economic disparity in the country based on

income, unemployment and provincial fiscal capacity indicators in 260 of Canada's census divisions as provided by Statistics Canada.

To address possible short-term economic downturns in a Tier I census district, the Program provided for the equivalent of Tier II assistance for the Establishment and Modernization/Expansion elements when the average ratio of unemployment insurance beneficiaries to working-age population in the census district exceeded, by one percentage point, the national average for any consecutive six months. Applications were accepted for one year following designation of an area as Tier I Special.

Since June 5, 1987, the responsibility for administering and delivering all IRDP projects with eligible costs of \$20 million or less in the Atlantic provinces was transferred to the Atlantic Canada Opportunities Agency (ACOA). For the Western provinces, this responsibility was transferred to the Department of Western Economic Diversification (DWED) on August 4, 1987.

It should be noted that applications for financial assistance and supporting documentation received under the IRDP and other departmental programs contain information that must be regarded as commercially confidential. For this reason and as a matter of policy, the department does not make public certain types of data. For similar reasons of commercial confidentiality, the department does not reveal that a particular application has been received unless and until it results in an accepted offer of financial assistance.

B. RESULTS

1. Disposition of Applications

A total of 13,920 applications were received under the IRDP from its inception to June 30, 1988. Since the expiration of the Program on that date, no new applications have been accepted. The assessment of all pending applications was completed prior to 1990/91.

Statistics on IRDP activities for each tier, from July 1, 1983 to March 31, 1991, are presented in Table 1. The data are based on all applications received since inception and reflect their disposition as of March 31, 1991. The cumulative total of applications includes 27 cases received under the *Regional Development Incentives Act* (RDIA) and transferred to the IRDP in accordance with section 13 of the *Industrial and Regional Development Act*. Table 2 confirms that no new applications were received in 1990/91.

2. Disposition of Offers

There were only two outstanding offers to be disposed in 1990/91, one of which was accepted in that period. The disposition as of March 31, 1991 of all offers made under the IRDP is summarized in the following chart:

Disposition of Offers

Offers made up to March 31, 1990	4 898
plus offers made during 1990/91	-
equals total offers made as of March 31, 1991	4 898
less offers accepted at March 31, 1990	(4 568)
equals total offers that can be accepted during 1990/91	330
less offers declined, cancelled or lapsed at March 31, 1991	(328)
less offers not yet accepted at March 31, 1991	(1)
equals total offers accepted during 1990/91	1
plus offers accepted but not reported in previous years	-
equals total offers accepted for the 1990/91 report	1

Table 3 shows offers accepted in 1990-91 along with the cumulative number accepted since the inception of the Program. The single offer accepted in 1990-91 involved an IRDP contribution of \$1.9 million, while in the previous year 48 offers were accepted with a total contribution of \$37 million. This decrease reflects the ongoing decline in activity due to the termination of the Program. Including the most recent fiscal year (1990-91), the number of offers accepted since the inception of the IRDP comes to 4,569 with a cumulative contribution of \$1.5 billion. The 4,569 accepted offers represent 93 percent of the 4,898 offers made since the inception of the IRDP.

Tables 3, 4, 6 and 7 provide a breakdown of accepted offers (both in 1990/91 and cumulative) by tier grouping, program element, amount of assistance and major industry groups respectively. Table 5 shows the accepted offers equal to or greater than \$5 million by planning element and by tier. A detailed listing of the one offer accepted in 1990/91 appears in Table 10. Please note that these tables include only accepted offers for which the funding was authorized by ISTC/DRIE.

The single offer accepted in 1990/91 was in a Tier I census division (Table 3) under the innovation program element (Table 4). The \$1.9 million in authorized assistance (Table 6) contributed by the offer was for a project in the Chemical Products Sector (Table 7).

3. Benefits

One of the key IRDP criteria stipulated that funded projects and the exploitation of their results must represent a significant economic benefit to Canada. The two principal measures of economic benefits for the IRDP were: the leverage of private investment encouraged and the number of jobs created and/or maintained as a result of the authorized assistance. The former provides a measure of the amount of private sector investment in supported projects for each dollar contributed by the federal government.

For the single offer accepted in 1990/91 the leverage of private investment (obtained by dividing the eligible cost of the project by the authorized assistance) was 4.0 to 1 (Table 8). The estimated number of jobs created and maintained for each tier and program element are provided in Table 9.

Explanation of Terms

This section identifies terms used in the Report and provides a brief explanatory comment for each. These explanations are designed to facilitate understanding. They do not necessarily provide complete legal or administrative definitions nor do they depict all benefits, conditions, restraints or requirements that exist under the Program. For specific purposes, reference should be made to the *Industrial and Regional Development Act*, the regulations made under that Act, and other sources of official information.

1. **Contribution:** Financial assistance that is non-repayable, partially repayable, specifically repayable or one that is conditionally repayable under terms and conditions specified in the offer and accepted by the applicant.
2. **Participation Loan:** A loan for the establishment of a new facility or for the restructuring of a commercial operation which, by its terms, allows the Minister to participate on behalf of the Crown in its success by means of a stock option, a royalty on sales or production, or otherwise. The rate of interest for a participation loan is equivalent to the lowest rate of interest charged by the Federal Business Development Bank on its term loans.
3. **Grant:** Assistance given to an applicant for a study, scholarship, or course development relating to industrial development.

4. **Application:** A written submission by an applicant requesting assistance under the *Industrial and Regional Development Act*. An application normally relates to a single project at a single site.
 - (a) **Received:** An application delivered to the department. The date of receipt is used for reporting and for establishing whether any prior commitment has occurred in respect of a cost of a proposed project or activity.
 - (b) **Withdrawn:** An application revoked by the applicant before or during evaluation.
 - (c) **Rejected:** An application for a project considered ineligible under the legislation, which would proceed without assistance, or which would make no significant economic or social contribution to Canada.
5. **Offer Made:** When an application has been evaluated and a grant or contribution authorized, the estimated amount of the grant or contribution and the related conditions are made known to the applicant in a formal letter of offer.
 - (a) **Lapsed:** If an applicant does not formally accept an offer within 90 days, the offer lapses.
 - (b) **Withdrawn:** If the department becomes aware of certain kinds of information prior to acceptance, it may revoke its offer.
 - (c) **Declined:** A formal decline of an offer by the applicant.
6.
 - (a) **Offer Accepted:** Offer acceptance occurs when the applicant returns a signed copy of the offer within 90 days from its date of issue.
 - (b) **Offer withdrawn (after acceptance):** If the department determines that legal requirements have not been met, it takes action to withdraw the offer. Also, if an applicant revokes his or her acceptance of an offer.
7. **Final Payment Made:** A final payment on account of contribution is made when the department is satisfied that all the conditions specified in the accepted offer have been met. The final payment for the establishment of a new facility or a modernization/expansion project cannot be made until 24 months after the certified date of commercial production. For all other projects, the final payment is made upon completion of the project.
8. **Project Location:** The location of the project based on information provided by the applicant.

9. **SIC Code:** The Standard Industrial Classification System (1980) established by Statistics Canada for standardizing definitions and techniques in the gathering and compilation of statistics related to industries in Canada.
10. **Program Elements:**
 - (a) **Climate:** Projects under the Industrial Development Climate element of IRDP for the establishment of a non-profit centre or institute relating to industrial development; for an economic development study; for specialized services; for infrastructure development; or for course development or scholarships.
 - (b) **Innovation:** Projects for the development of a new or improved product or production process; design of new, mass-producible durable products; improvement or expansion of technological capability; or research and development in the area of pollution abatement technology.
 - (c) **New facility:** Establishment of a new facility to manufacture goods or provide services (tourism).
 - (d) **Modernization:** A change or addition made to an existing facility primarily designed to reduce production costs or improve product quality, and which can include replacement of existing fixed assets, with or without the use of microelectronic devices.
 - (e) **Expansion:** An addition to an existing facility to increase the output of the commodity or service on the same site; or a relocation of a facility.
 - (f) **Marketing:** Projects for collecting and disseminating information; arranging a special event or conference to develop and increase the market of tourism operations; or to increase the marketing of the products or services of these operations. Also for literature, advertising, trade shows, seminars, market research and analysis, and promotion of Canadian standards and product specifications to increase the marketing of the products or services of commercial operations.
 - (g) **Restructuring:** A change with respect to the products, methods of production, services, markets or management procedures of a commercial operation that is in need of renewal.
11. **Estimated Eligible Cost:** The costs of an Industrial Development Climate, Innovation, Establishment of a New Facility, Modernization/Expansion, Marketing or Restructuring project, as estimated by the department on the basis of information supplied by an applicant; covering only costs that are eligible for a grant, contribution or participation loan.
12. **Authorized Amount of Assistance:** The departmental grant, contribution or participation loan to be paid, based on the terms of the accepted contract.

TABLE 1: Summary of IRDP Activities from July 1983 to March 31, 1991 (by Tier)

TIER	APPLICATIONS						OFFERS			
	TOTAL RECEIVED	NOT YET UNDER EVALUATION	UNDER EVALUATION	WITHDRAWN	REJECTED	OFFERS AUTHORIZED BUT NOT YET ISSUED	TOTAL MADE	MADE BUT NOT YET ACCEPTED	WITHDRAWN/DECLINED/LAPSED	ACCEPTED
I	3 015	-	-	1 211	824	-	980	-	90	890
I SPECIAL	39	-	-	8	19	-	12	-	1	11
II	5 103	-	-	1 694	1 796	-	1 613	1	92	1 520
III	4 339	-	-	1 114	1 470	-	1 755	-	105	1 650
IV	1 424	-	-	340	546	-	538	-	40	498
TOTAL	13 920	-	-	4 367	4 655	-	4 898	1	328	4 569

Table 2: IRDP Applications Received (by TIER)

TIER	Applications Received in Fiscal Year 1990/91
I	-
I SPECIAL	-
II	-
III	-
IV	-
TOTAL	-

Table 3: IRDP Offers Accepted (by TIER)

TIER	TOTAL APRIL 1, 1990 TO March 31, 1991		CUMULATIVE TOTAL July 1983 to March 31, 1991	
	Number	Authorized Assistance (\$)	Number	Authorized Assistance (\$)
I	1	1 904 410	890	390 569 026
I SPECIAL	-	-	11	7 952 065
II	-	-	1 520	462 727 423
III	-	-	1 650	382 174 945
IV	-	-	498	238 567 129
TOTAL	1	1 904 410	4 569	1 481 990 588

Table 4: IRDP Offers Accepted (by Program Element)

PROGRAM ELEMENT	TOTAL April 1, 1990 to March 31, 1991		CUMULATIVE TOTAL July 1983 to March 31, 1991	
	Number	Authorized Assistance (\$)	Number	Authorized Assistance (\$)
INDUSTRIAL DEVELOPMENT CLIMATE	-	-	135	48 296 549
MARKETING	-	-	146	32 209 723
INNOVATION	1	1 904 410	895	321 368 707
ESTABLISHMENT OF NEW FACILITY	-	-	859	384 616 763
MODERNIZATION/EXPANSION	-	-	2 521	682 489 946
RESTRUCTURING	-	-	13	12 919 900
TOTAL	1	1 904 410	4 569	1 481 990 588

Table 5: IRDP Offers Accepted Equal to or Greater than \$5 million (by Program Element and by Tier)

	TOTAL April 1, 1990 to March 31, 1991		CUMULATIVE TOTAL July 1983 to March 31, 1991	
	Number	Authorized Assistance (\$)	Number	Authorized Assistance (\$)
<i>Program Element</i>				
INDUSTRIAL DEVELOPMENT CLIMATE	-	-	2	12 967 788
MARKETING	-	-	2	21 240 733
INNOVATION	-	-	11	94 813 582
ESTABLISHMENT OF NEW FACILITY	-	-	18	161 598 137
MODERNIZATION/EXPANSION	-	-	11	191 253 450
RESTRUCTURING	-	-	1	10 234 000
TOTAL	-	-	45	492 107 690
<i>TIER</i>				
I	-	-	13	168 967 745
I SPECIAL	-	-	1	7 248 000
II	-	-	12	89 981 358
III	-	-	9	75 168 487
IV	-	-	10	150 742 100
TOTAL	-	-	45	492 107 690

Table 6: IRDP Offers Accepted (by Amount of Assistance)

ESTIMATED AMOUNT OF ASSISTANCE	TOTAL April 1, 1990 to March 31, 1991		CUMULATIVE TOTAL July 1983 to March 31, 1991	
	Number	Authorized Assistance (\$)	Number	Authorized Assistance (\$)
LESS THAN \$100 000	-	-	2 919	142 404 212
\$100 000 TO \$249 999	-	-	777	128 965 161
\$250 000 TO \$499 999	-	-	414	147 441 906
\$500 000 TO \$999 999	-	-	223	160 266 616
\$1 000 000 and more	1	1 904 410	236	902 912 693
TOTAL	1	1 904 410	4 569	1 481 990 588

Table 7: IRDP Offers Accepted (by Major Industry Group)

INDUSTRY GROUP	TOTAL April 1, 1990 to March 31, 1991		CUMULATIVE TOTAL July 1983 to March 31, 1991	
	Number	Authorized Assistance (\$)	Number	Authorized Assistance (\$)
Food	-	-	448	66 386 385
Beverage	-	-	37	7 601 929
Tobacco	-	-	4	46 360
Rubber Products	-	-	29	12 800 869
Plastic Products	-	-	198	43 370 108
Leather Products	-	-	17	3 371 118
Primary Textiles	-	-	18	8 499 550
Textile products	-	-	35	10 657 655
Clothing	-	-	85	9 332 377
Wood Industries	-	-	498	153 361 977
Furniture & Fixtures	-	-	177	24 103 636
Paper-Allied Industries	-	-	66	144 966 748
Printing & Publishing	-	-	78	15 197 227
Primary Metals	-	-	91	40 709 421
Metal Fabricating	-	-	533	71 817 598
Machinery	-	-	489	106 491 061
Transportation Equipment	-	-	305	265 274 281
Electrical/Electronic Products	-	-	414	186 822 790
Non-Metallic Mineral Products	-	-	147	54 009 320
Petroleum & Coal Products	-	-	8	294 255
Chemical	1	1 904 410	161	73 482 347
Other Manufacturing	-	-	256	50 056 117
Tourism	-	-	160	33 309 949
Other	-	-	315	99 997 510
TOTAL	1	1 904 410	4 569	1 481 990 588

Table 8: Leverage of Private investment in IRDP for Fiscal Year 1990/91 (by Program Element and by Tier)

	Authorized Assistance under IRDP (\$)	Estimated Eligible Costs (\$)	Leverage of Private Investment
<i>Program Element</i>			
INDUSTRIAL DEVELOPMENT CLIMATE	-	-	-
MARKETING	-	-	-
INNOVATION	1 904 410	7 617 640	4.0
ESTABLISHMENT OF NEW FACILITY	-	-	-
MODERNIZATION/EXPANSION	-	-	-
RESTRUCTURING	-	-	-
TOTAL	1 904 410	7 617 640	4.0
<i>TIER</i>			
I	1 904 410	7 617 640	4.0
I SPECIAL	-	-	-
II	-	-	-
III	-	-	-
IV	-	-	-
TOTAL	1 904 410	7 617 640	4.0

Table 9: Costs Associated with Jobs Created and Maintained under IRDP for Fiscal Year 1990/91 (by Program Element and by Tier)

	Estimated Jobs Created	Estimated Jobs Maintained	Authorized Assistance under IRDP (\$)	Ratio of Cost per Job Created and Maintained (\$)
<i>Program Element</i>				
INDUSTRIAL DEVELOPMENT	-	-	-	-
MARKETING	-	-	-	-
INNOVATION	40	40	1 904 410	23 805
ESTABLISHMENT OF NEW FACILITY	-	-	-	-
MODERNIZATION/EXPANSION	-	-	-	-
RESTRUCTURING	-	-	-	-
TOTAL	40	40	1 904 410	23 805
<i>TIER</i>				
I	40	40	1 904 410	23 805
I SPECIAL	-	-	-	-
II	-	-	-	-
III	-	-	-	-
IV	-	-	-	-
TOTAL	40	40	1 904 410	23 805

Table 10

IRDP: OFFERS ACCEPTED FOR FISCAL YEAR 1990/91

COMPANY	PROJECT LOCATION	TIER	MAJOR INDUSTRY	PROGRAM	ESTIMATED ELIGIBLE CDSTS	AUTHORIZED IRDP ASSISTANCE
CANGENE CORPORATION	MISSISSAUGA, ONTARIO	1	CHEMICAL FOR PROJECT	INNOVATION	7,617,640	1,904,410

