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INDUSTRIAL AND REGIONAL DEVELOPMENT PROGRAM (IRDP)

ANNUAL REPORT

APRIL 1, 1991 TO MARCH 31, 1992

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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 annually 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 ninth annual report includes a brief explanation of the IRDP and an analysis of the Program's operations for the period from April 1, 1991, to March 31, 1992.

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. Responsibility for administering IRDP projects in the Province of Quebec was transferred to the Federal Office of Regional Development - Quebec on June 13, 1991. It should be noted that this report reflects all offers accepted in these provinces prior to the respective dates of transfer.

It should also 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. 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 1991/92.

Statistics on IRDP activities for each tier, from July 1, 1983 to March 31, 1992, are presented in Table 1. The data are based on all applications received since inception and reflect their disposition as of March 31, 1992. 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 1991/92.

2. Offers

There were no further offers accepted in 1991/92. The one outstanding offer to be disposed in 1991/92 was cancelled in that period. The disposition as of March 31, 1992 of all offers made under the IRDP is summarized in the following chart:

Disposition of Offers

|   |                |
|---|----------------|
| Offers made up to March 31, 1991                            | 4 898          |
| plus offers made during 1991/92                             | <u>-</u>       |
| equals total offers made as of March 31, 1992               | 4 898          |
| less offers accepted at March 31, 1992                      | <u>(4 569)</u> |
| equals total offers that can be accepted during 1991/92     | 329            |
| less offers declined, cancelled or lapsed at March 31, 1992 | (329)          |
| less offers not yet accepted at March 31, 1992              | <u>(-)</u>     |
| equals total offers accepted during 1991/92                 | 0              |
| plus offers accepted but not reported in previous years     | <u>-</u>       |
| equals total offers accepted for the 1991/92 report         | 0              |

Table 3 shows the cumulative number of offers accepted since the inception of the Program. With the cancellation of the last remaining outstanding offer, the total 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 the 4,569 accepted offers 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. Please note that these tables include only accepted offers for which the funding was authorized by ISTC/DRIE.

### 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) **Cancelled:** 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, 1992 (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      | -                         | 93                        | 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      | -                         | 329                       | 4 569    |

**Table 2: IRDP Applications Received (by TIER)**

| TIER      | Applications Received<br>in Fiscal Year<br>1991/92 |
|-----------|--|
| I         | -  |
| I SPECIAL | -  |
| II        | -  |
| III       | -  |
| IV        | -  |
| TOTAL     | -  |

**Table 3: IRDP Offers Accepted (by TIER)**

| TIER      | TOTAL<br>April 1, 1991 TO<br>March 31, 1992 |                               | CUMULATIVE TOTAL<br>July 1983 to<br>March 31, 1992 |                               |
|-----------|---|-------------------------------|--|-------------------------------|
|           | Number                                      | Authorized Assistance<br>(\$) | Number   | Authorized Assistance<br>(\$) |
| I         | -   | -                             | 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     | -   | -                             | 4 569  | 1 481 990 588                 |

Table 4: IRDP Offers Accepted (by Program Element)

| PROGRAM ELEMENT                | TOTAL<br>April 1, 1991 to<br>March 31, 1992 |                                  | CUMULATIVE TOTAL<br>July 1983 to<br>March 31, 1992 |                                  |
|--------------------------------|---|----------------------------------|--|----------------------------------|
|                                | Number                                      | Authorized<br>Assistance<br>(\$) | Number   | Authorized<br>Assistance<br>(\$) |
| INDUSTRIAL DEVELOPMENT CLIMATE | -   | -                                | 135  | 48 296 549                       |
| MARKETING                      | -   | -                                | 146  | 32 298 723                       |
| INNOVATION                     | -   | -                                | 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                          | -   | -                                | 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<br>April 1, 1991 to<br>March 31, 1992 |                                  | CUMULATIVE TOTAL<br>July 1983 to<br>March 31, 1992 |                                  |
|--------------------------------|---|----------------------------------|--|----------------------------------|
|                                | Number                                      | Authorized<br>Assistance<br>(\$) | Number   | Authorized<br>Assistance<br>(\$) |
| <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<br>April 1, 1991 to<br>March 31, 1992 |                                  | CUMULATIVE TOTAL<br>July 1983 to<br>March 31, 1992 |                                  |
|--------------------------------|---|----------------------------------|--|----------------------------------|
|                                | Number                                      | Authorized<br>Assistance<br>(\$) | Number   | Authorized<br>Assistance<br>(\$) |
| 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           | -   | -                                | 236  | 902 912 693                      |
| <b>TOTAL</b>                   | -   | -                                | <b>4 569</b>                                       | <b>1 481 990 588</b>             |

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

| INDUSTRY GROUP                 | TOTAL<br>April 1, 1991 to<br>March 31, 1992 |                                  | CUMULATIVE TOTAL<br>July 1983 to<br>March 31, 1992 |                                  |
|--------------------------------|---|----------------------------------|--|----------------------------------|
|                                | Number                                      | Authorized<br>Assistance<br>(\$) | Number   | Authorized<br>Assistance<br>(\$) |
| 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  | 186 852 790                      |
| Non-Metallic Mineral Products  | -   | -                                | 147  | 54 009 320                       |
| Petroleum & Coal Products      | -   | -                                | 8  | 294 255                          |
| Chemical                       | -   | -                                | 161  | 73 482 347                       |
| Other Manufacturing            | -   | -                                | 256  | 50 056 117                       |
| Tourism                        | -   | -                                | 160  | 33 309 949                       |
| Other                          | -   | -                                | 315  | 99 997 510                       |
| <b>TOTAL</b>                   | -   | -                                | <b>4 569</b>                                       | <b>1 481 990 588</b>             |





