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Industry Canada Industrie Canada

OUTLOOK
ON PROGRAM
PRIORITIES
AND EXPENDITURES

1995-1996 TO 1997-1998

INDUSTRY CANADA

April 1995

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C O N T E N T S

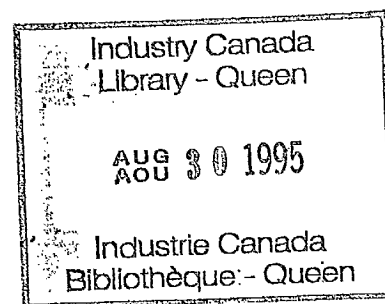
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F O R E W O R D

Each federal department and agency is now required to produce an annual Outlook on Program Priorities and Expenditures for submission to the appropriate Standing Committee of Parliament.

This is the first such Outlook produced by Industry Canada. It covers the three-year period from 1995-96 to 1997-98 and was submitted by John Manley, Minister of Industry, to the Chairman of the parliamentary Standing Committee on Industry on May 3, 1995.

The Outlook describes Industry Canada's goals, responsibilities, activities and principal initiatives, as well as some of the department's accomplishments since its creation in June 1993.

C O N T E X T

All advanced industrial countries are facing the challenge of how to promote jobs and growth in a world characterized by global integration and the rise of knowledge-based economies. The role for governments in this rapidly changing environment is to create conditions that promote investment, trade and innovation.

Industry Canada is the federal government's national micro-economic department — created to respond to this challenge. The department has a mandate to make Canada more competitive by fostering the growth of Canadian business, by promoting a fair and efficient marketplace for businesses and consumers, and by encouraging scientific research and technology diffusion. Its sectoral, marketplace and industrial policies affect over 70 percent of Canada's Gross Domestic Product.

The department joins within a single organization:

- ▶ Industry, Science and Technology Canada's responsibilities for international competitiveness, economic development and excellence in science;
- ▶ the Department of Communications' telecommunications policy and programs;
- ▶ Consumer and Corporate Affairs Canada's market, business framework and consumer policy activities; and,
- ▶ Investment Canada's responsibilities for investment research, policy and review.

Since its creation, Industry Canada has accomplished several significant objectives within this mandate. It has:

- ▶ negotiated the Internal Trade Agreement;
- ▶ shepherded amendments to the *Small Business Loans Act*, the *Lobbyists Registration Act* and the *Canada Business Corporations Act*;
- ▶ conducted, as part of the foundation for future direction of government industrial policy, public reviews in small business, science and technology, and the Information Highway;
- ▶ published *Building a More Innovative Economy*, which outlines an important part of the government's intentions for improving the economic climate in Canada;
- ▶ put in place a micro-economic research program to help provide the tools that Canada needs to effectively compete;
- ▶ made progress on initiatives such as the Canadian Technology Network, CANARIE Phase II, and Canada Business Service Centres; and,
- ▶ represented Canadian interests in numerous trade development missions and international fora.

The federal government must respond to the twin challenges of huge fiscal pressures and major structural changes in the economy. It has done so by changing the form and function of many of its operations, through a systematic Program Review. As a result, Industry Canada has been restructured and its services and programs streamlined. Its predecessor departments had mandates that included large budgets for grants and subsidies to business and the education community. Between the 1994-95 and 1997-98 fiscal years, the department will cut its work force by 20 percent, and cut its spending by 51 percent. The department's budget will fall from \$1.15 billion in 1994-95 to \$569 million in 1997-98.

New Directions

In the coming years, Canada's key economic challenge will be to move from economic recovery to expansion. In this regard, Industry Canada's vision is sustainable growth, through increased productivity and competitiveness in Canada's private sector. Its role will be to create a marketplace that is efficient, competitive, supportive, fair, and driven by demanding and informed consumers — a marketplace, moreover, that will encourage Canadian businesses to take advantage of opportunities at home and abroad, and apply scientific and technological advances.

Industry Canada will focus its efforts along three principal, mutually-reinforcing, lines of business: **Micro-economic Policy; Marketplace Rules and Services; and Industry Sectoral Development.** The following section outlines each of these lines of business in more detail.

In all its lines of business and activities, Industry Canada recognizes the crucial importance of science and technology (S&T) as a driver of the knowledge-based economy. The department will promote S&T in Canada, and encourage its fullest and most effective development and use in the economy.

The department also manages four special programs on behalf of the government:

- ▶ **Aboriginal Business Canada** helps Aboriginal people in all parts of Canada to build a strong business and capital base;
- ▶ the **Federal Economic Development Initiative for Northern Ontario (FedNor)** works with individual entrepreneurs, firms and business associations to increase the effectiveness of the local business sector and to diversify the economy of Northern Ontario;
- ▶ the **Canadian Tourism Commission** advocates programs to sustain a vibrant and profitable tourism industry; and,
- ▶ the office of the **Ethics Counsellor** administers the new Conflict of Interest and Post-Employment Code for Public Office Holders and the *Lobbyists Registration Act*.

C H A L L E N G E S , P R I O R I T I E S
A N D K E Y I N I T I A T I V E S

The department's main priority from 1995-96 to 1997-98 will be to deliver on its three lines of business and four special programs.

Micro-economic Policy

Micro-economic policy focuses on the key competitiveness gaps facing Canadian business and industry. It addresses these gaps by:

- ▶ developing policies and marketplace frameworks to help industry and communities grow and prosper;
- ▶ advocating industry and consumer policy interests and initiatives within the federal government, among the different levels of governments in Canada, and with foreign governments;
- ▶ expanding trade development efforts to help more firms trade, and to trade in more markets; and,
- ▶ enhancing technology diffusion policies and activities so that more firms use advanced technology and use it more effectively.

Industry Canada advises the government on how micro-economic policy can benefit both producers and consumers in the Canadian marketplace. The department leads in the development of science and technology policy, competition policy, telecommunications policy (including development of the Information Highway), federal corporate and intellectual property law administration and intellectual property rules. Each of these micro-economic policy areas encourages competition and innovation in the Canadian economy.

In November 1994, Industry Canada released *Building a More Innovative Economy*, which sets out many objectives for a revitalized micro-economy for Canada. Industry Canada will follow through on the priorities outlined in that document and in the studies conducted to provide the foundation of the document, and will pursue related initiatives. These will include development and implementation of:

- ▶ the recommendations of the Small Business and Science and Technology Reviews;
- ▶ the Internal Trade Agreement, as well as a second phase of negotiations to harmonize and simplify regulations and expand the application of the Agreement;
- ▶ policies that foster stronger and more self-sufficient consumers;
- ▶ telecommunications policies that encourage fair and sustained competition among cable and telecommunications service providers; and,
- ▶ strategies for the Information Highway that maximize its benefits to Canadian businesses and citizens.

Collaboration with stakeholders in government and in the private sector on small business issues will be crucial. Initiatives will focus on methods to increase access to capital, encourage innovative small businesses to start up and grow, reduce paper burden, eliminate duplication of programs among jurisdictions, improve training, and allow a more flexible and efficient application of regulations.

Industry Canada will also work with other science-based departments and agencies to integrate the follow-up steps to the Science and Technology Review with the government's overall jobs and growth agenda. The department will also develop an integrated action plan with other agencies under the Minister of Industry's portfolio, including the National Research Council, the Canadian Space Agency, Statistics Canada, the Natural Sciences and Engineering Research Council, and the Social Sciences and Humanities Research Council.

Subject to the government's priorities in Parliament, the department will manage a heavy legislative workload including amendments to the following marketplace initiatives and other Acts: the *Bankruptcy and Insolvency Act*, the *Standards Council Act*, the *Small Business Loans Act*, the *Canada Business Corporations Act*, and with the Department of Canadian Heritage, the *Copyright Act*, among others.

The micro-economic policy business line will consume 5 percent of the department's total budget and 6 percent of its workforce by 1997-98.

The department's reduced workforce must handle a variety of policy initiatives that are shifting away from the negotiation and administration of grants and subsidies and toward the gathering of information and the dissemination of strategic advice. The department will thus need to strengthen its analytical capability. Many Industry Canada initiatives have policy implications that cut horizontally across the responsibility of several government departments. Accordingly, the department must ensure these are coordinated and integrated internally, across the Minister's portfolio and elsewhere. It is also important that the department communicates effectively by using available technologies (e.g., the Information Highway) so that its clients know about, understand and support its priorities.

Marketplace Rules and Services

Industry Canada has the primary responsibility within the federal government for setting the rules of the marketplace and for making them effective.

Marketplace rules and services create a favourable business environment and strengthen Industry Canada's role in the government's micro-economic agenda. When government resources are limited, economic framework law and marketplace services are particularly appropriate means to encourage the private sector to respond to globalization and knowledge-based growth. Framework laws and marketplace services help to create the proper economic environment in which firms make investment decisions. They allow firms to make their own decisions and encourage efficient and innovative solutions.

Many activities in this line of business are responses to specific statutory requirements that are central to helping firms maintain their competitive position in the global economy. Industry Canada's main marketplace services include:

- ▮ Bankruptcy - supervising and administering the bankruptcy and insolvency process by restoring resources from bankruptcies to productive use;
- ▮ Corporations - administering corporate statutes to promote good corporate governance, leading to efficient, competitive companies;
- ▮ Competition Law - promoting and enforcing competition in the economy, resulting in innovative and responsive producers, and demanding consumers;
- ▮ Consumer Protection - ensuring the accurate provision of basic information and protecting consumers from fraud and deceptive marketing;
- ▮ Legal Metrology - minimizing inaccuracy and inequity where commodities and services are bought and sold based on measurement;
- ▮ Intellectual Property - providing instruments to grant intellectual property rights and promoting the dissemination of information on innovation;
- ▮ Spectrum Management - allocating radio frequencies to ensure interference-free use, and ensuring the introduction of new systems and services; and,
- ▮ Small Business Loans Administration - helping Canadian small businesses to obtain financing for capital improvements and expansion.

The department aims to make framework laws and marketplace services as forward-looking as feasible. Where possible, we hope to see Canadian framework laws acknowledged around the world as benchmarks for effective rules and regulations governing the marketplace. The services Industry Canada offers in administering these framework laws can create commercial advantage for Canadian businesses. Moreover, government and business can use marketplace services as instruments to support micro-economic policy development and encourage competitiveness and innovation.

In terms of resource consumption and revenue generation, in 1997-98, this line of business will comprise over 20 percent of the department's total budget and almost half of its workforce. Revenues associated with this expenditure (based on revenue forecasts for 1995-96 user fees) will be \$171 million.

The organizations responsible for this line of business are often able to recover costs through revenue-generating services. However, budget cuts require reductions in such areas as points of service, compliance and inspection activities. This makes it more difficult to respond to client expectations while meeting regulatory responsibilities.

To manage these issues, the department is considering several approaches to increase the efficacy of service delivery. These include commercialization of some functions, and re-engineering work processes and delivery mechanisms through better use of automation. The department's regional presence will be refocused so that more emphasis is placed on providing marketplace services and trade development and promotion. Regional operations will retain a limited degree of sectoral expertise, but industrial program delivery and services to small businesses will be wound down or devolved.

The government will also explore new forms of financing marketplace services by allowing organizations access to the revenue they generate. This might include revenue plans that would let organizations re-invest proceeds for the benefit of the service-users. For example, the Canadian Intellectual Property Office (CIPO) is a Special Operating Agency, financed by a revolving fund that must break even over five-year periods based entirely on client fees for the Canadian intellectual property service.

A new Office of Consumer Affairs, reporting directly to the Deputy Minister, will consolidate activities of the former Consumer Policy Branch. Its focus will be on fostering stronger and more self-sufficient consumers, on improving partnerships among consumer groups, other federal departments, the provinces and the private sector, and on improving information flows.

Industry Sectoral Development

Industry Canada will adopt a new approach to industry sector development, acting as a catalyst to address competitiveness gaps that individual firms and the business community cannot deal with effectively on their own. These gaps include Canada's relatively low productivity growth, a limited propensity to export, a narrow export base in both products and markets, a low rate of adoption of advanced technologies, and the need for private sector investment and innovation in telecommunications and information infrastructure. These gaps are structural in nature and national in scope.

The new sectoral approach will include three core functions.

The first is to help Canada's industrial sectors become more innovative by providing focused trade, technology, investment and human resource development services. Examples are:

- working with the Department of Foreign Affairs and International Trade, to develop and carry out the International Trade Business Plan, and with provincial governments on trade promotion and development;
- advising industry on international environmental issues and market opportunities for the environment industry;
- partnering in the development of advanced networks and experimental applications (e.g., CANARIE) and pre-competitive consortia in advanced technology (e.g., Precarn);
- promoting optimum use of information technologies to improve productivity and competitiveness throughout all sectors of the economy;
- sharing best practices for quality management and promoting ISO Standards; and,
- creating stakeholder partnerships through mechanisms such as the SchoolNet/Community Access Program.

The second core function in this line of business is to deliver a sectoral policy agenda designed to promote the international competitiveness of Canadian industry in the global marketplace. Examples include:

- ▶ developing comprehensive Sector Competitiveness Frameworks, such as the new forest sector policy, which identify the structure and performance of each industry sector and obtain stakeholder consensus on measures required by the private and public sectors to enhance international competitiveness;
- ▶ striking Ministerial committees in key sectors, including the automotive, biotechnology, and forestry sectors, that bring industry CEOs and labour leaders together to analyze problems, forge consensus, set priorities and advise the government; and,
- ▶ bringing together users, suppliers, and government stakeholders to promote Canada's participation in the creation of the Information Highway, given the importance of the information technologies and telecommunications industries as competitiveness drivers for all other industries.

The third core function is to provide unique, world-class information products based on sectoral analysis and international benchmarking. Some examples are:

- ▶ producing, with the aerospace industry, an annual industry outlook;
- ▶ offering comprehensive databases, directories and an inquiry facility, through the Business Opportunities Sourcing System (BOSS), to facilitate sales at home and abroad;
- ▶ providing detailed information for sectors such as chemicals, health industries and refined petroleum products, through INSIGHT;
- ▶ supplying problem-solving and sourcing information, through Canadian Environmental Solutions;
- ▶ providing electronic access for firms in all sectors that need strategic domestic and international business and market information; and,
- ▶ supplying technology road maps to assist entrepreneurs in technology transfer, in obtaining advice on how to deal with government regulatory processes, and in identifying leading-edge technology applications.

Industry Canada will concentrate its industrial sector efforts on 19 sector branches and two research institutions. The department will design new, cost-effective service instruments for selected audiences, using electronic media to distribute strategic information, rather than relying on personalized client services.

The department's research laboratories will continue to play a unique role supporting the sectoral policy agenda, particularly as it relates to science and technology issues. They will help Canada's industrial sectors become more innovative through the transfer of knowledge and intellectual property.

The Communications Research Centre (CRC) and the Centre for Information Technology Innovation (CITI) will focus their research emphasis on areas in which the government has statutory responsibilities. They will continue to support small and medium-sized enterprises through technology transfer and seeking new methods of service delivery. The CITI will be reorganized, and the budget of the CRC reduced.

Winding down Industry Canada's funded programs has a significant impact on the financial requirements of industrial sectoral development. By 1997-98, the budget of this line of business will be reduced to 38 percent of the departmental total and its share of the workforce to about 25 percent. This will entail discussion with existing program beneficiaries during the wind-down phase of sunseting and terminated programs. Meanwhile, the department will focus on a new client base, and redesign its service and information product lines. It will reorganize to become more strategic and more responsive to client needs and to instill an innovative service culture.

Special Programs

In addition to its three main lines of business, Industry Canada is responsible for four special programs.

Aboriginal Business Canada assists Aboriginal people in all parts of Canada to build a strong business and capital base. The program will absorb reductions of up to 25 percent by 1997-98. Rather than fund specific projects, the program will target strategic priorities, such as innovation, trade, tourism, women and youth entrepreneurs. The program will also explore new delivery options.

FedNor, the government's regional development agency for Northern Ontario, will refocus its efforts to address the capital requirements of small business. With a new budget of \$20 million a year, it will provide brokering information services and other indirect support to promote innovation, improved market access and entrepreneurship. In doing this, FedNor will make more extensive use of repayable contributions and loans, and continue to work strategically with the province.

The Canadian Tourism Commission (CTC) works with public and private sector partners to coordinate tourism promotion within Canada and abroad. This is a new approach to tourism development, involving a private sector-led decision-making body. The focus is on accelerating industry growth and job creation by providing information to the tourism industry to assist its decision-making, and on marketing Canada as a desirable tourism destination.

The CTC Secretariat will be drawn from the department's existing tourism staff and program funds and \$35 million a year in incremental funds. The Secretariat must manage the cultural change that has resulted from the establishment of the new CTC, including coordination of its activities with those of federal, provincial and territorial governments and the private sector. Staff levels will drop over 40 percent in 1995-96. The Commission will promote participation from the tourism industry in CTC plans and priorities through new partnership committees chaired by the private sector.

The Ethics Counsellor administers the Conflict of Interest and Post-Employment Code for Public Office Holders and the *Lobbyists Registration Act*. The Counsellor's office must manage the increasing volume of information to be filed by lobbyists, develop a Lobbyists Code of Conduct, and manage enforcement and investigations carried out under the Act. Staff levels will be reduced by 15 percent in 1997-98, requiring streamlining and task-sharing between both the conflict-of-interest and lobbyist-registration sides of the operation.

Corporate Management

Industry Canada must address important corporate needs, including the change of employee skill mix from the administration of funded programs to the delivery of sophisticated information products and services. There is also a need for scientific rejuvenation and the staffing of scientific personnel during a time of downsizing. Term employees may be hired to undertake specific research projects requiring skill sets for which there is no indeterminate requirement. The department must also provide strategic communications and consultations support, and market the value of Industry Canada to its clients and to the Canadian public.

A major corporate priority will be to build the information technology infrastructure to develop, deliver and distribute the department's information products and services. The department must optimize information technology and management process efficiencies so that resources are increasingly devoted to servicing the needs of external clients.

Audit and evaluation plans will be developed to reflect the changing structure of the department. Measuring progress will require the department to meet established targets for financial, program and workforce reductions. In addition, the department will develop results indicators, in consultation with its clients, to show the effectiveness of each business line, as follows:

- ▶ for the micro-economic policy business line, Industry Canada will create a clear policy framework and manageable departmental priorities. These will include annual policy planning and priority setting processes;
- ▶ for marketplace rules and services, the department will evaluate productivity and economy of resources resulting from the enhanced use of automated information systems and improved client service standards; and,
- ▶ for industry sectoral development, Industry Canada will evaluate whether businesses, consumers and communities take advantage of networking opportunities, and whether they have become more equipped to make strategic decisions, innovate, trade in offshore markets, and tap into technology opportunities.

Taken together, these activities will account for the remaining 36 percent of the department's total budget and 20 percent of its workforce by 1997-98.

C O N C L U S I O N

The government created Industry Canada as a powerful public policy influence to help Canadians to respond quickly in a business and consumer environment where information, innovation and global vision are key elements in building Canada's standard of living. As Canada's national department of competitiveness and the marketplace, Industry Canada builds alliances with business and consumers to address the challenges of the micro-economy.

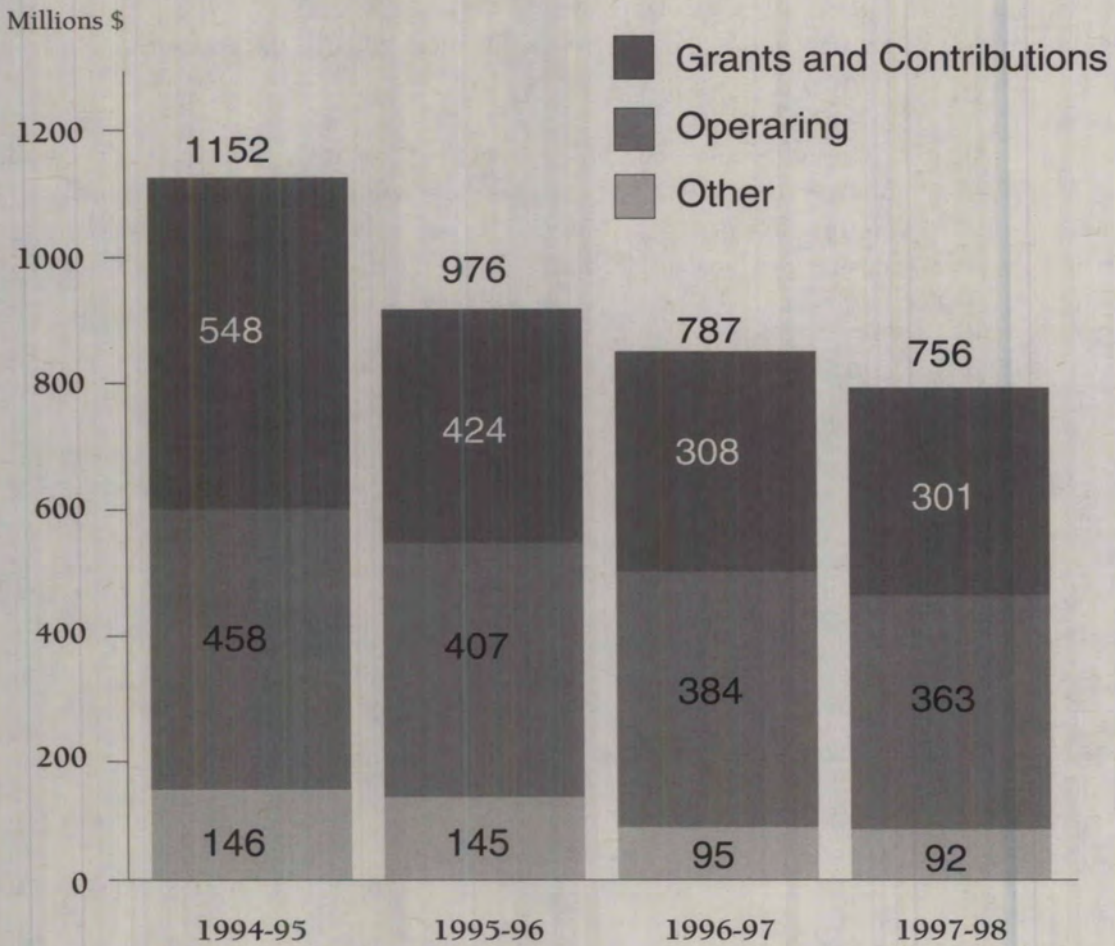
The re-engineering of Industry Canada would have been necessary even without government spending reductions. With the provision of new policies and information products and more effective marketplace services, the department is striving to create conditions that will enable the private sector to get on with the job of building the Canadian economy. Canadian businesses will benefit from a business environment where regulations and services enable them to make the decisions required to innovate in a fast-paced, knowledge-based global marketplace.

Industry Canada's three lines of business and four special programs respond to the real needs of Canadian business and consumers in the 1990s. The department will manage its reduced budget allocations and smaller workforce in a way that will focus its resources on value-added initiatives that will help businesses and consumers to make the choices that will help to build a competitive economy now and into the next century.

A N N E X

C H A R T 1

Resources Before Program Review

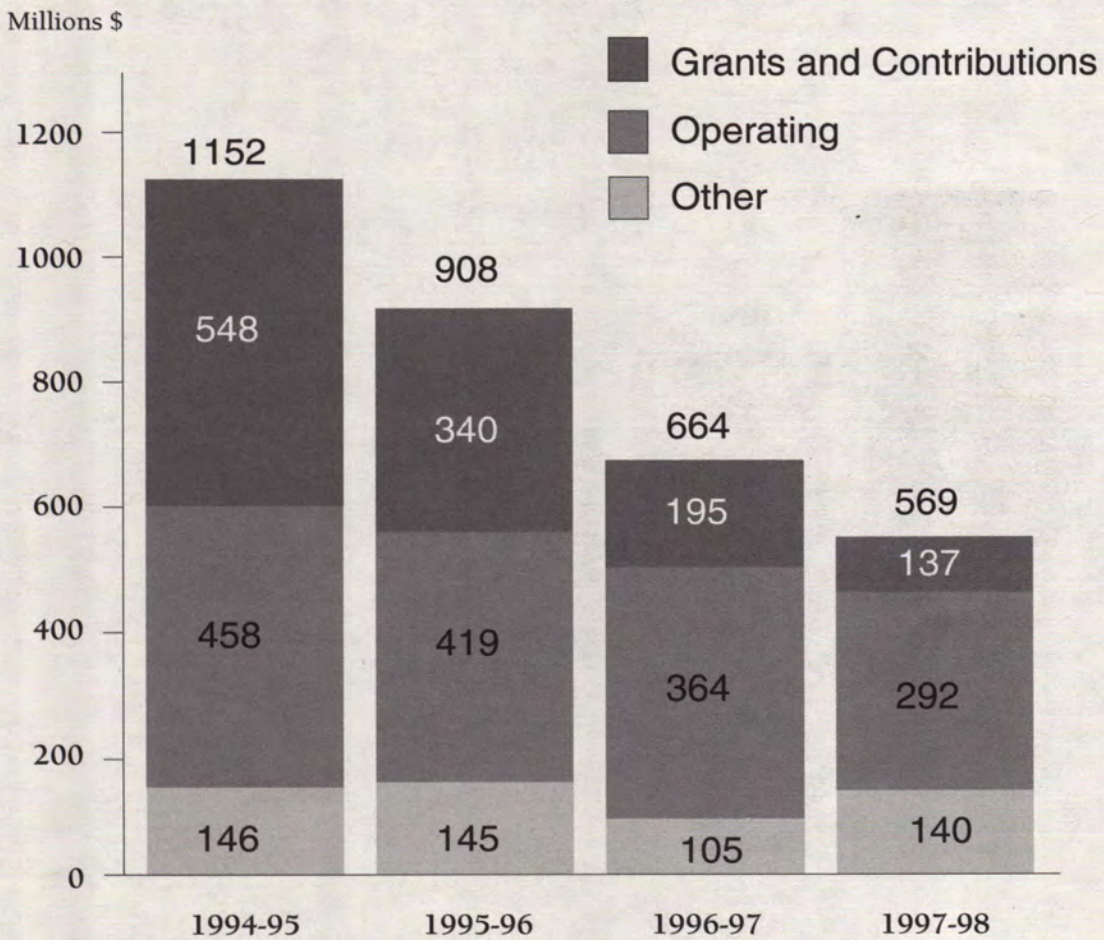


Resources exclude the Ontario Infrastructure Program.

Additional Resources for FedNor and Building a More Innovative Economy are not included as some of these initiatives have not yet received Treasury Board approval.

C H A R T 2

Resources After Program Review

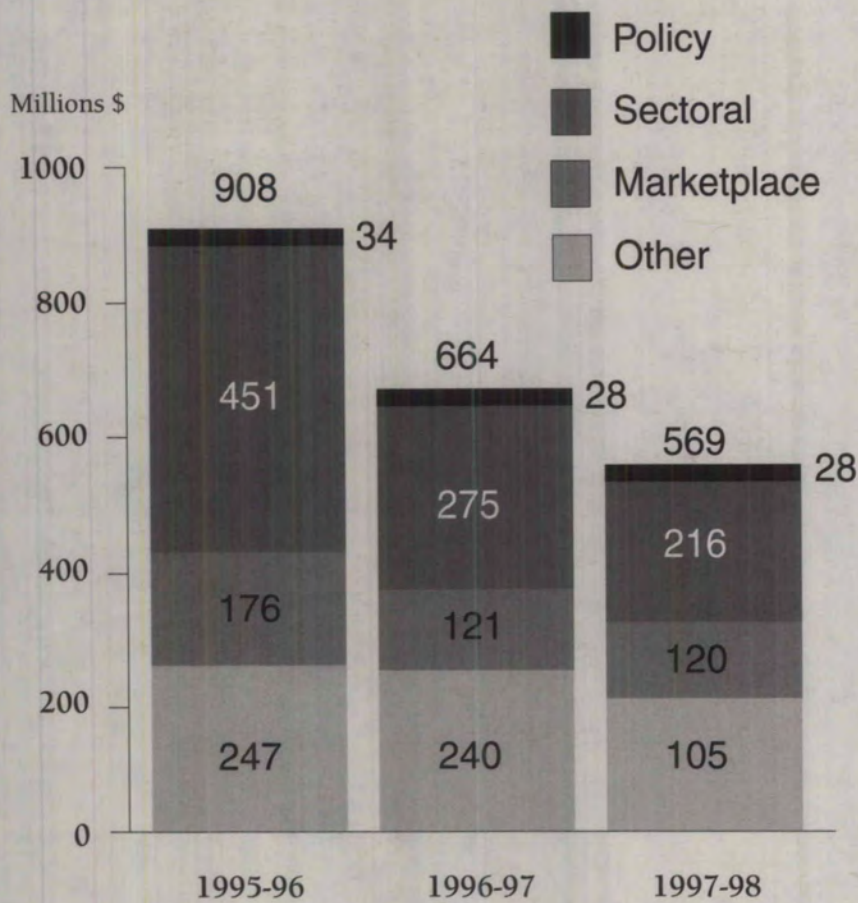


Resources exclude the Ontario Infrastructure Program.

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C H A R T 3

Lines of Business After Program Review



Resources exclude the Ontario Infrastructure Program.
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