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CANADA/NEWFOUNDLAND STRATEGIC INVESTMENT AND
INDUSTRIAL DEVELOPMENT COOPERATION AGREEMENT

"Investing in the Future"

COOPERATION




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SIID - A CATALYST FOR LONG TERM ECONOMIC GROWTH

In the past decade the world economy has seen massive changes in trade patterns, major developments in technology and communications, and global investment. World trade has been liberalized, providing numerous opportunities for manufactured goods and commercial services. An international trading system has emerged,

"...the Province needs to establish a climate that fosters entrepreneurial spirit..."

resulting in technology sharing and mergers between

firms from different countries. Technological advances in communications and transportation have reduced the effective distance between producers and consumers.

The wider market for our goods and services is creating opportunities for the development of new and innovative products. New challenges arise from these opportunities. To avail of these opportunities, the Province needs to establish a climate that fosters entrepreneurial spirit, and develops better communications linkages with the rest of the world to remain abreast of changing technologies and market requirements. In the past, our economy has been based almost exclusively on natural resources. A major challenge facing this province is the diversification of our economy into a number of new industries that will lead us into the next century. Our primary industries - forestry, fishing, and mining - will always be important to the economy. But to create new jobs and improve our social and economic conditions, we must diversify our industrial base. Diversification means investment. In the past, investment available for new business projects in Newfoundland and Labrador have relied primarily on internally generated capital. Promising techniques for raising external capital need to be identified and realistic capital

sources further defined. Joint ventures, strategic alliances, partnerships, industry associations, research and development agreements, and other financing arrangements will play a major role in this process. These approaches will expand the level of investment into the Province, create new businesses and help existing businesses to develop, and grow.

To help the Province take advantage of these opportunities, the federal and provincial governments have signed a \$43.5 million agreement aimed at attracting new investment and maximizing the competitive abilities of existing firms. The Canada/Newfoundland Strategic Investment and Industrial Development COOPERATION Agreement (SIID) covers all aspects of the business cycle and focuses on those sectors that have potential for long-term growth. These sectors include: manufacturing industries, firms involved in innovative technologies, information industries, technical services, and environmental industries. Currently, over 800 firms are active in these areas, employing thousands of people and significantly contributing to the economy.

The programs developed under this Agreement, are designed to support a concerted effort to expand the economy into knowledge-based, innovative technology and export-oriented

"SIID is designed to support a concerted effort to expand the economy into knowledge-based, innovative technology and export-oriented enterprises."

Province.

The six main programs are: (1) the Strategic Investment Program; (2) the Industry, Company and Product Enhancement Program; (3) the Market Development Program; (4) the Industrial Training Program; (5) the Technology Outreach Program; and, (6) the Strategic Technologies Program.

PROGRAM ADMINISTRATION

SIID is administered by the Atlantic Canada Opportunities Agency (ACOA) with input from Industry Science and Technology Canada and the Provincial Department of Industry Trade and Technology (DITT) with the cooperation of the Economic Recovery Commission.

Applications for funding are processed by ACOA and DITT. Funding for projects under the Agreement are approved by a Management Committee that is made up of representatives from each of the federal and provincial departments involved.

FIVE CRITERIA FOR SUCCESS

In determining which activities will be supported, the SIID management committee will apply five basic criteria. Preference will be given to projects that meet these criteria.

1. Export Orientation.

The applicant's business concept should be targeted towards the export market or have firm plans to develop one. Applicants who plan to displace products currently manufactured outside the province will also qualify under this criteria.

2. Value Added.

Value Added. SIID is intended to support companies and sectors that take raw or semi-manufactured products and add value to them by further processing or manufacturing. The sectors where value can be added include high technology and information-based industries, secondary manufacturing, innovative and export oriented products and services.

3. Commercial Viability.

Applicants will have to clearly demonstrate a sound financial position, management exper-

tise, a market strategy and acceptable operational capabilities.

4. Net Economic Benefit.

Projects will be assessed on the basis of the net economic benefit they bring to the province, and on a determination of specific benefits such as level of exports, import replacement and job creation.

5. Demonstrated Need.

Applicants must show that the proposed project would not likely proceed without support from SIID.

1. STRATEGIC INVESTMENT

Program Funding: Approximately \$15 million

This Program is designed to attract investors from other parts of Canada and from around the world. It will provide funds for start-ups, market and feasibility studies, and the promotion of Newfoundland as an attractive investment location.

Assistance will be available to medium and large-scale projects with costs over \$2.0 million. The pro-

gram will complement existing federal and provincial programs,

contributing toward the capital and site infrastructure costs of projects in the manufacturing, secondary processing, technology, and information-based sectors. It will assist prospective investors in studying specific sector opportunities and specific project sites. To conduct an evaluation of a site-specific project, an investor can either apply for the necessary

"This Program is designed to attract investors from other parts of Canada and from around the world."

funds or arrangements can be made for an independent analysis.

The program will also identify new opportunities, service specific investor needs and increase general awareness of the province. It will target investors and companies that are compatible with the industrial, institutional and economic framework of the province, and those that will bring new production expertise, technology management and marketing techniques.

This Program consists of three main elements and the details are as follows:

A. The Strategic Project Assistance Program is aimed at projects over \$2.0 million in eligible costs. It is mainly directed at the manufacturing, processing, technology and information or knowledge-based sectors. Preference will be given to firms owned or controlled by persons normally residing in the Province and other Canadian or foreign entities that enter into joint ventures with Newfoundland firms. This program provides up to 50 percent of eligible costs, with the proponent required to have equity equal to at least 20 percent of the project costs.

Eligible costs include land improvements, buildings, leasehold renovations, machinery and equipment, site infrastructure, and well-defined start-up costs.

Project Funding Available: \$10 million

B. The Feasibility Determination Program provides funding to carry out intelligence into sector-specific investment opportunities. The costs covered include professional fees, project-related internal labour, travel and expenses. The program provides up to 75 percent of eligible costs.

Project Funding Available: \$3 million

C. The Investment Promotion Program is intended to increase the level of awareness and attractiveness of Newfoundland and Labrador as an investment location. The program will be used to launch initiatives to enhance awareness and identify new opportunities. It will complement industrial, institutional, and economic frameworks which exist within the Province.

Project Funding Available: \$2.996 million

2. INDUSTRY, COMPANY, AND PRODUCT ENHANCEMENT

Program Funding: \$4 million

This program will assist technology developers in the Province to test and market innovative products in local, regional, national and international marketplaces. Potential buyers will be able to test innovative Newfoundland technology. In return, buyers will allow our technology developers access to information and facilities, and permit on-site product demonstrations and data analyses for other

"The Industry, Company and Product Enhancement Program will assist technology developers in the Province to test and market innovative products."

potential buyers. There are no restrictions on the location of project sites, although preference will be given to those in Newfoundland.

The program includes two additional complementary features. First, companies will be able to hire a consultant to conduct an analysis of their operations and provide recommendations in such areas as technology upgrading, productivity improvement, and human resources. Based on these recommendations, financial assistance may be provided for computer-aided design and manufacture technology,

management information systems, the implementation of quality assurance and quality control programs, human resources additions such as a financial or marketing specialist, or other measures to increase productivity and competitiveness.

This Program consists of three main elements and the details are as follows:

A. The First-Time Technology Adoption Program provides funding to companies to offset the cost of purchasing technology developed within the Province. Funding is available to private firms and other organizations willing to adopt new technologies developed by firms in Newfoundland and Labrador. Eligible costs include capital costs for the purchase of a production version of technology developed in Newfoundland and Labrador as well as associated installation and assessment costs. The program provides up to 75 percent of eligible costs.

Project Funding Available: \$1.5 million

B. The Diagnostic Analysis Program provides funding to analyze a firm's operations and make recommendations on how to improve it. Businesses are eligible if they are at, or close to, commercial production of a product or industrial service. The Program provides up to 75 percent of professional fees.

Project Funding Available: \$1.0 million

C. The Diagnostic Analysis Implementation Program provides assistance to implement recommendations in technology acquisition or human resources areas that are made under the Diagnostic Analysis Program. The program is open to private firms that have conducted diagnostic analysis or in-house assessment of equivalent quality and scope.

Eligible costs under this program include acquisition of new personnel for up to a three-year period, retention of professional expertise, costs of productivity improvements such as Quality Assurance/Quality Control programs and technology upgrading. Support levels for new personnel are 75 percent for the first year, 50 percent in the second year, and 25 percent in the third year. The program also provides up to 75 percent of professional fee costs, up to 50 percent of capital asset costs, up to 75 percent toward non-capital costs required for productivity improvement projects, and up to 30 percent of the cost of upgrading existing technology.

Project Funding Available: \$2.0 million

3. MARKET DEVELOPMENT

Program Funding: \$5.5 million

To compete in the global environment Newfoundland and Labrador firms need to form strategic partnerships with targeted organizations and producers at the local, national, and international levels. The Market Development Program is designed to assist businesses in the Province establish strategic alliances with

other business- *"The Market Development Program is designed to assist businesses in the Province establish strategic alliances..."*
es and organizations in their industry. The program will

also help them in developing a targeted approach to markets and improving their product(s) to match market demand.

Help will be available in consortium formation, market intelligence, human resources travel, joint venture preparation, and promotion. Working in conjunction with industry associations and other government departments, the

program will fund seminars and awareness campaigns on topics such as identifying new opportunities, exporting to specific markets, and science and technology.

To identify possible product or process improvements, companies may hire an industry consultant to conduct marketing and feasibility studies. Funds will also be available for product design, production and distribution of test volumes, promotional activities including audio/visual presentations, brochures, and attendance at trade shows, or other means of evaluating and preparing products for market acceptance.

This program consists of three main elements which are outlined as follows:

A. The Strategic Alliance and Consortia Formation Program is designed to enhance the ability of local firms to form strategic alliances, locally, nationally, and internationally. It is generally restricted to the private sector. However, partnerships between private sector institutions and commercial enterprises that demonstrate strong commercial potential will be considered.

Only project-specific costs associated with such activities as market intelligence and travel related to identified business opportunities, promotion, and the drafting of joint venture agreements are eligible for funding. Ongoing operational costs do not qualify for funding. The program provides up to 50 percent of eligible costs.

Project Funding Available: \$1.0 million

B. The Industry Development Program provides for industry initiatives such as seminars, awareness campaigns, etc. Industry associations and public sector institutions can apply under this program.

Eligible costs include such things as promotion expenses, tours, site visits, training, seminars and conferences. This program covers up to 90 percent of eligible costs.

Project Funding Available: \$2.5 million

C. The Product Development and Testing Program is designed to evaluate and test new products and their future markets. It is generally restricted to the private sector and commercial enterprises. However, partnerships between public sector institutions and commercial enterprises that demonstrate a strong commercial potential will be considered for eligibility.

The Program covers up to 75 percent of eligible costs. Applicants are expected to support their applications with a one-year marketing plan.

Eligible costs include expenses associated with opportunity identification, market testing, production of test volumes, registration of intellectual property, product and package design, promotion and attendance at trade events.

Project Funding Available: \$2.0 million

4. INDUSTRIAL TRAINING

Program Funding: \$4.0 million

Companies that are looking to supplement the ideas, knowledge, and techniques of their managers and workers can be assisted through the Industrial Training Program. This program

enables companies to seek out industry experts who will work along

with their own management team to develop new approaches in attracting external venture capital, penetrating export markets, seeking

“Companies that are looking to supplement the ideas, knowledge and techniques of their managers and workers can be assisted...”

out markets for new technology products, and adopting new technologies. The program will also enable employers to help their workers obtain certification and upgrading in specialized trades, training in new technologies introduced into an operation, training associated with the establishment of a new technology enterprise, and training and equipment to match employment opportunities created because of restructuring within the operation.

This Program has two main elements:

A. The Management Development Program will assist the Newfoundland and Labrador business community develop their strategic management capabilities by having industry experts work with senior management to “download” specific skills. The program is open to enterprises in any sector that qualify under other program elements of the SIID Agreement. Eligible costs include retaining qualified professionals, training materials and tools, as well as transportation for trainers and trainees. The program covers up to 75 percent of eligible costs.

Project Funding Available: \$1.0 million

B. The Industrial Skills Enhancement Program will provide workers with the skills necessary to adopt new technologies into the workplace so that they can function in a more productive and competitive manner. This program is open to enterprises in any sector that qualifies under the other program elements of this agreement. Eligible costs include retaining qualified individuals, training materials and tools as well as the transportation of trainers and trainees. The program covers up to 75 percent of eligible costs.

Project Funding Available: \$3.0 million

5. TECHNOLOGY OUTREACH

Program Funding: \$2.3 million

The Technology Outreach Program will promote the awareness and importance of strategic technologies among the business community, labour, high school, university students, and the general

public. This will include working with non-profit agencies and institutions such

“The Technology Outreach Program will promote the awareness and importance of strategic technologies...”

as the science councils and industry advisory groups to sponsor conferences, workshops, science fairs and other events. It will also enable the private sector to acquire technical expertise from universities or technical institutions to assist in technology related projects.

This Program has two main elements and the details are as follows:

A. The Technology Awareness Program will promote the awareness and importance of strategic technologies among the business community, labour, high school, university students, and the general public. Priority will be given to activities which incorporate the partnership approach. For example, science councils/other government departments and agencies-working with industry and advisory groups-to sponsor conferences, workshops, science fairs, work shadowing, and other events. Priority will also be given to activities which have a widespread implication for schools, the business community or the general public in question. Eligible applicants include not-for-profit organizations, institutions, and associations. Eligible costs include prizes and awards, professional services, communications costs

(printing, publishing and advertising), travel costs, and other essential implementation costs. The program covers up to 90 percent of the eligible costs.

Project Funding Available: \$1.0 million

B. The Technology Partnership Program will enable private sector companies to obtain technical expertise from universities or technical institutes. This will be accomplished by short-term specific activities which will further enhance the applied technology focus and support linkages between the academic community and industry.

This sub-program is further subdivided into three elements. The details are as follows:

B1. The Technology Partnership Element is targeted specifically towards the private sector. Universities, technical institutions, and public sector research institutions are not eligible for direct project assistance. Applicants must demonstrate that the proposed project has a commercial focus and be in direct support of the company's overall technology objectives.

Eligible costs include internal labour, project related travel and material costs, and other essential project implementation costs. The program covers up to 75 percent of eligible costs.

B2. The Science Graduate Internship Element is specifically intended to provide financial assistance to private sector companies to acquire technical expertise from recent graduates of university applied-science programs (i.e. engineering, biomedical, computer science). To qualify under this program, the position must be beneficial to both the company

and the graduate and the employee must not have held a full-time position in the past. The resume of the potential candidate for the position will also be reviewed and approved by the Management Committee during the application process. Eligible costs include salary for graduate and other essential project implementation costs. Contributions under this program for eligible costs are phased: 75 percent for first year, 50 percent for second year, and 25 percent during the third year.

B3. Seabright Corporation (Seabright) is a wholly-owned, not-for-profit subsidiary of Memorial University. Under this program element funding will be made available to support the operational activities of the corporation which include technology transfer, communications, training/information programs, and the formation of strategic relationships.

B4. The Special Projects Technology Element will enable the Management Committee to initiate special projects with respect to technical infrastructure which stimulate and supports entrepreneurship in the advanced technology sectors of Newfoundland. Since this element is a Management Committee driven activity, the special projects supported will be funded 100% from the Agreement.

6. STRATEGIC TECHNOLOGIES

Program Funding: \$5.0 million

This program will provide support to private sector firms that are planning to conduct projects which involve innovative technological development, an external industrial partner, and have a strong commercial potential. Universities and technical institutions may be

included as co-applicants and sub-contractors. Project selection will be based on the following criteria:

- involve innovative technology;
- enhance the scientific knowledge and technical skills of Newfoundland's human resources and industrial base;
- have significant commercial potential;
- will result in significant economic benefit to Newfoundland and Canada;
- involve a suitable selection of partners to ensure that the project is successful in the commercialization phase.

Eligible costs include direct internal labour and a 50 per cent overhead allowance, special purpose equipment, project materials and components, testing and evaluation, travel and communications and other critical project implementation costs. The availability of other government funding (i.e. Scientific Research and Experimental Development Tax Credit) will be considered when determining the level of contribution.

SIID - A KEY TO STRATEGIC DEVELOPMENTS

Both governments are confident that the SIID Agreement will attract new investment into the province, establish new businesses, and

"This program will provide support... to conduct projects which involve innovative, technological development, an external industrial partner, and have a strong commercial importance."

expand existing businesses. Local businesses will develop the necessary

technologies, establish global strategic alliances, and become more competitive. Productivity improvements will lead to growth and the development of sound, profitable operations in a more diverse and dynamic economy.

The Department of Industry, Trade and Technology, and the Atlantic Canada Opportunities Agency are committed to seeking new investment for strategic industries. We're partners in the SIID agreement. For further information, contact:

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