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Industry Canada Industrie Canada

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Industry Canada
**Departmental Business Plan
1995-96**

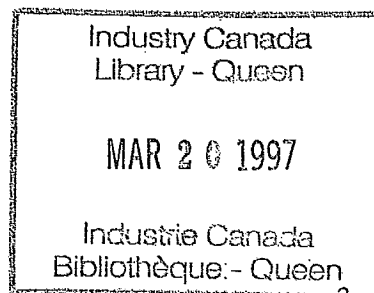
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Departmental Overview

OUR RAISON D'ÊTRE

Our Vision: Sustainable growth through increased productivity and competitiveness in Canada's private sector.

All advanced industrial countries are facing the challenge of how to promote jobs and growth in a world economy where technological change and global economic integration are proceeding at a rapid rate.

Globalization and the rise of knowledge-based economies have reduced the impacts of governments' traditional policy instruments. Increasingly, firms see innovation and ideas as their sources of competitive advantage. A more effective role for government in this rapidly changing business environment is, through framework policies, to create conditions that promote innovative behaviour and to develop partnerships with industry to address problems.

It was with this idea in mind that Industry Canada was created in June 1993, bringing together within a single organization the previous responsibilities of Industry, Science and Technology Canada in promoting international competitiveness, economic development and excellence in science; the Department of Communications in managing telecommunications policy and programs; Consumer and Corporate Affairs Canada in market and business framework activities; and Investment Canada in investment research, policy and review.

Industry Canada has a key role in developing sectoral and industrial policies for over 70 percent of the business economy as well as for science, technology diffusion, business framework policy, micro-economic policy, and the information highway. The department is mandated to make Canada more competitive by fostering the growth of Canadian business, by promoting a dynamic Canadian marketplace and by advancing consumer interests.

The department is focusing its efforts on key competitiveness "gaps" facing Canadian industry. For small and medium-sized businesses, these gaps include relatively low productivity growth, a limited propensity to export, a narrow export base both in terms of products and markets, and a low rate of adoption of advanced technologies. Industry Canada's national and global outlook puts it in a unique position to develop a pro-growth micro-economic agenda. This ability allows the department to create specialized products as well as services that meet the needs of business and foster productivity growth, exports, expansion and innovation.

THREE LINES OF BUSINESS

To realize this vision, we focus our efforts in three mutually reinforcing lines of business:

- micro-economic policy
- marketplace rules and services
- industry sector development.

Industry Canada is the government's **lead department on the micro-economic policy agenda** from both the producer and consumer dimensions. We play a key role in the development of science and technology (S&T) policy. Industry Canada takes the lead in the development of competition policy, federal corporate law administration, bankruptcy law, and intellectual property standards, all of which encourage competition and innovation.

Industry Canada's contribution to the micro-economic policy agenda derives from its knowledge and expertise in industrial and S&T issues, its national perspective, its role in coordination and liaison, its perspective on international issues (such as issues relevant to the information highway), and its ability to gather and synthesize the views within government on various issues affecting the business economy.

Second, the department is responsible for the effective implementation and management of the **rules of the marketplace**. The extensive suite of marketplace support we provide (including corporate registration, intellectual property services, spectrum licensing, enforcement of competition policy, bankruptcy services, legal metrology inspection, spectrum interference monitoring, consumer product inspection, and the promotion of voluntary codes of practice) help to ensure that businesses and consumers can enjoy the benefits of a marketplace that is open, fair and efficient. Marketplace rules and the services that help implement or enforce them are the main building blocks of a competitive business environment. It is our goal to make them international benchmarks for excellence, thereby giving Canadian business a competitive advantage.

Third, Industry Canada is adopting a **new approach to industry sector development**. We act as a catalyst to address the competitiveness gaps that individual firms and the business community cannot effectively overcome alone. Our new approach includes provision of a broad range of unique, world-class services, information products and sectoral policies that are specifically designed to help Canadian industry compete successfully in domestic and international markets. Our outputs are designed to be of value to all industry, but individual outputs are tailored to specific needs in 14 major sectors, with very close attention paid to the special needs of small and medium-sized enterprises (trade development, technology diffusion, strategic intelligence and information). We are largely out of the subsidy game.

We will not try to do it all — many outputs are delivered in partnership with other federal departments, other levels of government and the private sector. The **services** are focused on trade and investment promotion, technology diffusion and human resource development. The **information products** include benchmarking studies and databases; analyses of markets, trade and investment; technology and innovation; and industrial research. The **sectoral policies** address key industrial issues of a national or international nature and are based on comprehensive Sector Competitiveness Frameworks.

Industry Canada also recognizes in all of its business lines the crucial importance of **science and technology** in achieving its vision of a more productive and competitive business sector in Canada. Science and technology are key drivers in the expanding knowledge-based economy. *Building a More Innovative Economy* sketched the potential contributions of S&T to the government's *Jobs and Growth Agenda* and emphasized the importance of harnessing federal S&T to the attainment of national goals. The Minister of Industry has the mandate to encourage the fullest, most efficient and effective development and use of science and technology.

At the departmental level, Industry Canada will rely on its own S&T resources to provide important support to its three core business lines. As well, Industry Canada is coordinating the development of a portfolio response to the findings of the S&T review, and is working toward greater policy and program cohesion within the portfolio of departments and agencies for which the Minister of Industry is responsible.

As part of making this vision a reality, Industry Canada is **re-engineering its regional presence**. The emphasis of the department's regional offices is on the effective and innovative provision of national marketplace services and on trade development and promotion, in partnership with the Department of Foreign Affairs and International Trade (DFAIT), the provinces and others.

A much reduced analytical capability is being maintained in our regional offices. Where significant concentrations of sectoral industrial activity need to be monitored, however, we are maintaining concentrations of sectoral excellence in order to provide an informed national perspective. Examples include forestry in British Columbia, automotive assembly in Ontario, and information technologies in Quebec.

With the exception of Ontario, our regional operations are winding down their involvement in the provision of small business assistance through the Canada Business Service Centres (CBSCs) and the delivery of industrial assistance programs. The regional provision of marketplace services is being integrated, where appropriate, to achieve greater synergies and optimize economic benefits in order to contribute to the creation of wealth and jobs. In the medium term, greater emphasis is being placed on streamlining marketplace services, making them world leaders in promoting innovation and competition in the economy (see *Strategy* under *Marketplace Rules and Services*).

Our regional operations place an emphasis on international business development through the International Trade Centres (ITCs), linking these to the new sector operations and policy, and to the information activity. In cooperation with DFAIT, the department is seeking partnerships with the provincial governments and regional agencies to ensure improved delivery to clients through one-stop shopping. The ITCs act as regional hubs for a national system of trade development services (e.g. implementing the Trade Team Canada effort domestically) that focus primarily on established exporters and exploit the national sectoral expertise of the department.

OTHER ACTIVITIES

In addition to its three principal lines of business, the department manages four special programs or activities on behalf of the government.

Aboriginal Business Canada assists Aboriginal people in all parts of Canada to build a strong business and capital base. The program is being redesigned to absorb resource reductions of up to 25 percent by 1997-98. As part of this redesign, the program ceases to be of a general-purpose nature and targets key strategic priorities (e.g. innovation, trade, tourism, women and youth entrepreneurs). New delivery options are being explored, including the transfer of the Aboriginal Capital Corporations to the Federal Business Development Bank.

As announced in the 1995 federal budget, one of the government's regional development agencies, the *Federal Economic Development Initiative for Northern Ontario* (FedNor), is refocusing its activities to address the concerns and needs of small business with regard to access to capital, and is concentrating increasingly on providing and brokering information services and other indirect support to promote innovation, improved market access and entrepreneurship. In doing this, FedNor is making more extensive use of repayable contributions and loans, and continues to work strategically with the province. A conference designed to help set the future directions for regional development in Northern Ontario will be held in June of this year in Timmins, Ontario.

The *Canadian Tourism Commission* works cooperatively with public and private sector partners to coordinate tourism promotion within Canada and abroad. This is a new approach to tourism development in that it is 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 *Ethics Counsellor* administers the new *Conflict of Interest and Post-Employment Code for Public Office Holders* and the *Lobbyists Registration Act*.

OVERALL IMPACT OF PROGRAM REVIEW

Program Review has had a fundamental effect on the department. Key impacts include:

- savings of \$93 million in 1995-96, \$148 million in 1996-97, and \$212 million in 1997-98, through program reductions and efficiency improvements
- a focus on the three core lines of business
- reduction in the number of Assistant Deputy Ministers from 22 to eight
- streamlining of the organization, particularly in sectoral development, consumer affairs and corporate services
- reduction and restructuring of Industry Sector branches and regional offices
- reduction in direct business assistance, with the effects most pronounced in the area of grants and contributions: of 54 funded programs, nine are being terminated, 34 are not being renewed and only 11 programs are continuing (see section on *Phasing Out Funded Programs* below)
- reduction in subsidies by 65 percent from 1994-95 to 1997-98
- spending in 1997-98 some 51 percent lower than in 1994-95, reflecting sunsetting and cuts.

Impact of Program Review on Science and Technology Activities

Components of Industry Canada's S&T Activities: The three main components are provision of direct funding through contracts, grants and contribution programs; provision of services and policy activities; and laboratory activities supporting the information technologies and telecommunication sector. Industry Canada's 1994-95 expenditures (as reported by Statistics Canada) were \$263 million for direct funding programs, \$70 million for the provision of services and policy activities, and \$45 million for laboratory activities, for a total expenditure of \$378 million.

Rationale: The budget had a major impact on Industry Canada's decisions regarding reductions to its S&T activities. The government's decision to reduce subsidies to business meant that Industry Canada's direct funding programs will be significantly reduced. In addition, Industry Canada is giving a high priority to its S&T statistical capability and policy development expertise and to the provision of information and information products on federal S&T capabilities. This priority is reflected in Industry Canada's decision to maintain its in-house expertise in these areas.

Impact: It is expected that Industry Canada's S&T expenditures will be reduced by more than \$150 million (40 percent) over the next three years, mostly in research and development (R&D) expenditures, following the reduction in direct funding of R&D activities by industry. This level of reduction is much higher than that for the Natural Sciences and Engineering Research Council and the Social Sciences and Humanities Research Council (14 percent), or for the National Research Council and the Canadian Space Agency (15 percent).

Funded programs are being reduced to approximately \$55 million, with the following programs either terminated or not renewed: Strategic Technologies Program; Sector Campaigns; Technology Outreach Program; Microelectronics and Systems Development Program; Research and Development Incentive Program; Satellite Communications Development Program; National Optics Institute; Sudbury Neutrino Observatory; St. Lawrence River-Environmental Technology Development Program; Industrial and Regional Development Program; and International Human Frontier Science Program Organization. In addition, no new commitments are being made under the Defence Industrial Productivity Program or the Environmental Technologies Program pending a Cabinet review of support for technology development.

Facilities: With the reductions to laboratory operations, the Communications Research Centre operating budget will be reduced to \$39 million. The privatization or employee acquisition of the Centre for Information Technology Innovation is under consideration. The full impact of reductions in the provision of services and policy activities has not yet been determined.

Other Related Programs: The February 1995 budget notes that the following science promotion and education programs are "terminated" or "not renewed": Innovators in Schools; Canadian Scholarships Program; International Math Olympiad; Science Culture Canada; and the Prime Minister's Awards for Teaching Excellence in Science, Technology and Mathematics. (*Note:* Although these programs are in support of S&T, they are not reported as Industry Canada "S&T activities" because they do not meet Statistics Canada's criteria; that is, they are not directed at the graduate level.)

Regional Impact: The regional impact of the reductions in Industry Canada's S&T activity will be two-fold. First, the privatization or employee takeover of the Centre for Information Technology Innovation will reduce Industry Canada's S&T activity in the Montreal area. Second, the reductions in funded programs will affect all regions of Canada. The most recent data, published by Statistics Canada in January 1995, show the 1992-93 regional distribution of Industry Canada's S&T extramural support to be 5.0 percent in the Atlantic region, 43.0 percent in Quebec, 40.7 percent in Ontario, 6.8 percent in the Prairies, and 4.2 percent in British Columbia. It is reasonable to expect that the reductions will mirror this regional distribution pattern.

Future S&T Activities: Industry Canada's S&T efforts will be directed to increasing the productivity and competitiveness of Canadian business, particularly small and medium-sized enterprises. Increasingly, science and technology are playing significant roles in micro-economic policy development. Industry Canada will ensure that the S&T capability/expertise needed to deliver marketplace rules and services (Spectrum Management, Intellectual Property, and Legal Metrology) are in place. The S&T expertise needed to help Canada's industrial sectors become more competitive (laboratory, policy development and selected funding programs) will be more closely tied to client needs.

DEPARTMENTAL OVERVIEW

The remaining programs and activities reflect the new priorities for the department. For example, funding for the Canadian Network for the Advancement of Research, Industry and Education (CANARIE) is not being reduced, as it is an essential component for building Canada's information highway. The Communications Research Centre will retain only the most essential research support services, and is seeking new methods of service delivery.

RESOURCES PROFILE

The cumulative effect of sunseting programs and Program Review decisions will be to reduce the department's budget by approximately 50 percent between 1994-95 and 1997-98. During the same period, the department plans to reduce its work force by more than 20 percent. Industry Canada has been designated as a "most affected" department, which means that employees whose positions are declared "surplus" to operational needs are eligible for special departure incentives.

A summary of our resource allocations is as follows:

	1994-95		1995-96		1996-97		1997-98	
	\$ million	FTE	\$ million	FTE	\$ million	FTE	\$ million	FTE
Status Quo Reference Levels	1 430	5 652	1 266	5 652	857	5 652	714	5 652
Program Review Adjustments*	—	—	(93)	(1 011)	(148)	(1 101)	(212)	(1 165)
Reference Levels**	(177)	—	96	—	63	—	219	—
	1 253	5 652	1 269	4 641	772	4 551	721	4 487

* Includes Ontario Infrastructure Program \$152 million re-profiled from 1994-95 to 1997-98, at the request of Treasury Board.

** Excludes *Building a More Innovative Economy* allocation and new resource proposals in this document. Industry Canada has been advised that beginning in 1996-97, as a result of previous budget decisions, repayments of contributions will be retained by the department. The deployment of these resources will be treated in the context of Cabinet's consideration of technology development. An average of almost \$60 million annually over the period 1996-97 to 1998-99 is expected to be added to the departmental reference levels.

KEY FINANCIAL AND ORGANIZATIONAL ISSUES

Industry Canada's ability to realize its vision and to meet the goals of its three lines of business will require the assistance of the Treasury Board in four areas:

- approve the proposed Industry Canada organizational structure, which will give us the organizational framework to deliver on our three lines of business (see Annex C on *Human Resources Plan*)

- rebalance our resources from grants and contributions to operating budgets to complement Program Review decisions and to provide funds necessary for the department to make up-front investments in human resources and technology, and address government priorities (see Annex B on *Financial Plan*)
- effect major modifications to existing revenue arrangements, which will give the department access to the revenue necessary to produce its world-class products and services (see Annex B)
- assist with the costs of work force adjustment (starting in 1995-96), which are beyond the present capacity of the department to fund (see Annex B).

Micro-economic Policy

STRATEGY

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

- promoting a growth agenda, which includes developing policies and marketplace frameworks to help industry grow and prosper
- advocating industry and consumer policy interests and initiatives to Canadian and foreign governments
- expanding trade development efforts to help more firms trade, and in more markets
- enhancing technology diffusion policies and activities so that more firms are using advanced technology and using it more effectively.

Industry Canada will continue to provide advice to the government on both the producer and consumer dimensions of the national micro-economic agenda. The department leads in the development of science and technology policy, competition policy, telecommunications policy and the information highway, federal corporate law administration, and intellectual property rules, all of which encourage competition and innovation. Our primary clients are the Minister and the government.

The primary focus of this business line will be following through on commitments outlined in *Building a More Innovative Economy* and related policy development initiatives. The priorities for the policy agenda include:

- implementing the recommendations of the Small Business Review and engaging in related follow-on work
- implementing the Internal Trade Agreement, undertaking a second phase of negotiations aimed at harmonizing and simplifying regulations, and expanding application of the agreement (e.g. energy sector, and procurement by municipalities, academic institutions, schools, hospitals and social service bodies)
- managing a heavy legislative workload, including up to a dozen amendments to legislation in 1995-96 (*Copyright Act, Bankruptcy and Insolvency Act, Standards Council of Canada Act, Small Business Loans Act, Canada Business Corporations Act*) subject to the government's House planning priorities
- developing approaches to consumer policy that will foster a stronger and more self-sufficient consumer movement with appropriate partnerships and information flows
- developing approaches to telecommunications policy that will foster fair and sustained competition among cable and telecom and satellite service providers, with the ensuing benefits for business users and consumers
- developing a strategy for the information highway that maximizes benefits to Canadian businesses and citizens.

S&T REVIEW FOLLOW-UP

It is increasingly recognized that science and technology play important roles in the shift to a more innovation-based economy. As the lead department for the federal S&T Review, Industry Canada will work closely with other science-based departments and agencies to ensure that follow-up steps to the review are integrated with the government's overall *Jobs and Growth Agenda*. Furthermore, Industry Canada will work with other agencies under the Minister of Industry's portfolio (National Research Council, Statistics Canada, Canadian Space Agency, Natural Sciences and Engineering Research Council, Social Sciences and Humanities Research Council) to develop an integrated portfolio action plan that supports sustainable wealth and job creation.

Portfolio initiatives will include development of new S&T performance measures and reports (e.g. portfolio S&T outlook as part of the new expenditure management system), promotion of science awareness, institution of a foresight program (to be used by government, the academic community and industry to monitor the performance of the current S&T system, to identify research priorities, and to assist business in setting technology goals), and establishment of new mechanisms to gain access to international S&T developments.

MANAGEMENT ISSUES

Management challenges for this business line recognize that there will be a significantly reduced work force and that individual policy development initiatives have important horizontal policy implications. The challenges include:

- further strengthening the department's analytical capability
- ensuring both effective implementation of major policy priorities and integration of policy effort in the department (at headquarters, in the regions, and across the three lines of business) as well as across the portfolio
- securing broad-based client buy-in to the department's priorities and using available technologies (e.g. the information highway) to get our message out.

RESOURCE IMPLICATIONS

The micro-economic policy business line will consume 10 percent of the department's operating budget and use 6 percent of its work force by 1997-98. It will require a planned work force reduction of 29 percent between now and then.

Marketplace Rules and Services

STRATEGY

The department has the primary responsibility within the federal government for setting the rules of the marketplace and ensuring that they are effectively implemented and enforced. As shown in the table on pages 15 and 16, they cover a wide range of business activities and directly influence the way business operates. Getting them right is therefore of critical importance in ensuring a competitive business climate in Canada. While Program Review confirmed the importance of this business line to the department's mandate, there are nevertheless significant challenges to meet in addressing the impact of budget cuts on service levels and meeting new needs by providing innovative service.

Indeed, marketplace rules and services are key instruments in creating a favourable business environment and they critically strengthen the department's lead role in the government's micro-economic agenda. Further, in a rapidly changing economic environment, where government resources are limited and there is a need to promote innovative responses to globalization and knowledge-based growth, economic framework law and marketplace services are particularly appropriate:

- They focus on creating the proper economic environment in which firms make investment decisions, rather than trying to predict and adjust business outcomes.
- They leave to the firm the decision on how to respond and thereby encourage efficient and innovative solutions.

Industry Canada's key marketplace services are as follows:

- **Bankruptcy:** supervise and administer the bankruptcy and insolvency process by restoring resources from bankruptcies to productive use.
- **Corporations:** administer corporate statutes to promote good corporate governance and efficient, competitive companies.
- **Competition Law:** promote and enforce competition law to maintain and encourage competition in the economy, resulting in innovative and responsive producers and demanding consumers.
- **Consumer Protection:** protect consumers from fraud and deceptive marketing practices; ensure accurate labelling information to prevent product misrepresentation in the marketplace.
- **Consumer Affairs:** promote Canadian consumer interests inside and outside government.
- **Legal Metrology:** minimize inaccuracy and inequity where commodities and services are bought and sold on the basis of measurement.
- **Intellectual Property:** provide instruments to grant intellectual property rights and promote the dissemination of information on new innovations.

- ***Spectrum Management:*** allocate radio frequencies to ensure interference-free use, and ensure the introduction of new systems and services.
- ***Small Business Loans Administration:*** assist Canadian small businesses to obtain financing for capital improvements and expansion.

The department's medium-term objective is to set up a forward-looking framework of laws and services by carrying out the following activities:

- have the department's marketplace services recognized as international benchmarks by:
 - providing innovative and responsive services
 - operating in a cost-efficient fashion
 - anticipating and addressing major changes in the structure of economic activity
- optimize the commercial advantage for Canadian industry in any of the services offered (e.g. creating ways to use the patent database to diffuse information on new technologies to Canadian industry)
- use the department's marketplace services as instruments to support the government's micro-economic policy agenda and to encourage competitiveness and innovation
- develop a departmental identity through an integrated set of services that set high standards.

MANAGEMENT ISSUES

Many of the activities in the marketplace business line are responses to specific statutory requirements. While they are comparatively specialized and related to specific pieces of legislation and marketplace functions, they represent a significant portion of the federal government's policy levers for helping firms manage the transition toward being competitive players in the global economy.

Most of the organizations responsible for these services are facing financial pressures that adversely affect service delivery, despite the fact that many generate significant revenues in relation to expenditures. And with statutory requirements to fulfil, they are finding it increasingly difficult to meet their regulatory responsibilities and satisfy client expectations. Budget cuts require them to make reductions in such areas as points of service, compliance and inspection activities.

To manage these challenges in the short to medium term, the marketplace group is exploring a number of ways to improve service delivery. These include the re-engineering of work processes and delivery mechanisms, increased use of automation, organizational restructuring and commercialization of certain functions. For the long term, many of these marketplace groups see an obvious benefit to finding new forms of financing that would allow them access to the revenues they generate. They feel this would allow them to operate in a more businesslike manner, with clear performance goals, better response to client needs, and increased efficiencies in operations.

The Canadian Intellectual Property Office (CIPO), a special operating agency, is an example of a fully user-fee funded operation. CIPO is financed by a revolving fund that must break even over five-year periods and is based entirely on client fees for the Canadian intellectual property service. CIPO develops a business plan on a three-year cycle — the current cycle runs from 1993-94 to 1995-96. In 1995-96, CIPO will emphasize its role as disseminator of knowledge to the Canadian public.

The question of new forms of financing is discussed in more detail in Annex B on *Financial Plan*.

The table below provides an overview of the management issues facing Industry Canada's marketplace services in the short to medium term.

Marketplace Services: Management Issues

Branch	Transition Issue	Proposed Approach
Office of the Superintendent of Bankruptcy	Re-engineer client services; modernize insolvency legislation.	Continually update legislation; realign service delivery resources in the regions; introduce a more highly automated information system; possible commercialization of administrative infrastructure.
Corporations Directorate	Elevate directorate's credibility with clients in area of corporate law administration.	Reform legislation and technological innovation leading to service improvements.
Bureau of Competition Policy (BCP)	Achieve efficiencies and improvements in operations.	Reconfigure the Marketing Practices branch; eliminate regional offices; centralize complaints centre; explore legislative options for integration of Consumer Products statutory responsibilities.
Consumer Products	Refocus compliance activities and inspections; transfer food inspectors to Agriculture and Agri-Food Canada.	Increase emphasis on "predict and prevent," using "detect and correct" as a last resort; integration with BCP.
Office of Consumer Affairs (new)	Promote more effectively Canadian consumer interests inside and outside government; promote a stronger and more self-sufficient consumer movement.	Improve linkages and partnerships among consumer groups, other government departments, provinces and private sector; improve information flows.

Marketplace Services: Management Issues (continued)

Branch	Transition Issue	Proposed Approach
Legal Metrology	Reduce inspections; reduce dispute investigations; reduce coverage of the marketplace.	Integrate Weights and Measures and Electricity and Gas; look for alternative delivery mechanisms.
Spectrum Management	Seek productivity improvements; orient programs to deal with future challenges.	Review of the program in depth in cooperation with the regional offices.
Small Business Loans Administration	Adapt to significant increases in administration workload.	Re-engineer business processes by increasing lender accountability; set higher performance standards; provide training for Administration staff and lenders; increase information automation.

RESOURCE IMPLICATIONS

In terms of resource consumption, this line of business in 1997-98 will require a \$108 million operating budget (26 percent of the department's total) and, at 2 132 full-time equivalent positions, almost half of our work force. Revenues associated with this expenditure (based upon the 1995-96 user fee revenue forecast) will be \$171 million.

Industry Sector Development

STRATEGY

Our strategy for industry sector development is to provide leadership and support to the private sector as it adapts to the challenges and opportunities of the global marketplace. Our goal is to accelerate growth and job creation in the context of an increasingly open, knowledge-based economy. Our approach is to focus on the major competitiveness “gaps” identified in *Building a More Innovative Economy*:

- Productivity growth, the key to better jobs and a rising standard of living, has been low compared with other G-7 countries.
- We do not have a broad enough export base — we are limited in the sectors in which we trade competitively, and we are not well diversified in international markets.
- We need greater participation in exporting — fewer than one in ten Canadian firms export.
- Our trade and international development financing is insufficiently focused to be cost effective.
- Our rate of adoption of advanced technologies, especially among small and medium-sized enterprises, is low compared with other industrial countries.
- Our telecommunications and information infrastructure requires large private sector investment and innovation, supported by the right policy and regulatory environment.

These competitiveness gaps are structural in nature and national in scope. The business community is not in a position to address them effectively on its own, and government can provide the catalyst that would allow the necessary changes in collective sectoral behaviour to occur. Industry Canada is the government’s agent in this regard. We provide the broad national overview and sensitivity to international implications that individual sectors or groups of industry clients often lack.

THREE CORE FUNCTIONS

Helping Canada’s industry sectors become more innovative by providing focused trade, technology, investment and human resource development services. Examples are:

- developing and implementing, with DFAIT, the International Trade Business Plan and, with provincial governments, memoranda of understanding on trade promotion and trade development
- advising industry on international environmental issues and environment industry market opportunities
- supporting the development of advanced networks and experimental applications (e.g. CANARIE), and pre-competitive consortia in advanced technology (e.g. Precarn)
- promoting the 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.

Delivering a sector policy agenda designed to promote the international competitiveness of Canadian industry in the global marketplace. Examples are:

- comprehensive Sector Competitiveness Frameworks, identifying the structure and performance of each industry sector and obtaining stakeholder consensus on measures required by the private and public sectors to enhance international competitiveness
- implementation of the new forest sector policy
- continued intensive consultation through the Minister's CEO-level, private sector advisory committees (e.g. in the automotive, biotechnology and forestry sectors, and the Information Highway Advisory Council).
- The information technology and telecommunications industries are unique because of their role in improving the competitiveness of all other industries. Accordingly, the development of a Canadian information highway is one of the top priorities of Industry Canada's sector development strategy. While our policy and regulatory activities establish the right environment, our sector development functions play an essential role in supporting the suppliers and users of information technology and telecommunications products and services. Since the information highway crosses national boundaries, we will focus some of our resources on industry support and government-to-government efforts at the international level, in addition to the activities we undertake within Canada.

Providing unique, world-class information products based upon sectoral analysis and international benchmarking. Examples are:

- annual aerospace industry outlook based on survey with industry
- electronic access to strategic business and market information, both domestic and international (e.g. the Insight data disks and CD-ROMs)
- technology road maps to assist entrepreneurs in technology transfer, in getting through the regulatory maze or in identifying leading-edge technology applications (for details, see Annex D on *Information Management and Technology Issues*).

This new approach will involve significant changes in the way we work. We want to dramatically expand our client base, and we will no longer provide the personalized services that went hand in hand with subsidy programs. By 1997-98, we will be operating with reductions in sector branch resources of more than 40 percent below our 1994-95 levels. It follows that our new service instruments will be designed for selected audiences, and we will make full use of electronic media for broadcasting and distributing strategic information.

We will concentrate our industry sector development efforts in 14 sector branches and in two research institutions.

Twelve of the sector branches report to the Assistant Deputy Minister of the Industry Sector (Advanced Materials and Plastics; Aerospace and Defence; Automotive; Chemicals and Bio-industries; Fashion, Leisure and Household Products; Environmental Affairs;

Forest Industries and Building Products; Health Industries; Manufacturing and Processing Technologies; Metals and Minerals Processing; Service Industries and Capital Projects; and Transportation Industries).

Two of the sector branches report to the Assistant Deputy Minister of the Spectrum, Information Technologies and Telecommunications Sector (Market Access and Development; and Information Technologies Industry).

The department's research laboratories play a unique role in sector development by supporting the sectoral policy agenda, particularly as it relates to science and technology issues, and by helping 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) focus their research on areas in which the government has statutory responsibilities. Budgetary cuts are being made to non-statutory research activities as well as to the least essential research support services.

MANAGEMENT ISSUES

Our management challenges are to:

- focus on our client base and redesign our service and information product lines (as described above)
- organize to be more strategic and responsive to client needs and instil an innovative service culture
- manage the changes from Program Review where budgets and staff levels will be reduced significantly
- re-engineer the CITI and manage budget reductions in the CRC.

Sector branches will be reorganized to better respond to client needs. Industry comes to government with interdependent, multidisciplinary issues, in the expectation that each sector will analyze and synthesize information and bring together a variety of interests to address their requirements.

We fulfil this task through an innovative, client-oriented service culture that emphasizes teams as the primary locus for work. Most branches operate on a matrix basis, with regional, sectoral and functional experts working on project teams. They reach out across the department, across governments and internationally to address sectoral issues in a comprehensive manner. To bring expertise closer to clients, sector branches have a strong presence in regional offices across the country. Sixty-two full-time equivalents (FTEs) will be located in five regional offices to establish centres of sectoral expertise and to ensure that client services are delivered where these industries are concentrated.

In the Industry Sector, the branches operate with a flatter organization (with half the management cadre), with new management principles, and with sequestered resources in the Coordination and Management Services Branch to discipline the use of staff overheads.

Goals and performance measures are determined in the sector team planning process and in consultation with our clients.

In addition to phasing out funded programs, sector development branches no longer provide many lower-priority products and services. In the Spectrum, Information Technologies and Telecommunications Sector, for example, the termination of programs and reduction of lower-priority functions will have the following consequences:

- the possibility of a decline in investment in communications-enabled public services
- reduced support to business in standards development
- shifting of international marketing support from large businesses to small and medium-sized enterprises, and fewer international information technologies and telecommunications trade missions and direct tactical interventions
- limited ability to intervene proactively with business to share funding and risk of pre-competitive R&D.

The most significant consequence of the 1995 budget with regard to R&D is the need to re-engineer the CITI. The economic desirability of maintaining a separate laboratory needs to be reviewed, and we are examining the potential for its privatization, including acquisition of the facility by the employees.

Other ramifications of budgetary reductions to R&D mean that only the most essential research support services can be retained and that new methods of service delivery will be sought. Our ability to transfer technology, and consequently the revenue-generating capability, may be jeopardized, as there will be fewer resources available to lever private sector funding. Vote-netting revenues from the Department of National Defence and the Canadian Space Agency will decrease, as the same standard of service can no longer be provided to clients. Additional budget cuts have to be absorbed or managed by the CRC as its government clients strive to meet their targeted reductions.

RESOURCE IMPLICATIONS

In the industry sector development line of business (which includes the operations of the CRC and CITI) over the next two years, grants and contributions budgets will fall sharply from about \$590 million this year to \$270 million in 1997-98. An orderly winding down of funded programs and an increased emphasis on repayable contributions are management concerns. Administration of most sector branch programs will be centralized.

INDUSTRY SECTOR DEVELOPMENT

Over this same time period, operating budgets will decline by 22 percent from \$180 million in 1995-96 to \$140 million in 1997-98.

Human resources management presents several challenges:

- a 26 percent reduction in the size of the work force from 1 589 full-time employees in 1994-95 to 1 166 FTEs in 1997-98, which will be made in 1995-96
- a marked change in the employee skills mix, moving from management of funded programs to development and delivery of information products and sophisticated services
- the need for scientific rejuvenation and the need to continue staffing scientific personnel during a time of downsizing
- the requirement to hire term employees for periods in excess of five years, the limit set after which a term employee must be offered an indeterminate position. Term employees are needed to undertake specific research projects, which frequently last longer than five years. Participation in these projects should not lead to lifetime tenure as a public servant. This is an issue that affects both the CRC (with a requirement for up to 150 term employees) and the CITI (up to 20 term employees). Some relaxation from the five-year limit would provide management with needed staffing flexibility.

Other Activities

ABORIGINAL BUSINESS CANADA

A budgetary reduction of 25 percent in 1997-98 from the 1994-95 level in both grants and contributions and operating budgets will require the exploration of different delivery options, especially with the Federal Business Development Bank and appropriate Aboriginal institutional structures, Indian and Northern Affairs Canada, and Human Resources Development Canada.

FEDERAL ECONOMIC DEVELOPMENT INITIATIVE FOR NORTHERN ONTARIO

FedNor has received a new annual budget of \$20 million per year as a result of Program Review. This new funding, mostly in the form of repayable contributions, will allow the growth of a more broadly focused federal regional development organization in Northern Ontario, including the introduction of new cooperative initiatives with a wider clientele (i.e. communities, academic institutions, labour, banking sector).

CANADIAN TOURISM COMMISSION

Industry Canada will be seeking Treasury Board authority to establish the Canadian Tourism Commission Secretariat as a special agency which will deliver marketing and industry competitiveness programming under the direction of the commission. The secretariat's base resources will be drawn from the department's existing tourism staff and program funds. In addition, \$35 million per year in incremental program funds were confirmed in *Building a More Innovative Economy*. Programming will target tourism industry revenue increases and deficit reduction to accelerate industry growth and job creation. The secretariat will concentrate on:

- providing information to the tourism industry to assist its decision making
- marketing Canada as a desirable tourist destination.

Management challenges for the new secretariat are to:

- manage the cultural change involved in working for a decision-making, private sector-led commission
- facilitate broad-based private and public sector input to the CTC plans and programs through new partner committees, chaired by the private sector
- coordinate the CTC activities with those of the federal, provincial, territorial governments and the private sector
- manage staff level changes in 1995-96 from 85 to 55 in Ottawa, and from 23 to eight in the regional offices.

OTHER ACTIVITIES

ETHICS COUNSELLOR

The Ethics Counsellor administers the *Conflict of Interest and Post-Employment Code for Public Office Holders* and the *Lobbyists Registration Act*. Amendments to the *Lobbyists Registration Act* will increase the amount of information to be filed by lobbyists. The Ethics Counsellor will be developing a Lobbyists Code of Conduct, and will be responsible for enforcement and investigations carried out under the Act.

In order to deal with budgetary pressures in 1997-98, the staff complement will be reduced from 27 to 23 FTEs, necessitating streamlining and increased task sharing between the Conflict of Interest and Lobbyists Registration operations.

CORPORATE AND MANAGEMENT SERVICES

To ensure that the instruments for the management of change are directly responsive to the department's priorities, the staff functions of the Finance, Human Resources, Audit and Evaluation, and Communications branches will each report directly to the Deputy Minister during the upcoming three-year transition period.

The newly created Office of Consumer Affairs will report directly to the Deputy Minister.

Phasing Out Funded Programs

STRATEGY

Based upon its understanding of Program Review decisions, the department grouped its 54 funded programs into three categories:

- nine programs and projects terminated
- 34 programs and projects not renewed
- 11 programs and projects continuing.

We defined the three categories as follows.

Terminated Programs and Projects

- Existing contractual obligations will be met.
- No new financial commitments will be made under these programs after February 27, 1995.
- Uncommitted balances in program budgets have been reduced to zero as a result of the budget.

Programs and Projects Not Renewed

- No increases will be made to the budgets for these programs.
- Financial commitments will continue to be made within the limits of established budgets.
- Programs will remain in operation in accordance with current arrangements.

Continuing Programs and Projects

- For two of the 11 programs — the Defence Industry Productivity Program (DIPP) and the Environmental Technologies Program — we noted that no new commitments will be made under these programs pending a Cabinet review of support for technology development.

MANAGEMENT ISSUES

Implementation of this wind-down program will continue to require continuous dialogue with customers and great attentiveness to program and project management.

RESOURCE IMPLICATIONS

In the context of Program Review, Industry Canada was directed to eliminate business subsidy programs, including DIPP. Subsequently, recognizing the need to honour existing contracts as well as federal/provincial and international obligations, programs were classified into three groups as previously described; DIPP was classified as a continuing program, noting that no new commitments would be made pending Cabinet review of support for technology development.

The existence of residual financial commitments associated with programs and projects that have been terminated or that will not be renewed has in effect placed the department in double jeopardy. The \$212 million Program Review reduction has eliminated the funding for these programs and, in addition, we are paying for leftover financial obligations from the core budgets, which should be dedicated to our new principal lines of business.

We are conducting a project-by-project analysis to determine whether there is latitude to obtain full or partial relief from these commitments; to date, we have identified the potential to de-commit DIPP contracts totalling \$12 million in 1995-96, \$19 million in 1996-97 and \$58 million in 1997-98. For purposes of internal operational planning and budgeting, we have anticipated Treasury Board support in obtaining a vote transfer in these amounts from grants and contributions to operating budgets (see Annex B on *Financial Plan*).

Industry Canada has been advised that beginning in 1996-97, as a result of previous budget decisions, repayments of contributions will be retained by the department. The deployment of these resources will be treated in the context of Cabinet's consideration of technology development. An average of almost \$60 million annually over the period 1996-97 to 1998-99 is expected to be added to the departmental reference levels.

Treasury Board Flexibilities Required

Micro-economic Policy

- None required.

Marketplace Rules and Services

- Approval, subject to parliamentary authority, to invest a limited amount of incremental revenue.

Industry Sector Development

- Approval to proceed with the divestiture of the CITI, including the possibility of acquisition of the facility by its employees.
- Flexibility for the CRC and CITI to hire term employees for longer than five years, without their automatically becoming indeterminate employees of Industry Canada.

Other Activities

- A Treasury Board Submission for the new funding for FedNor.
- A Treasury Board Submission for the conversion of the Industry Canada tourism program section into a special agency, for its new funding (\$35 million incremental), and for a separate Operations and Maintenance Vote.

Financial Plan

- A vote transfer from grants and contributions to operating budgets.
- Funding assistance for work force adjustment costs.
- A refined Program Activity structure to reflect business lines and other activities.
- Approval of re-profiling related to the Ontario Infrastructure Program.

Human Resources Plan

- Approval of the revised organizational structure.

Annexes

- A Budget Day Communications Materials
- B Financial Plan
- C Human Resources Plan
- D Information Management and Technology Issues
- E Audit and Evaluation Issues
- F Communications

A. Budget Day Communications Materials

Note: The following information is excerpted from material originally released following the February 1995 budget presented in Parliament.

THE IMPACT OF THE BUDGET ON THE INDUSTRY CANADA PORTFOLIO

This budget represents a major turning point in the federal government's approach to economic development. The government recognizes that deficit reduction is essential to economic expansion. One of the most effective ways of achieving this is to reduce business subsidies. The government also realizes that it must be a leader in the economy and is outlining a new role for Industry Canada to achieve this end. At the same time, the government remains committed to a strong role in support of science and technology (S&T) and has ensured that, despite modest expenditure cuts, the S&T agencies within the Industry Canada portfolio will have a sound funding base in future years.

INDUSTRY CANADA

Reducing Subsidies to Business

Industry Canada has taken the lead on the government's decision to reduce subsidies to business drastically. Business leaders and others have called for subsidy programs to be reduced or eliminated to bring the deficit down; the government has listened and has acted accordingly.

Effective immediately, the department is substantially reducing subsidies to businesses and to industry associations. From the 1994-95 fiscal year to the 1997-98 fiscal year, Industry Canada's budget and those of other related agencies¹ will decline by \$560 million. Industry Canada's own budget is reduced by \$532 million over this period, a cut of 42.5 percent. Not counting the special project for Ontario Infrastructure, the department's budget declines by more than 50 percent.

Some 54 programs or activities are affected: nine programs will be terminated, 34 will not be renewed and only 11 programs will continue (see tables below).

Financial assistance will still be provided to consumer organizations, but at reduced levels. This is to ensure that Canadian consumers remain well represented in regulatory and other policy decisions affecting the marketplace. Industry Canada will also continue financial support for the development and growth of Aboriginal businesses, recognizing the barriers these

¹ Other related agencies are organizations that report to the Minister of Industry and have been grouped with the department in the budget papers. They include the Cape Breton Development Corporation (DEVCO), Competition Tribunal, Copyright Board, Federal Business Development Bank, and the Standards Council. As previously announced, subsidies to DEVCO are being eliminated, and the Crown corporation will be self-financing by April 1, 1995. The others in the group have a combined budget of \$23.5 million in the current fiscal year, to be reduced to \$20.8 million by 1997-98. The budget does not impose any additional reductions.

firms can face in gaining access to capital. However, this support also is scaled back. The Canadian Network for the Advancement of Research, Industry and Education (CANARIE) is one of the programs being continued, as it is an essential component for building Canada's information highway. The Defence Industry Productivity Program will be realigned in coming months at a level consistent with a significantly reduced departmental budget.

A New Role for Industry Canada

In its new role, Industry Canada will provide leadership in three primary areas.

First, Industry Canada is the government's principal advisor on the national **micro-economic policy agenda** — helping create a business environment in which firms can meet the challenges of the knowledge-based economy. This agenda is outlined in the government's November 1994 report titled *Building a More Innovative Economy*. This plan is premised on the understanding that government can make a difference in the economy and that its proper role is to stimulate the environment in which private firms can thrive. Globalization and the rise of the knowledge-based economy make grants and subsidies to firms increasingly inefficient tools of public policy. By improving the environment for businesses generally, government can level the playing field and assist many firms at once. Economic policies that work in the global economy are those that improve the framework conditions for innovation and attract investment.

Second, the department sets and enforces modern, effective **marketplace rules** and provides the **services** to give them effect, including enforcement of competition policy, corporation registration, intellectual property services, bankruptcy services, legal metrology inspection, spectrum licensing and enforcement, and consumer affairs. Industry Canada helps ensure that consumers and firms benefit from a marketplace that is fair and efficient, and promotes innovation and competition.

Third, Industry Canada is implementing a new approach to **sector development** — by providing services to the private sector to assist in increasing the competitive capacity of industry. These include industry sector strategies jointly developed with business, benchmarking and other new services, and strategic intelligence and information products directed especially to markets, innovation and investment.

The budget will result in a much smaller department, one with about 1 200 fewer employees (a reduction of more than 20 percent) and a budget cut of \$532 million by 1997-98. Industry Canada will become more focused on its national responsibilities, more responsive to its clients and centred on the key instruments promoting competitiveness and growth. Despite significant reductions, Industry Canada retains the mandate and the resources necessary for leading the federal government's micro-economic agenda and making a major contribution to the economy.

Grants and Contributions Programs

Industry Canada has 54 funded programs and projects. As a result of the budget, nine programs have been terminated, 34 will not be renewed and only 11 will continue.

Terminated Programs and Projects

Existing contractual obligations will be met. No new financial commitments will be made under these programs after February 27, 1995. Uncommitted balances in program budgets have been reduced to zero as a result of the budget.					
	Actual 1993-94 (\$ mil)	Forecast 1994-95 (\$ mil)	Budget 1995-96 (\$ mil)	Budget 1996-97 (\$ mil)	Budget 1997-98 (\$ mil)
Canadian Intellectual Property Institute	0.1	0.2	0.0	0.0	0.0
Innovators in Schools	0.0	1.0	0.4	0.0	0.0
National Exchange Program	1.0	1.6	1.6	0.0	0.0
Non-Profit Organizations Program	0.6	1.3	0.0	0.0	0.0
R&D Incentive Program	6.2	6.0	3.2	1.0	0.0
Satellite Communications Development Program	2.8	2.2	0.0	0.0	0.0
Sector Campaigns	20.6	34.1	21.0	7.0	0.2
St. Lawrence River — Environmental Technology Development Program	3.4	1.0	0.1	0.0	0.0
Technology Outreach Program (TOP)	12.7	13.7	10.3	6.5	5.7

Programs and Projects not Renewed

No increases will be made to the budgets for these programs. Financial commitments will continue to be made within the limits of established budgets. Programs will remain in operation in accordance with current arrangements.					
	Actual 1993-94 (\$ mil)	Forecast 1994-95 (\$ mil)	Budget 1995-96 (\$ mil)	Budget 1996-97 (\$ mil)	Budget 1997-98 (\$ mil)
Alcell Technologies Inc.	5.3	7.3	0.0	0.0	0.0
Atlantic Enterprise Program — Interest Buydown	0.9	1.5	1.4	0.0	0.0
Bombardier/de Havilland Project	81.3	71.1	16.5	13.5	0.0
Business Networks	0.0	0.8	2.3	1.1	0.0
Canada Scholarships Program (CSP)	21.4	21.9	23.1	1.3	0.0
Canada/Israel Grant	1.0	1.0	1.0	0.0	0.0
Canadian Patrol Frigate and Tribal Class Destroyer Upgrade Projects	37.8	16.2	0.0	0.0	0.0
Coop/Partnership Agreements (Tourism)	11.0	11.6	10.7	2.2	0.2
Enersludge	0.6	0.0	0.0	0.0	0.0
Federal/Provincial Agreements on Communications	2.9	3.4	4.3	0.7	0.0
General Development Agreements and Economic and Regional Development Agreements	2.5	0.6	0.0	0.0	0.0
Industrial and Regional Development Program (IRD)	3.4	1.5	0.7	0.0	0.0
International Human Frontier Science Program Organization (IHFSPO)	0.5	0.8	0.7	0.0	0.0
International Math Olympiad	0.1	0.2	0.0	0.0	0.0
Lavalin Trenton Works	3.6	13.7	0.0	0.0	0.0

Programs and Projects not Renewed (continued)

	Actual 1993-94 (\$ mil)	Forecast 1994-95 (\$ mil)	Budget 1995-96 (\$ mil)	Budget 1996-97 (\$ mil)	Budget 1997-98 (\$ mil)
Microelectronics and Systems Development Program (MSDP)	8.0	4.9	1.5	0.0	0.0
National Optics Institute	3.7	3.6	0.0	0.0	0.0
National Quality Institute	3.4	4.2	4.6	4.1	2.1
Northern Ontario Development Agreement (NODA)	1.1	1.3	1.3	0.0	0.0
Ontario Base Closure Adjustment Program (OBCAP)	0.0	0.4	3.7	3.2	1.3
Ontario Cultural and Convention Centres	3.9	0.4	1.4	0.3	0.0
Palladium Corporation	0.0	4.7	1.3	0.0	0.0
Science Culture Canada	0.0	2.2	2.1	2.0	2.0
Shoe Manufacturers' Association of Canada	0.0	0.1	0.1	0.0	0.0
Strategic Technologies Program (STP)	20.8	19.9	21.6	9.2	8.2
Sudbury Neutrino Observatory (SNO)	8.1	4.2	3.3	0.0	0.0
Teaching Excellence Awards	0.4	0.3	0.6	0.5	0.0
Technology Partnership Program	0.0	1.4	2.9	4.4	0.0
Telecommunications Executive Management Institute of Canada (TEMIC)	0.2	0.2	0.1	0.0	0.0
Vancouver Drydock	0.0	0.8	0.2	0.0	0.0
West Coast Shipbuilding Industry	2.1	0.0	0.0	0.0	0.0
Western Transportation Industrial Development Program (WTID)	0.7	1.1	0.0	0.0	0.0
Working Ventures Economic Fund Inc.	2.3	1.8	0.0	0.0	0.0
World Tourism Organization (WTO)	0.4	0.4	0.0	0.0	0.0

Continuing Programs and Projects

	Actual 1993-94 (\$ mil)	Forecast 1994-95 (\$ mil)	Budget 1995-96 (\$ mil)	Budget 1996-97 (\$ mil)	Budget 1997-98 (\$ mil)
Aboriginal Business Canada	69.4	56.6	41.2	35.2	31.7
CANARIE	3.5	19.2	23.3	20.0	20.0
Canadian Institute for Advanced Research (CIAR)	3.9	3.5	3.5	3.5	3.5
Consumer Interest Programs	1.5	1.6	1.0	1.0	1.0
Defence Industry Productivity Program (DIPP)*	166.9	143.8	90.4	46.5	21.6
Environmental Technologies Program*	1.5	5.8	1.5	0.5	0.0
International Telecommunications Union (ITU)	5.1	6.3	5.3	5.3	5.3
Quebec Ententes	0.0	19.7	38.2	36.4	48.3
Radio Advisory Board of Canada	0.1	0.1	0.1	0.1	0.1
FedNor — Business Incentives Program	7.6	6.2	23.3	20.4	20.0
Ontario Infrastructure Program	0.0	100.8	361.2	108.4	152.2

* No new commitments will be made under these programs pending a Cabinet review of support for technology development.

CONCLUSION

Industry Canada has fundamentally changed its way of doing business. The Minister of Industry has taken decisive action to implement government priorities that will ensure a more competitive and productive Canadian marketplace.

To make a significant contribution to deficit reduction, Industry Canada is substantially reducing subsidies to businesses and industry associations. Consistent with the plan for *Building a More Innovative Economy*, the department is refocusing its efforts to provide leadership in establishing a climate for business growth and to deliver the strategic services that will help innovative businesses thrive. Steps have been taken to help preserve major investments in science and technology, ensuring that the portfolio's major S&T agencies will have a sound funding base in the future.

Note: The following backgrounder package was originally released following the February 1995 budget presentation in Parliament.

GRANTS AND CONTRIBUTION PROGRAMS: DESCRIPTIONS

Terminated Programs and Projects

Existing contractual obligations will be met.

No new financial commitments will be made under these programs after February 27, 1995.

Uncommitted balances in program budgets have been reduced to zero as a result of the budget.

Terminated Programs and Projects

	Actual 1993-94 (\$ mil)	Forecast 1994-95 (\$ mil)	Budget 1995-96 (\$ mil)	Budget 1996-97 (\$ mil)	Budget 1997-98 (\$ mil)
Canadian Intellectual Property Institute	0.1	0.2	0.0	0.0	0.0
Innovators in Schools	0.0	1.0	0.4	0.0	0.0
National Exchange Program	1.0	1.6	1.6	0.0	0.0
Non-Profit Organizations Program	0.6	1.3	0.0	0.0	0.0
R&D Incentive Program	6.2	6.0	3.2	1.0	0.0
Satellite Communications Development Program	2.8	2.2	0.0	0.0	0.0
Sector Campaigns	20.6	34.1	21.0	7.0	0.2
St. Lawrence River — Environmental Technology Development Program	3.4	1.0	0.1	0.0	0.0
Technology Outreach Program (TOP)	12.7	13.7	10.3	6.5	5.7

Canadian Intellectual Property Institute is an independent, non-profit organization dedicated to the advancement of intellectual property law and policy. Its mandate is carried out through educational and research activities.

Innovators in Schools is a program to encourage the fullest awareness and most efficient and effective development and use of science, technology, engineering and mathematics (STEM) and its importance to education as well as to the international competitiveness of Canadians. Universities, colleges, professional engineering organizations and any other science-based, not-for-profit organizations with expertise in STEM are eligible for support under this program. An effort to raise private sector funding will be made.

National Exchange Program provides people from Canadian industry, universities and colleges with the opportunity of working for a specified time in the federal government's Centre for Information Technology Innovation.

Non-Profit Organizations Program promotes economic cooperation and development through support to non-profit organizations and universities serving business, labour and government by developing projects and programs whereby decision makers meet and discuss problems of mutual concern.

R&D Incentive Program facilitates the financing and technology transfer of R&D and technology application projects, contributes to the development of a critical mass and a unique expertise in Canadian businesses and leadership in their respective sectors, and contributes to the economic development of the Montreal region.

Satellite Communications Development Program encourages development of advanced communications services for Canadians through the promotion of R&D in the Canadian satellite communications industry, and provides for cost-shared R&D of satellite communications technology.

Sector Campaigns seek to improve the competitive position of Canadian industry in selected sectors where analysis indicates that focused initiatives can yield economic benefits. Initiatives are tailored to the needs of a given sector and include business services and focused assistance to industry on a cost-shared basis within specified time frames. Sector campaigns have been approved for 14 sectors, including automotive components, environmental industries, microelectronics, software products and telecommunications.

St. Lawrence River — Environmental Technology Development Program assists industry to develop and demonstrate innovative technologies focusing on pollution prevention in the St. Lawrence River.

Technology Outreach Program (TOP) is a national program dedicated to technology diffusion and transfer or critical industrial management skills. It supports improvement of productivity and competitiveness of Canadian industry through assistance to Technology Centres, which comprise not-for-profit alliances among associations, companies and universities.

Programs and Projects Not Renewed

No increases will be made to the budgets for these programs.

Financial commitments will continue to be made within the limits of established budgets.

Programs will remain in operation in accordance with current arrangements.

Programs and Projects not Renewed

	Actual 1993-94 (\$ mil)	Forecast 1994-95 (\$ mil)	Budget 1995-96 (\$ mil)	Budget 1996-97 (\$ mil)	Budget 1997-98 (\$ mil)
Alcell Technologies Inc.	5.3	7.3	0.0	0.0	0.0
Atlantic Enterprise Program — Interest Buydown	0.9	1.5	1.4	0.0	0.0
Bombardier/de Havilland Project	81.3	71.1	16.5	13.5	0.0
Business Networks	0.0	0.8	2.3	1.1	0.0
Canada Scholarships Program (CSP)	21.4	21.9	23.1	1.3	0.0
Canada/Israel Grant	1.0	1.0	1.0	0.0	0.0
Canadian Patrol Frigate and Tribal Class Destroyer Upgrade Projects	37.8	16.2	0.0	0.0	0.0
Coop/Partnership Agreements (Tourism)	11.0	11.6	10.7	2.2	0.2
Enersludge	0.6	0.0	0.0	0.0	0.0
Federal/Provincial Agreements on Communications	2.9	3.4	4.3	0.7	0.0
General Development Agreements and Economic and Regional Development Agreements	2.5	0.6	0.0	0.0	0.0
Industrial and Regional Development Program (IRDP)	3.4	1.5	0.7	0.0	0.0
International Human Frontier Science Program Organization (IHFSPO)	0.5	0.8	0.7	0.0	0.0
International Math Olympiad	0.1	0.2	0.0	0.0	0.0
Lavalin Trenton Works	3.6	13.7	0.0	0.0	0.0

Programs and Projects not Renewed (continued)

	Actual 1993-94 (\$ mil)	Forecast 1994-95 (\$ mil)	Budget 1995-96 (\$ mil)	Budget 1996-97 (\$ mil)	Budget 1997-98 (\$ mil)
Microelectronics and Systems Development Program (MSDP)	8.0	4.9	1.5	0.0	0.0
National Optics Institute	3.7	3.6	0.0	0.0	0.0
National Quality Institute	3.4	4.2	4.6	4.1	2.1
Northern Ontario Development Agreement (NODA)	1.1	1.3	1.3	0.0	0.0
Ontario Base Closure Adjustment Program (OBCAP)	0.0	0.4	3.7	3.2	1.3
Ontario Cultural and Convention Centres	3.9	0.4	1.4	0.3	0.0
Palladium Corporation	0.0	4.7	1.3	0.0	0.0
Science Culture Canada	0.0	2.2	2.1	2.0	2.0
Shoe Manufacturers' Association of Canada	0.0	0.1	0.1	0.0	0.0
Strategic Technologies Program (STP)	20.8	19.9	21.6	9.2	8.2
Sudbury Neutrino Observatory (SNO)	8.1	4.2	3.3	0.0	0.0
Teaching Excellence Awards	0.4	0.3	0.6	0.5	0.0
Technology Partnership Program	0.0	1.4	2.9	4.4	0.0
Telecommunications Executive Management Institute of Canada (TEMIC)	0.2	0.2	0.1	0.0	0.0
Vancouver Drydock	0.0	0.8	0.2	0.0	0.0
West Coast Shipbuilding Industry	2.1	0.0	0.0	0.0	0.0
Western Transportation Industrial Development Program (WTID)	0.7	1.1	0.0	0.0	0.0
Working Ventures Economic Fund Inc.	2.3	1.8	0.0	0.0	0.0
World Tourism Organization (WTO)	0.4	0.4	0.0	0.0	0.0

Alcell Technologies Inc., a unit of Repap Enterprises Inc. of Montreal, receives an Industry Canada contribution for R&D in the area of pulp and paper production to support the development of a more efficient and environmentally sound production process. The project is scheduled for completion in 1994-95.

Atlantic Enterprise Program — Interest Buydown provides loan insurance and interest buydowns on new term loans to private sector companies engaged in manufacturing, mining, logging, tourism, resource sector services, aquaculture, freight forwarding, and storage and warehousing in the Atlantic provinces, the Gaspé Peninsula and the Magdalen Islands. With the establishment of the Atlantic Canada Opportunities Agency, Industry Canada retained responsibility for large projects only.

Bombardier/de Havilland Project receives a conditionally repayable contribution to support eligible R&D and/or capital projects undertaken as part of the restructuring of de Havilland following the purchase of the company by Bombardier Inc. and the Province of Ontario. The government will meet its obligations under the existing contract.

Business Networks receive a contribution to enable the Canadian Chamber of Commerce, acting on behalf of the Canadian Business Networks Coalition, to manage a National Business Networks Demonstration Project. The overall objective is to help Canadian small and medium-sized enterprises overcome barriers to the formation of business networks by providing a vehicle whereby smaller firms can collaborate to compete more successfully in today's global markets.

Canada Scholarships Program (CSP) recognizes outstanding students and encourages them to pursue full-time post-secondary studies in natural sciences, engineering, technology or related disciplines by providing a minimum of 3 500 new scholarships worth \$2 500 a year for a maximum of four years (a plan will be developed to reprofile 1995-96 budgets into future years to provide for the orderly wind-down of existing scholarships). The CSP includes technology programs at community colleges and cégeps. Consideration will be given to adding new students to this program only on the basis that sufficient private sector funding can be raised.

Canada/Israel Grant encourages private sector R&D under a bilateral cooperation agreement between the Government of Israel and the Government of Canada. Each country agreed to grant \$1 million per year over three years to strengthen Canada-Israel science and technology business-to-business as well as economic, trade and political relations.

Canadian Patrol Frigate and Tribal Class Destroyer Upgrade Projects provide financial support to Marine Industries Limited for the completion of work under two major Crown projects, the Canadian Patrol Frigate project and the Tribal Class Destroyer upgrade. The government will meet its obligations under the existing contract.

Coop/Partnership Agreements (Tourism) under federal/provincial agreements provide for the special economic development needs of particular provinces relating to tourism and small business.

EnerSludge gives financial support for the development of technology to convert waste to energy.

Federal/Provincial Agreements on Communications seek to maximize the development and growth of communications technologies and infrastructure through enhancement of regional research capabilities in the communications area, encourage application of new communications technology and increase the availability of communications services in rural areas in Canada's four western provinces.

General Development Agreements and Economic and Regional Development Agreements are long-term vehicles for federal/provincial planning and cooperation in economic development. The purpose of these agreements is to provide for the special economic development needs of each province while reducing regional disparity. The expenditures in 1994-95 represent final payments under these agreements.

Industrial and Regional Development Program (IRDP) assists manufacturers and processors in any part of Canada through contributions and repayable contributions. The elements of the program reflect local opportunities and meet the particular needs of each applicant. With the establishment of the Atlantic Canada Opportunities Agency, Western Economic Diversification and the Federal Office of Regional Development (Quebec), Industry Canada retained only projects submitted under this program in Ontario and those involving \$20 million or more in eligible costs in other provinces. Amounts budgeted in 1995-96 represent final payments under existing contracts.

International Human Frontier Science Program Organization (IHFSPO) seeks to promote and support international collaborative research in the areas of brain functions and molecular biology. IHFSPO funds interdisciplinary research through grants, fellowships and international workshops.

International Math Olympiad 1995 Corporation received a contribution for organizing, promoting and staging an international mathematics competition in Canada in July 1995.

Lavalin Trenton Works received a contribution to fund the modernization, restructuring, initial operating losses and interest buydowns to finance the sale of rail cars. The initiative was completed in 1994-95.

Microelectronics and Systems Development Program (MSDP) supports the development of advanced microelectronics and information technologies systems to enhance the growth and international competitiveness of Canadian companies in the manufacturing, processing or service industries. Final payments will be made under the program in 1995-96.

National Optics Institute received a joint contribution from the federal and Quebec governments toward costs of R&D programs of the Canadian optics industry. The expenditures in 1994-95 represent final payments under the contract.

National Quality Institute is a not-for-profit organization with a mission to contribute to the economic and social well-being of Canada by promoting the adoption of total quality commitment and related work organization principles within all Canadian enterprises and institutions. Existing contractual obligations will be met.

Northern Ontario Development Agreement (NODA) is administered as part of the FedNor Program to undertake cooperative tourism marketing initiatives.

Ontario Base Closure Adjustment Program (OBCAP) assists communities affected by the closure of military bases to deal with the economic impact of such closure by undertaking planning studies, evaluating economic development opportunities and implementing economic development measures.

Ontario Cultural and Convention Centres receive contributions to the construction costs of performing arts/conference centres in order to enhance the tourism image and attractiveness of southwestern Ontario communities of London and Guelph. Existing contractual obligations will be met.

Palladium Corporation receives assistance toward the construction of the Palladium arena in Kanata, Ontario. Existing contractual obligations will be met.

Science Culture Canada directs contributions to national organizations and regional projects that bring the excitement and potential of science and technology to Canadians, especially young people. The program leverages in the order of \$15 million in contributions from other sources. The projects and activities supported include special events, magazines, television programs, summer camps, books, films, exhibits and other educational resources. Industry Canada is committed to sustaining programming as already envisaged through 1997-98, and efforts will be made to raise private sector funds.

Shoe Manufacturers' Association of Canada receives assistance under a three-year agreement to improve the international competitiveness of the Canadian footwear industry by means of a contribution toward an industry-wide membership in the Shoe and Allied Trades Research Association. The contractual obligation will be met.

Strategic Technologies Program (STP) seeks to enhance the international competitiveness of Canadian industry through the development, acquisition, application and diffusion of three priority technologies: information technology, advanced industrial materials and biotechnology. Eligible clients include Canadian private sector corporations and partnerships. Existing contractual obligations will be met.

Sudbury Neutrino Observatory (SNO), a program undertaken by a consortium of Canadian universities, receives assistance for the construction of a neutrino detector in the Creighton Mine in Sudbury, the deepest hard rock mine in North America. The results of this project will be of great importance in the study of particle physics. The project is scheduled for completion in 1995-96.

Teaching Excellence Awards annually identify, recognize and reward Canadian teachers of science, technology and mathematics at elementary and secondary schools across Canada by honouring those who are having a major, proven impact on student performance and interest in these fields. The competition is open to active teachers, curriculum consultants and administrators. An effort will be made to raise private sector funding before the program sunsets in 1996-97.

Technology Partnership Program seeks to capitalize on existing research and development in universities, as well as to create new and improved products and services and jobs in Canada, by promoting the speedy and effective transfer of research and technology for identified market opportunities. This is done through the provision of support to enable Canadian small and medium-sized enterprises to enter into partnerships with university laboratories to develop university research to the point it can be exploited by industry.

Telecommunications Executive Management Institute of Canada (TEMIC) is a non-profit association formed as a partnership between the Canadian telecommunications industry and the Government of Canada to provide telecommunications management training in Canada for executives and senior managers from the developing world and newly industrialized countries. TEMIC programs familiarize telecommunications authorities in these countries with Canadian capabilities in telecommunications, the extent and availability of Canadian products, services and management expertise. Existing contractual obligations will be met.

Vancouver Drydock obligations will be met to finalize the 1991 contribution agreement.

West Coast Shipbuilding Industry in 1993-94 received a final contribution under a \$21-million initiative aimed at rationalization of west coast shipyards. This initiative is now complete.

Western Transportation Industrial Development Program (WTID) was a spin-off of the *Western Grain Transportation Act* designed to provide assistance to manufacturing, processing, food processing and related industries in western Canada to help diversify the western Canadian economy. The expenditures in 1994-95 represent final payment for the last remaining active project under the program.

Working Ventures Economic Fund Inc., a venture capital corporation sponsored by the Canadian Federation of Labour, receives a grant to assist in the establishment, development, promotion and operation of a national, labour-sponsored venture capital fund.

World Tourism Organization (WTO) is an intergovernmental (109 countries) and private sector (135 members) body recognized by the United Nations as its main instrument for the orderly development of international tourism. This contribution fulfils Canada's obligation under its treaty with the WTO to pay Canada's assessed membership.

Continuing Programs and Projects

Continuing Programs and Projects

	Actual 1993-94 (\$ mil)	Forecast 1994-95 (\$ mil)	Budget 1995-96 (\$ mil)	Budget 1996-97 (\$ mil)	Budget 1997-98 (\$ mil)
Aboriginal Business Canada	69.4	56.6	41.2	35.2	31.7
Canadian Network for the Advancement of Research, Industry and Education (CANARIE)	3.5	19.2	23.3	20.0	20.0
Canadian Institute for Advanced Research (CIAR)	3.9	3.5	3.5	3.5	3.5
Consumer Interest Programs	1.5	1.6	1.0	1.0	1.0
Defence Industry Productivity Program (DIPP)*	166.9	143.8	90.4	46.5	21.6
Environmental Technologies Program*	1.5	5.8	1.5	0.5	0.0
International Telecommunications Union (ITU)	5.1	6.3	5.3	5.3	5.3
Quebec Ententes	0.0	19.7	38.2	36.4	48.3
Radio Advisory Board of Canada	0.1	0.1	0.1	0.1	0.1
FedNor — Business Incentives Program	7.6	6.2	23.3	20.4	20.0
Ontario Infrastructure Program	0.0	100.8	361.2	108.4	152.2

* No new commitments will be made under these programs pending a Cabinet review of support for technology development.

Aboriginal Business Canada administers programs designed to increase the participation of Aboriginal people in national and international economies. Assistance is provided to strengthen the Aboriginal economy through development of a successful business and capital base. The program will continue in operation at a reduced level vis-à-vis previously planned budgets (90 percent in 1995-96, 84 percent in 1996-97, and 75 percent thereafter).

Canadian Network for the Advancement of Research, Industry and Education (CANARIE) is a joint government-industry program to help develop the infrastructure as well as the advanced networking technologies and applications necessary for the provision of new broadband and multimedia services. While spearheaded by private industry, it relies on funding from both the federal and provincial governments and from regional networks. CANARIE aims to establish a nation-wide, state-of-the-art communications infrastructure that will connect and allow communications among computers across the country, and spur

development of associated applications, products, services and software. Phase I of the program is being completed. Phase II is being funded under the framework outlined in the document *Building a More Innovative Economy*, released in November 1994.

Canadian Institute for Advanced Research (CIAR) is a non-profit organization that supports networks of outstanding researchers. The intent of the program is to encourage private sector investment in R&D and to strengthen research in economically and socially important areas. CIAR supports research in the following areas: artificial intelligence and robotics, cosmology, evolutionary biology, population health, superconductivity, economic growth and policy, law and social order, soft surfaces and interfaces, earth system evolution, and human development.

Consumer Interest Programs receive contributions intended to assist consumer and voluntary organizations to undertake innovative projects to address important consumer issues of concern to a great number of consumers. Projects focus on the interests of consumers in the marketplace, strengthening the consumer movement in Canada, or improving understanding of evolving consumer patterns and attitudes. In addition, two types of grants are available: Advocacy Grants intended to ensure there is competent, professional advocacy to represent consumer interests before boards, marketing boards and other judicial bodies at the national level, and to promote a sharing of such skills and expertise among consumer and voluntary organizations; and Development Grants awarded to help organizations enhance their ability to represent the consumer interest. The budget for these programs has been reduced by 30 percent from previously planned levels.

Defence Industry Productivity Program (DIPP) focuses on the development and maintenance of strong defence-related industries across Canada, capable of competing successfully over the long term in domestic and export markets. Repayable contributions are provided for research and development (R&D), source establishment and product development, market feasibility studies, and capital assistance for market-driven projects in the aerospace and defence sectors. No new commitments will be made under this program pending a Cabinet review of support for technology development.

Environmental Technologies Program uses pilot and commercial-scale projects to demonstrate new technologies to solve environmental problems, enhance industrial competitiveness and capitalize on domestic and international market opportunities. No new commitments will be made under this program pending a Cabinet review of support for technology development.

International Telecommunications Union (ITU) is the United Nations specialized agency responsible for management of the spectrum of radioelectrical frequencies on the international level, assignment of positions on the orbit of geostationary satellites and international regulation of telecommunications. Decisions made by this organization have a direct impact on Canada's leadership position in the global telecommunications industry.

It is within the framework of the ITU conferences that radioelectrical frequencies are first allocated to radiocommunication services. The Canadian industry benefits directly from Canada's participation in the ITU through a contribution made in accordance with Article 15 of the International Telecommunications Convention.

The objective is to maximize the development and growth of communications technologies and infrastructure through enhancement of regional research capabilities, encouragement of application of new communications technology and increase in the availability of communications services in western Canada's rural areas.

Quebec Ententes seek to stimulate growth in industrial investment, to foster strategic industrial projects that in the medium term will enhance Quebec's industrial base, particularly projects that seek to develop Quebec's competitive advantages, to make companies more competitive through innovations and the use of new technology, and to coordinate the industrial development initiatives of the two governments to increase the effectiveness of the initiatives and simplify access to them. Eligible support is provided to municipal infrastructure projects and to major industrial projects aimed at modernizing production machinery and at increasing the number of high technology firms in Quebec. These programs were transferred to Industry Canada from the Federal Office of Regional Development (Quebec) in 1994-95.

Radio Advisory Board of Canada, with 28 sponsors, is an advisory and consultative group to the Government of Canada, representing a broad segment of the telecommunications industries and users of radio. This organization was established at the request of the federal government to advise and make recommendations regarding the use of the radio spectrum.

FedNor — Business Incentives Program provides assistance to businesses in Northern Ontario. Eligible projects include research and development, technology and management development, establishment of new businesses, expansion or modernization of existing businesses, marketing, and feasibility studies. Those eligible for the program include commercial operations engaged in primary industries, manufacturing, tourism and the service sector. Firms in wholesale and retail trade are eligible in the rural area of Northern Ontario.

Ontario Infrastructure Program distributes capital funds provided by the Government of Canada and the Province of Ontario to municipalities, school boards, and colleges and universities to renew and enhance Ontario's physical infrastructure in local communities. These funds are intended to generate short- and long-term employment, promote a competitive and productive economy and accelerate economic recovery.

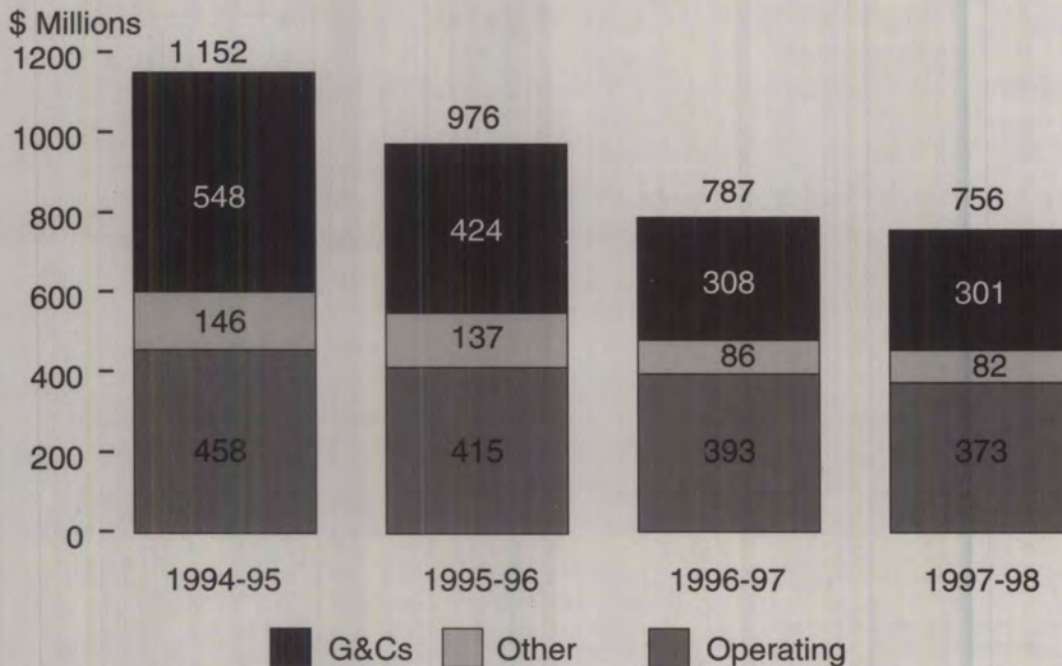
B. Financial Plan

RESOURCES BEFORE PROGRAM REVIEW

Chart B-1 shows Multi-Year Operational Plan (MYOP) approved reference levels for Industry Canada following the 1995-96 MYOP but before Program Review cuts (excluding the Ontario Infrastructure Program).

- Industry Canada's overall budget was scheduled to decrease by 34 percent prior to Program Review.

Chart B-1
Resources before Program Review*



* Resources exclude the Ontario Infrastructure Program. "Other" consists of major capital and statutory payments.

	1995-96	1996-97	1997-98
Revenues/User Fees (\$ millions)	170.6	176.4	175.4
FTEs	5 652	5 652	5 652

- In past years, over half of Industry Canada reference levels have been accounted for by grants and contributions programs (G&Cs). Budgets for these programs were scheduled to decline by \$247 million from 1994-95 to 1997-98 prior to Program Review reductions.
- Operating and capital budgets were also scheduled to decline, due mainly to completion of projects, sunsetting programs and previous years' budget cuts.
- Industry Canada has been utilizing about 5 650 full-time equivalents (FTEs).
- Industry Canada generates user-fee revenues of about \$174 million annually, which are returned to the Consolidated Revenue Fund (CRF).

PROGRAM REVIEW REDUCTIONS

Tables B-1 and B-2 set out how Industry Canada implemented the budget reductions to achieve the three-year Program Review targets, which were \$93 million in 1995-96, \$148 million in 1996-97 and \$212 million in 1997-98:

- During the course of Program Review, Industry Canada was directed to eliminate business subsidies.
- It was recognized that the government would have to meet existing G&C contracts and that federal/provincial and international obligations would have to be met. In addition, there was direction from Ministers that certain programs — Aboriginal programs and G&Cs to consumer interest groups — would continue in operation but at reduced levels.
- Resulting from the above, funds available in G&C budgets to be applied against the Program Review targets amounted to \$72 million in 1995-96, \$94 million in 1996-97 and \$106 million in 1997-98 (Table B-1).
- These cuts include a 25 percent reduction to the Aboriginal Business Canada program, to be fully implemented by 1997-98.
- Industry Canada received credit for \$25 million against the *Small Business Loans Act* (SBLA) statutory authority related to the proposal to make that program self-financing (Table B-2).
- As a result, the Program Review target was fully covered from the above sources in 1995-96, with the balance of the cut of \$29 million in 1996-97 and \$81 million in 1997-98 charged against the operating budgets of Industry Canada (Table B-2).

Table B-1
Grants and Contributions
 (\$ Millions)

	1995-96	1996-97	1997-98
BUDGETS (as at December 31, 1994)	971.1	416.3	300.2
EXISTING AND IN-PROCESS COMMITMENTS	750.9	231.1	112.9
UNCOMMITTED BALANCE	220.2	185.2	187.3
UNCOMMITTED FUNDS RETAINED (for "non-terminated" programs)			
Quebec Ind. Developm. Subagreements	38.2	36.4	48.3
Ontario Infrastructure Program	58.4	0.0	0.0
Ontario Base Closure Adj. Program	3.7	3.2	1.3
Other Fed./Prov. Agreements	15.1	2.5	0.2
Aboriginal Business Canada	10.2	28.7	24.4
Consumer Interest	1.0	1.0	1.0
Sudbury Neutrino Observatory	3.3	0.0	0.0
Canada/Israel Grant	1.0	0.0	0.0
Technology Partnership Program	2.9	4.4	0.0
Business Networks	2.3	1.1	0.0
Special Projects	4.0	3.9	0.0
REMAINING AVAILABLE FUNDS	80.1	104.0	112.1
PROGRAM REVIEW REDUCTIONS	72.1	93.6	106.5
CONTINGENCY RESERVE FUNDS*	8.0	10.4	5.6

* The reserve for contingencies is 10 percent for 1995-96 and 1996-97, and 5 percent for 1997-98, and was subsequently consumed by commitments and obligations that arose by budget day, February 27, 1995.

Table B-2
Contribution of G&Cs and Statutory Programs to Program Review Targets
(\$ Millions)

	1995-96	1996-97	1997-98
DIPP	24.7	62.1	60.8
Science and Technology	28.9	20.5	19.8
FedNor	7.6	9.4	0.0
Special Projects	0.6	0.0	0.0
<i>Subtotal</i>	<i>61.8</i>	<i>92.0</i>	<i>80.6</i>
Aboriginal Business Canada	3.5	7.1	10.6
<i>Total Business Subsidies Reduction</i>	<i>65.3</i>	<i>99.1</i>	<i>91.2</i>
Other	14.8	4.9	20.9
<i>Total Non-statutory G&Cs</i>	<i>80.1</i>	<i>104.0</i>	<i>112.1</i>
Less: Reserve for Contingencies*	(8.0)	(10.4)	(5.6)
<i>Adjusted Reduction to Non-statutory G&Cs</i>	<i>72.1</i>	<i>93.6</i>	<i>106.5</i>
SBLA Savings	25.0	25.0	25.0
<i>Total Grants and Contributions Savings</i>	<i>97.1</i>	<i>118.6</i>	<i>131.5</i>
Less: Department of Finance Target	93.0	148.0	212.0
IMPACT ON OPERATING	4.1	(29.4)	(80.5)

* The reserve for contingencies is 10 percent for 1995-96 and 1996-97, and 5 percent for 1997-98, and was subsequently consumed by commitments and obligations that arose by budget day, February 27, 1995.

CONSEQUENCES OF PROGRAM REVIEW

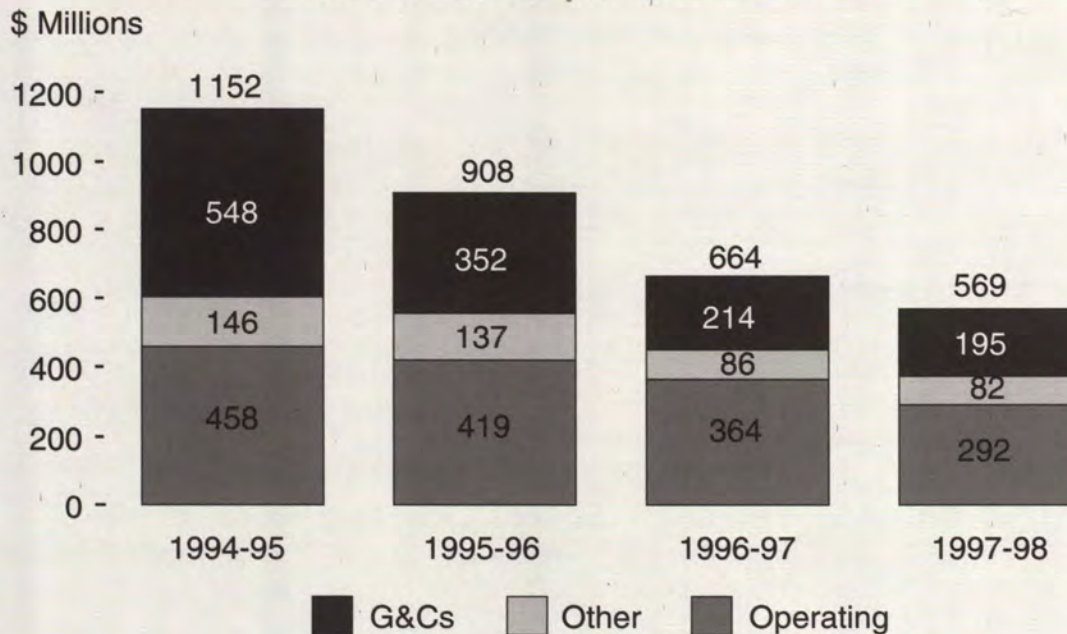
Table B-3 sets out the resulting operating budget situation of Industry Canada following Program Review before making provision for subsequent resource proposals included in this plan.

- Implementation of the new corporate directions and lines of business for Industry Canada as approved in Program Review will require considerable up-front investment for employee development and world-class information products, as described more comprehensively in the body of this Business Plan.
- Chart B-2 shows that the overall budget of Industry Canada after Program Review cuts dropped from \$1 152 million in 1994-95 to \$569 million in 1997-98, a 51 percent reduction, including a cut of \$350 million (64 percent) in grants and contributions programs.
- The above budget cuts are focused in particular on the former Industry Sector branches and regional operations of the department.
- Even after applying available grants and contributions funds against the Program Review cuts, the reductions required against operating budgets leave the department in a position where the current employment base cannot be sustained.

Table B-3
Operating Budget
(\$ Millions)

	1995-96	1996-97	1997-98
Operating Budget			
Pre-Program Review	414.5	393.3	372.5
Program Review Cuts	(4.1)	29.4	80.7
APPROVED OPERATING BUDGETS	418.6	363.9	291.8
Other Adjustments			
CIPO	(15.0)	5.0	9.0
Tourism	(17.7)	(15.0)	(15.0)
ADJUSTED OPERATING BUDGET	385.9	353.9	285.8
FTEs			
(5 652 - 515 CIPO FTEs)	5 137	5 137	5 137
Estimated Salary			
(5 137 FTEs @ \$52K)	267	267	267
Balance for Non-salary	119	87	19
Non-salary to Salary	0.5 : 1	0.3 : 1	0.1 : 1

Chart B-2
Resources after Program Review*



* Resources exclude the Ontario Infrastructure Program. "Other" consists of major capital and statutory payments.

WORK FORCE ADJUSTMENT

Given that a substantial share of FTEs have been working on grants and contributions programs that have been terminated and not renewed, and in view of the significant efficiency improvements that can be achieved in other activities, it is proposed that the overall number of FTEs be reduced between 1995-96 and 1997-98 by 1 165 (21 percent) from the 1994-95 level, almost all in the first year.

The department will continue in this context to make best efforts to achieve employment equity targets.

FINANCING WORK FORCE ADJUSTMENT

A Financial Rebalancing

Under direction to eliminate business subsidies, Industry Canada has retained in its future years' G&C budgets sufficient funds to cover only existing commitments and obligations, except for a few exceptions as previously discussed.

So as to free up funds for the department to address its new business lines following the Program Review directive to eliminate business subsidies, the department undertook a further technical and legal review of approved Defence Industries Productivity Program (DIPP) projects. The goal was to determine whether some projects had not gone forward or were in breach of the agreement, and so could be terminated.

This review freed up \$12 million in 1995-96, \$19 million in 1996-97, and \$58 million in 1997-98. A proposal for a technical adjustment to transfer these amounts from G&Cs to operating budgets is incorporated in this Business Plan.

B Assistance Requested from Treasury Board

As Table B-4 shows, with the reduction in the number of FTEs over the planning period as well as the financial realignment, the department is able to realize an operating to salary ratio averaging 0.8:1 over the three years.

This enables the department to meet specific costs such as transition needs for training and development, facilities management/relocation, upgrading of informatics and information systems and initial research and development (R&D) investment in world-class information products.

As noted in Table B-5, Industry Canada will address the adjustment requirements for 225 employees through attrition, reduction of terms and termination of contracts, thereby reducing potential adjustment costs by \$43 million.

In addition, the costs of early retirement incentives (ERI) and early departure incentives (EDI — see Annex C) as well as training and departure preparation costs are estimated at \$74 million. Even with this assistance from Treasury Board, the department will have a significant challenge matching skills with job requirements.

This Business Plan incorporates a request to Treasury Board to increase Industry Canada reference levels by \$74 million over three years, an amount more than double the Treasury Board notional allocation to Industry Canada of \$34.7 million.

The absolute reductions discussed above in financial budgets and FTEs tell only a small part of the story. While the reductions are being implemented, and during 1995-96 in particular, Industry Canada will be extensively restructuring its organization and reorienting its activities to address its three lines of business — micro-economic policy, marketplace rules and services; and industry sector development. To address the department's post-Program Review mandate, extensive front-end investment in human resources, technology and development of the knowledge base will be imperative.

Setting aside costs explicitly associated with employment downsizing under the ERI/EDI as discussed above, Industry Canada will first and foremost be making major investments in upgrading the skills and knowledge of its remaining work force. Many employees formerly involved in the delivery of business subsidy programs or other activities reduced under Program Review will be trained in new areas such as strategic and micro-economic analysis, policy consultation, trade and international investment, project management, product marketing, information technology, negotiation skills and teamwork. In 1995-96, Industry Canada has established a corporate training budget for this purpose of \$2 million, and as much again will be allocated for this purpose from ADM sector budgets.

In addition to investment in human resources, large up-front requirements have been identified to develop information products and international data bases, and to put the technology in place to deliver the information to potential users. A detailed Business Plan has been developed to lever the department's information resources for the benefit of Canadian businesses (see Annex D). Some examples of specific investment initiatives are:

- ***Insight Industry Canada*** will provide electronically accessible information on 18 major industry sectors to client firms on developments in markets, technologies, regulations and other matters to position firms to use information as a competitive weapon in domestic and international markets.
- ***The Management Information Network*** will link providers of management information, intermediaries and small business clients. Its purpose is to disseminate practical information on management issues (experts, sources, products, services and skills development opportunities) anywhere, anytime and in any form.
- ***The Trade Statistics Product*** will extract valuable and usable trade intelligence from the voluminous data banks and statistics on Canadian trade. These include import and export trends for specific commodities, points of delivery and pricing structures.
- ***The Canadian Company Capabilities Directory*** will consist of a "White Pages" section on basic company profiles for all 900 000 firms in Canada. In addition, a "Yellow Pages" section on selected firms will provide detailed information on the firms' products, capabilities and markets. This information will allow Canadian firms to find each other to establish joint ventures, and will be a valuable data bank for foreign firms seeking Canadian suppliers for specific products.

The development of world-class information products requires dedicated resources for the collection of hard-to-get data, analysis and aggregation to add value, packaging of the information in forms business can use, and delivery to clients the way they want it in multiple formats. While Industry Canada has knowledge and expertise to meet Canadian business needs, the department's ability to develop information products is limited by resource constraints. In 1995-96, \$22 million is being invested to launch eight priority products. Three times as many products could be ready for development if resources were available.

In addition to the above investments in human resources and technology, Industry Canada will continue to incur costs in a number of government high-priority areas in 1995-96. For example, work related to the activities of the Information Highway Advisory Council is expected to cost Industry Canada \$1 million in excess of the additional funding approved by Treasury Board in 1995-96, and follow-up work will involve further expenditures of about \$2 million. Work flowing from the recent Small Business Review could generate costs in the neighbourhood of \$500 000. Further work on Internal Trade, perhaps undertaking a second phase of negotiations, would involve expenditures in excess of \$1 million. Numerous other areas such as the International Trade Centres in regional offices, the Corporations and Bankruptcy branches, and SBLA administration are incurring re-engineering costs to increase efficiency and maintain revenues.

Finally, the total operating budget of Industry Canada continues to include large amounts of funding dedicated to particular activities, which cannot be reallocated. For example, of the \$17.7 million being transferred to the Canadian Tourism Commission in 1995-96, \$15 million is dedicated to tourism advertising and promotion. The 1995-96 operating budget also includes \$5.1 million that is part of federal/provincial tourism agreements, as well as \$2.5 million of operating funds for FedNor, \$9.6 million for Aboriginal Business Canada, and \$1.0 million for the Ontario Infrastructure Program.

As indicated in Table B-4, after supplementing the approved operating budget with funds transferred from DIPP as previously discussed, Industry Canada will have a non-salary to salary ratio to 0.9:1 in 1995-96, slipping to 0.7:1 by 1997-98. It will clearly be a major challenge for Industry Canada to make the necessary investments and address the new priorities, which involve an extensive shift from G&C to operating-based activities, with this ratio remaining relatively unchanged. It is estimated that similar ratios for a number of other federal departments (using the same \$52 000 average salary) would be: Natural Resources Canada 1.0:1, Environment Canada 1.2:1, DFAIT 3.6:1, Transport Canada 0.9:1, Department of Finance 1.9:1, Treasury Board Secretariat 0.8:1, and Privy Council Office 1.1:1.

Industry Canada ratios make no provision for separation costs associated with employees' choosing to accept the ERI/EDI packages. Should the department be required to absorb these additional costs as estimated above, this Departmental Business Plan could clearly not be implemented.

Table B-4
Operating Budget
 (\$ Millions)

	1995-96	1996-97	1997-98
Adjusted Operating Budget (Adjusted for DIPP conversion)	397.9	372.9	344.0
Reduced FTEs (Adjusted for 515 CIPO FTEs)	4 126	4 036	3 972
Estimated Salary (@ \$52K)	215	210	207
Balance for Non-salary	183	163	137
Non-salary to Salary (Ratio)	0.9 : 1	0.8 : 1	0.7 : 1

Table B-5
Personnel Costs:
Work Force Adjustment Requirements
 (\$000)

	1995-96	1996-97	1997-98	Total
Lump Sum Payments — EDI	36 523			36 523
Lump Sum Payments — ERI	9 380			9 380
Education Allowance	4 802			4 802
Salary Costs to Departure Date	20 378			20 378
Departure Preparation Assistance	2 000	270	200	2 470
Total Request from Treasury Board	73 083	270	200	73 553
Costs Managed by Department*	23 838	9 965	9 656	43 459

ASSUMPTIONS:

- One half of ERI, estimated at 224, will leave in June, balance in September.
- 80 percent of EDI people, estimated at 562, will leave in September, balance in October and November.
- Average salary of departing employees is \$65 000.
- Calculations are net of normal attrition and other reductions.

* These costs are related to the 225 people who will leave through normal attrition, reduction of terms and contracts.

C Revenue Investment Plan

Measures A and B above go a long way toward establishing Industry Canada on a viable financial base. It is critical, however, that the stream of revenues being returned to the Consolidated Revenue Fund from Industry Canada activities also be maintained. This will require investments to improve efficiency and service to clients in revenue-producing areas. The plan focuses on user/service fees from various departmental activities. These fees amount to about \$174 million annually (see Table B-6).

Table B-6
User Fee Revenue Plan*
(\$ Millions)

	1995-96	1996-97	1997-98
Bankruptcy	12.2	11.0	10.0
Corporations	12.5	12.5	12.5
Legal Metrology	8.1	8.1	8.1
Spectrum	129.5	137.7	138.2
SBLA	5.0	4.0	4.0
Miscellaneous**	3.3	3.1	2.6
Total	170.6	176.4	175.4

* Does not include communications research and ship inspection fees, which are vote-netted, and CIPO revolving fund revenues.

** Includes loan guarantees (miscellaneous and air carriers), consumer affairs (textile and laboratory fees) and registration fees.

RATIONALE

The mandate of Industry Canada is to make Canada more competitive by fostering the development of Canadian business, by promoting a fair and efficient Canadian marketplace as well as by protecting, assisting and supporting consumer interests.

This revenue investment proposal will contribute to the achievement of this mandate as well as the federal government's Program Review objectives of identifying core roles and responsibilities and providing modern, affordable government.

Specifically, accessing incremental revenue will enable Industry Canada to:

- make better investment and divestiture decisions in information products, services and service enhancements
- use market tests for the pricing of products and services
- clarify the internal accountabilities of the many operating units of Industry Canada and simplify the information flow between the department and the Treasury Board Secretariat
- maintain service standards when demand fluctuates.

Industry Canada seeks through its Business Plan:

- approval to extend, by up to \$19 million, Industry Canada's existing vote-netting authority for those activities that recover costs in the areas of Bankruptcy, Corporations and information products, subject to parliamentary authority in Supplementary Estimates
- approval to invest 75 percent of all other incremental revenue, almost all of which is obtained from rights and privileges, above a base of \$143.8 million and up to a maximum of \$20 million, subject to parliamentary authority in Supplementary Estimates

Industry Canada will provide the Treasury Board Secretariat throughout the year with information concerning the department's plans and results achieved. The pricing of products, services and licences will be established through an open and transparent process, while establishing a clear accountability and review of revenue investments — in complete accord with the new expenditure management system and the primacy of Parliament.

Table B-7
Revenue Investment Proposal
(\$ Millions)

1995-96 Vote Structure	Base for 75% Access	Base for Vote-netted	Base Exclusion	Total
Industry and Science Development Program				
SBLA			5.0	5.0
Bankruptcy	0.4	11.8		12.2
Corporations	5.3	7.2		12.5
Miscellaneous	0.5		2.8	3.3
Subtotal	6.2	19.0	7.8	33.0
Services to the Marketplace Program				
Spectrum	129.5			129.5
Legal Metrology	8.1			8.1
Subtotal	137.6			137.6
Total	143.8	19.0	7.8	170.6

OTHER INITIATIVES

In addition to the above, this Business Plan incorporates a number of other new proposals intended to implement recent policy decisions of the government, for the most part announced either in *Building a More Innovative Economy* or in the February 27, 1995, budget. Individual Treasury Board submissions have either been approved, or are in process, for most of these initiatives. These initiatives are summarized in Tables B-8 and B-9:

- *Building a More Innovative Economy* initiatives totalling \$85.7 million in 1995-96, \$87.3 million in 1996-97 and \$86.6 million in 1997-98 should be added to Industry Canada reference levels for SchoolNet, CANARIE Phase II, the Canada Community Investment Fund, and Canada Business Service Centres (CBSCs) (allocated among Industry Canada, Federal Office of Regional Development — Quebec, Atlantic Canada Opportunities Agency and Western Economic Diversification), and the Canadian Tourism Commission.
- In addition to the \$35 million provided for under *Building a More Innovative Economy*, a transfer is being proposed of \$17.7 million in 1995-96 and \$15 million in the subsequent two years from Industry Canada Vote 1 to a new Vote/allotment for the Canadian Tourism Commission.
- New funding for FedNor of \$20 million annually for 1995-96, 1996-97 and 1997-98, as announced in the context of the recent budget.
- Industry Canada is requesting re-profiling under the Ontario Infrastructure Program from 1995-96 to 1996-97 to better align approved resources with anticipated cash flow requirements of projects now committed. Treasury Board had originally proposed re-profiling of these funds to 1998-99, but this will not accommodate current cash flow projections. In the following tables, a \$73 million re-profiling adjustment is included for illustrative purposes: the actual amount will be determined when more complete expenditure information for 1994-95 is available.
- Industry Canada has been advised that beginning in 1996-97, as a result of previous budget decisions, repayments of contributions will be retained by the department. The deployment of these resources will be treated in the context of Cabinet's consideration of technology development. An average of almost \$60 million annually over the period 1996-97 to 1998-99 is expected to be added to the departmental reference levels.
- Authority for a grant of \$0.5 million annually will be requested to provide for the federal share of costs of the Internal Trade Secretariat to be established as an independent entity in Winnipeg. Funding for this purpose was previously provided for in the department's operating budget, so the amount of the G&Cs to operating transfer will be adjusted accordingly.

Table B-8
Summary of Resource Adjustments
(\$ Millions)

	1995-96	1996-97	1997-98
Approved Reference Levels	1 269	772	569
Adjustments:			
<i>Building a More Innovative Economy*</i>			
Tourism	35	35	35
CANARIE	20	20	20
SchoolNet	13	13	13
CBSCs	15	15	15
Canada Community Investment Program **	3	4	4
Subtotal	86	87	87
FedNor Budget Approval	20	20	20
Work Force Adjustment Requirement	73	0	0
Ontario Infrastructure Re-profiling	(73)	73	152
Total Adjustments	106	181	259
PROPOSED REFERENCE LEVELS	1 375	953	828

* Does not include \$2 million annual allocation for the Standards Council of Canada (\$8 million total).

** Cash flow revised from \$5 million annual amount (\$20 million total) to that proposed in the draft memorandum to Cabinet.

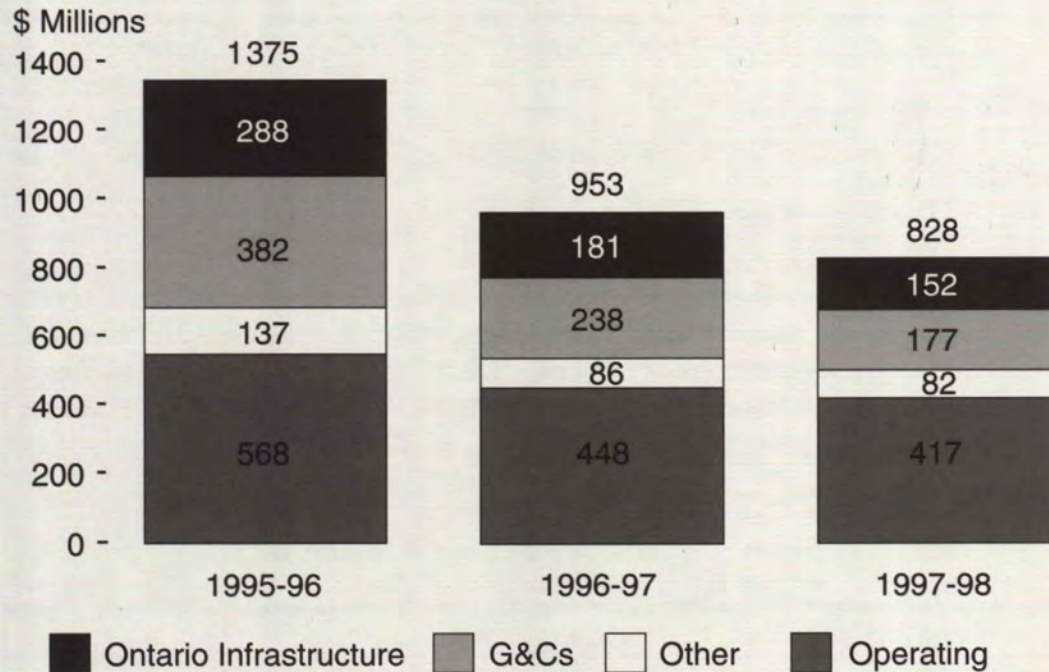
Table B-9
Summary of Adjustments by Type of Payment
 (\$ Millions)

	Operating	Capital	G&C	Statutory	Total
Current Reference Levels:					
1995-96	418.6	72.6	713.4	64.8	1,269.4
1996-97	363.9	6.6	322.2	79.3	772.0
1997-98	291.8	4.5	194.8	77.6	568.7
Adjustments:					
DIPP Conversion:					
1995-96	12.0		(12.0)		0.0
1996-97	19.0		(19.0)		0.0
1997-98	58.0		(58.0)		0.0
FedNor:					
1995-96	0.6		19.4		20.0
1996-97	0.9		19.1		20.0
1997-98	3.0		17.0		20.0
<i>Building a More Innovative Economy</i>					
1995-96	63.4		22.3		85.7
1996-97	63.4		23.9		87.3
1997-98	63.4		23.2		86.6
Ontario Infrastructure					
1995-96			(73.0)		(73.0)
1996-97			73.0		73.0
1997-98			152.0		152.0
Work Force Adjustment Requirement					
1995-96	73.1				73.1
1996-97	0.3				0.3
1997-98	0.2				0.2
Total Resource Strategy					
1995-96	567.7	72.6	670.1	64.8	1375.2
1996-97	447.5	6.6	419.2	79.3	952.6
1997-98	416.4	4.5	329.0	77.6	827.5

OUTCOME

Approval of the initiatives outlined in this plan will result in new resource levels for Industry Canada, as set out in Chart B-3 and Table B-10. With these approved levels, the department will be in a position to meet the Program Review targets and effectively address the approved new directions as established in the Program Review decision.

Chart B-3
Proposed Resources*



* Resources reflect *Building a More Innovative Economy*, work force adjustment requirements, FedNor funding as noted in the Treasury Board submission, adjusted Ontario Infrastructure Program funding and DIPP conversion.

Table B-10
Resource Summary by Type of Payment*
 (\$ Millions)

	1995-96	1996-97	1997-98
Operating	567.7	447.5	416.4
Capital	72.6	6.6	4.5
Grants and Contributions	670.1	419.2	329.0
Statutory	64.8	79.3	77.6
Total	1 375.2	952.6	827.5
User Fee Revenues	170.6	176.4	175.4
FTEs**	4 641	4 551	4 487

* Includes *Building a More Innovative Economy*, DIPP Conversion, FedNor, Ontario Infrastructure Program re-profiling, and work force adjustment requirements.

** FTEs exclude any additional resources associated with items noted above.

Table B-11 and Chart B-4 show the proposed allocation after adjustments according to the major departmental lines of business. These business lines will be essential elements of the department's reporting framework in future years. A submission to Treasury Board to amend the current Program Activity structure accordingly for use in future years' Estimates documents will be brought forward for consideration in the fall of 1995.

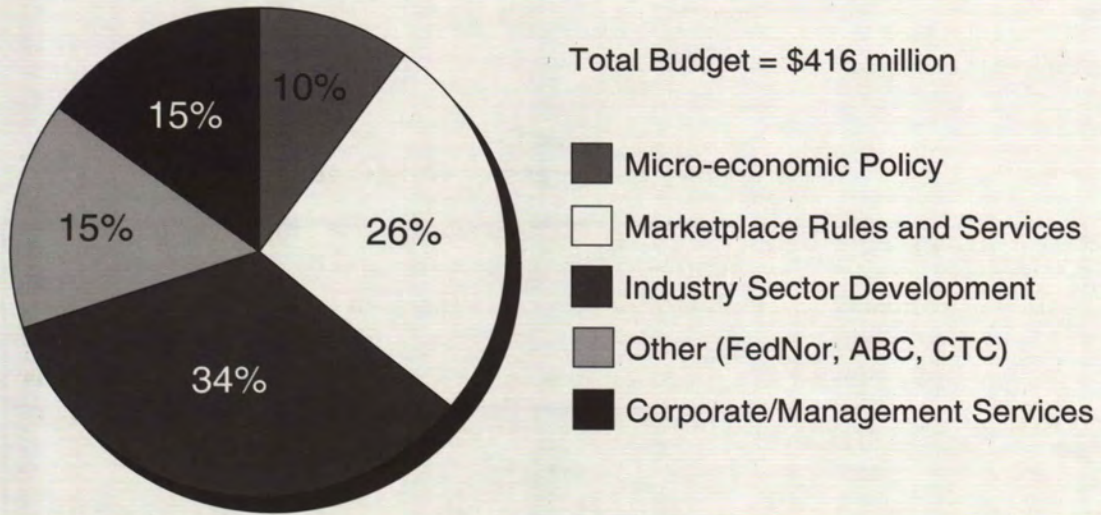
Table B-11
Resource Summary by Line of Business
 (\$ Millions)

	1995-96	1996-97	1997-98
Lines of Business			
Micro-economic Policy*	56	41	41
Marketplace Rules and Services*	200	121	119
Industry Sector Development*	817	497	408
Other Activities			
FedNor	20	20	20
Aboriginal Business Canada	51	43	40
Canadian Tourism Commission	53	50	50
Statutory Votes	65	79	78
Corporate and Management Services	113	102	72
Total	1 375	953	828

Note: The financial summary includes allocation for *Building a More Innovative Economy*, FedNor and Ontario Infrastructure Program re-profiling.

* The work force adjustment requirement is pro-rated across lines of business.

Chart B-4
Operating Budget
by Lines of Business, 1997-98



C. Human Resources Plan

The February 1995 budget, combined with the streamlining of the organization, will result in the elimination of an estimated 1 165 positions over the three fiscal years 1995-96 to 1997-98 (summarized in Table C-1).

Table C-1
Summary of Decreasing Work Force

	Indeterminate Positions	Term Positions		Total	Total Reductions		EX Positions	EX Reductions	
		N	% cuts		N	% cuts		N	% cuts
June 1993	5 571	551	—	6 122	—	—	303	—	—
1994-95	5 256	396*	28.1	5 652	470	7.7	276	27	8.9
1995-96	4 295	346	12.6	4 641	1 011	17.9	227	49	17.8
1996-97	4 210	341	1.4	4 551	90	1.9	212	15	6.6
1997-98	4 151	336	1.5	4 487	64	1.4	198	14	6.6

* Includes 159 terms in CRC and CIPO, and will remain constant over the three-year period. Reductions in terms will occur in the other sectors. All forecasts with regard to human resources are based upon currently available estimates.

Source of 1994-95 figures: Program Review data of December 31, 1994.

Creation of a business environment that increases job creation, wealth and growth also requires the renewal of the department's human resources base, both through the retraining and development of existing staff and through the recruitment of recent university graduates to serve the department's new vision and mandate.

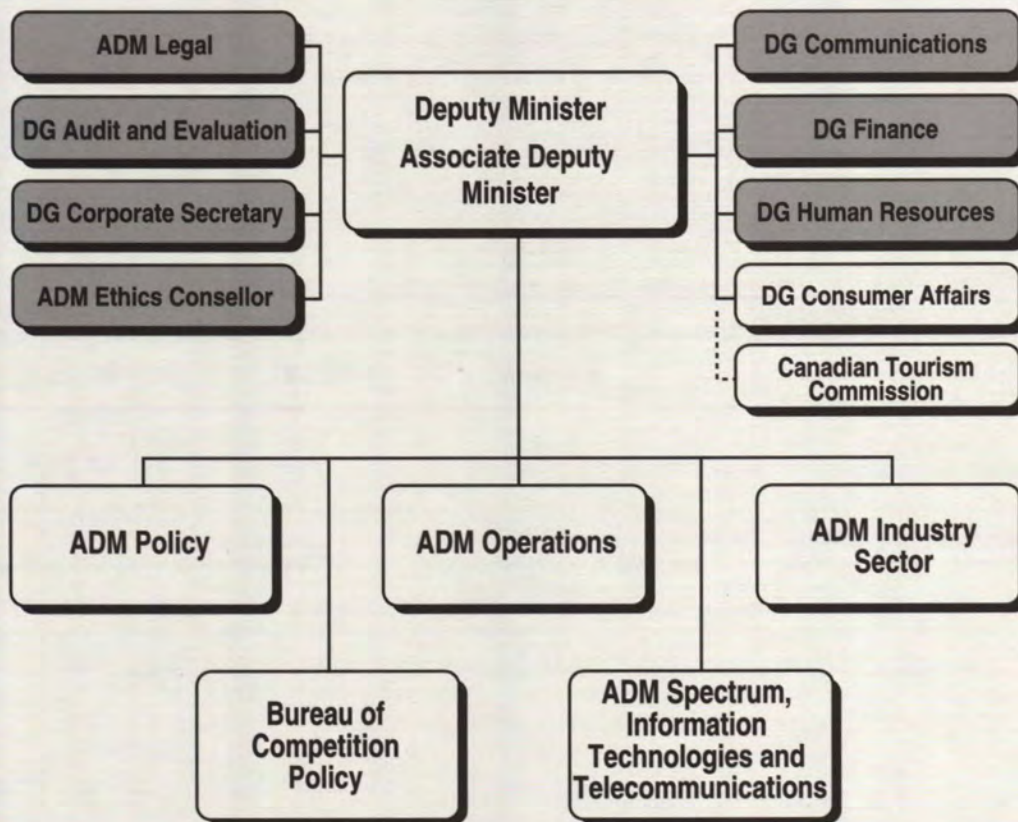
The department has been steadily reducing its total term and indeterminate population since June 1993, when the merger brought together 6 100 staff, 551 of whom were in term positions. The reduction in term employees from June 1993 to the end of 1997-98 will total 215, for a decrease of 39 percent. The department will continue to reduce its use of term and contract employees and to make the greatest possible range of options (such as alternative work arrangements, job sharing, leave of absence, leave with income averaging and pre-retirement transition leave) available to employees in order to minimize the impact of the budget cuts on them. Where these measures are not enough, the human resources management challenge will be to ensure fairness in the identification of surplus positions and, where necessary, in the identification of surplus employees. Care will also be taken to ensure that employment equity target groups are not adversely affected.

To assist in coping with this major employment adjustment, Industry Canada has been identified as a "most affected" department. This, in addition to the early retirement incentive (ERI) and other incentives available to all departments, will provide access to the early departure incentive (EDI) for surplus employees.

At the most senior levels, the number of Assistant Deputy Minister and equivalent levels will be reduced from 22 in 1994-95 to eight in 1995-96 (a 67 percent reduction). This re-basing of the organization to reflect the post-February 1995 budget outputs of the department will generate significant classification, staffing and employment adjustment workloads at senior levels in the organization during the first half of 1995-96.

The proposed organizational structure is presented in Chart C-1.

**Chart C-1
Organizational Proposal**



There will also be marked management changes at levels below the Assistant Deputy Minister level. Human resources activities encompass the completion of these internal movements of organizations and staff, while at the same time making significant reductions to the size of the organizations involved.

To avoid involuntary separations to the greatest extent possible, surplus employees will be encouraged to avail themselves of the ERI and EDI. Employees who opt for the ERI will have the added incentive of 15 weeks of separation pay until the EDI legislation is passed, which will contribute to a significant number of early departures. This will be offset, however, by the localized nature of the reductions (e.g. very heavy in Industry Sector branches and the regions but less so in the rest of the department).

The EDI is the key to meeting our objectives. The take-up rate is somewhat difficult to forecast, but we expect that it will be high because of the loss of a guaranteed job offer. It is expected that large numbers of employees will opt for this incentive within the 60-day window and depart prior to the end of the current year.

Using the existing tools for work force reduction, we estimate that the department will be able to effect a reduction of 225 full-time equivalents (FTEs) in 1995-96 (see Table C-2).

This "absorption" of 225 FTEs in 1995-96, however, falls short of our planned FTE reduction of 1 165 (see Table C-3).

Table C-2
Reductions Using Existing Tools — FTEs

Tools	1995-96	1996-97	1997-98
Normal Attrition	115	111	108
Termination of Terms	50	5	5
Reduced Use of Contracts	40	8	7
Flexible Work Options*	20	5	5
Total	225	129	125

* Part-time work, job sharing, leave without pay, pre-retirement transition leave, leave with income averaging.

**Table C-3
The Human Resources Challenge**

	1995-96	1996-97	1997-98	Total
Estimated Job Loss	1 011	90	64	1 165
Capacity to Absorb	225	129	125	479
Balance	786	(39)	(61)	686

Note: Major reduction in grants and contributions accounts for a major portion of the reduction in FTEs in 1995-96.

The full cost of these personnel reductions is beyond the financial capacity of Industry Canada. We cannot reduce our work force by the projected magnitude (1 165) and meet our departmental vision without the assistance of Treasury Board in funding these "personnel costs." This issue is dealt with in Annex B on *Financial Plan*.

In terms of job loss, the 1995 budget cuts will have greatest impact on the staff of the sector branches, both at headquarters and in the regions. Many of the affected positions are occupied by Commerce Officers, for whom there are only a limited number of positions elsewhere in the Public Service for which they could be considered.

Other human resources activities flow from the creation of the Canadian Tourism Commission Secretariat as a separate entity with a new private/public sector management board. The current Tourism staff in Industry Canada headquarters provide the human resources base for this new commission, but staff levels will be reduced from 85 to 55. In addition, the commission president has been given the responsibility for 23 regional Tourism staff, only eight of whom are required to manage existing subagreements to sunset.

About half of the Consumer Products Branch will be transferred to the Department of Agriculture and Agri-Food. The remainder will eventually be integrated into the Bureau of Competition Policy. In addition, responsibility for the *Tax Rebate Discounting Act* will be transferred to Revenue Canada, and the Community Futures Program will be transferred at reduced levels from Human Resources Development Canada to Industry Canada and the regional agencies.

In terms of support for those who will have to leave, the department is already providing and will continue to provide a wide range of support mechanisms including financial counselling, entrepreneurship training, job search training, an employee assistance program, skills assessment and stress management. Several advisory groups have been established to engage employees to obtain their input and to ensure that they are continually kept informed on the process; unions are consulted on an ongoing basis.

Due to the nature of the budget cut at Industry Canada, it is expected that about 85 percent of the required employee reductions will be made during the 1995-96 fiscal year. In the two subsequent years, the reductions will be mainly in Corporate Services following completion by these staffs of the financial, human resources and other adjustments for the department.

In 1995-96 and 1996-97, the emphasis in human resources management will shift from employment adjustment and related support mechanisms to organizational renewal. Training programs will focus on skills that employees will need to deliver outputs related to the micro-economic and productivity improvement agenda of the department. Renewal will also be undertaken in 1996-97 and 1997-98 through the external recruitment of a small number (0.5 percent of total FTEs per year) of university graduates who are highly skilled in relation to the work of the department.

In summary, the period 1995-96 to 1997-98 will see an early decline in the departmental work force of about 1 000, followed by small reductions of 90 in 1996-97 and 60 in 1997-98. Concurrent with this reduction and escalating in 1996-97 and 1997-98, emphasis will be placed on staff development and renewal to meet the challenge faced by the department in the key areas of policy development, sector development and marketplace services.

D. Information Management and Technology Issues

OBJECTIVES

Information is a key strategic asset that businesses can use to their competitive advantage in a global economy. Governments, by virtue of their specialized resources and their national and international perspectives, offer a service as providers of unique strategic intelligence to businesses that is not available from the private sector.

Industry Canada, in its role as the lead department in the development of the micro-economic agenda, and because of its three mutually reinforcing lines of business, is in a truly unique position in government to be a principal supplier of strategic business intelligence to the business community.

The department has three major thrusts in the information management and technology domain. They are:

- developing world-best information products for business clients
- building the information technologies infrastructure to enable the development, delivery and distribution of those world-best products
- optimizing process efficiencies throughout the department.

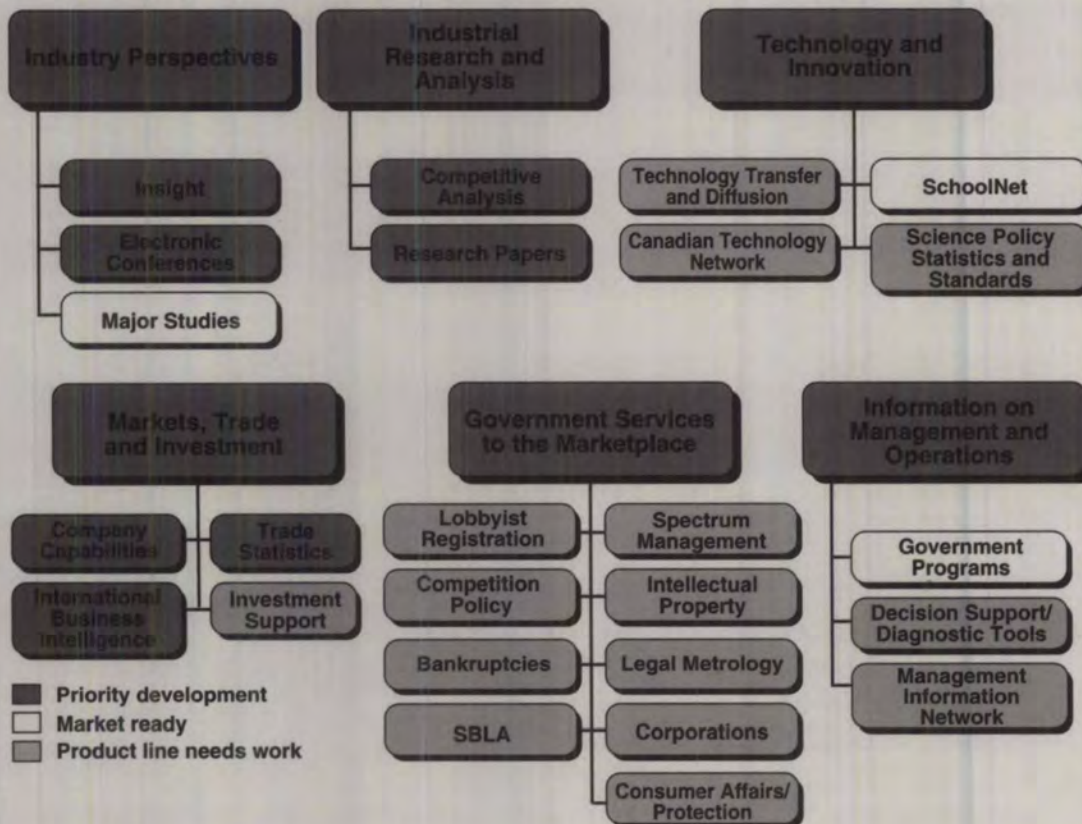
Senior management recently created the position of departmental Chief Information Officer, combining in one organization the strategic information developers, the information technologists and the information disseminators. Departmental priorities require that these elements be closely integrated, sharing common goals and fully cognizant of the others' needs. The new structure allows for this synergy and focuses the informatics activities where they are intended — on Industry Canada's outside clientele through the department's acknowledged priorities.

BUSINESS INFORMATION PRODUCTS

We have analyzed our strengths and the information requirements of our clientele. Based on this analysis, we have established a family of information products that we will develop for Canadian business. The information products are shown in Chart D-1. They allow Industry Canada officers to leverage their knowledge and information resources by passing that knowledge to a larger population than can be reached by direct, one-on-one contact. The product suite includes offerings from all elements of the department. These information products share the following characteristics:

- *complementary* to the department's lines of business
- *measurable*: the products have embedded measurement tools which, along with focus group and client feedback sessions, will allow Industry Canada management to accurately assess their usefulness to clients and their impact on the Canadian economy

**Chart D-1
Business Information Products**



- **relevant:** each product results from a business case in which the need for the product has been assessed and exploited
- **accessible:** the products will be readily available to all Canadians who have access to a computer and modem or, for some products, a fax machine or a simple computer
- **easy to use:** considerable efforts are being made to design products that will be easy to use and whose procedures for use will be standard for all products.

Industry Perspectives

A wide series of information products organized by industrial sector, ranging from electronic encyclopedias (Insight) to electronic conferences and important landmark studies on a variety of subjects of particular interest to companies in various industrial sectors.

Industrial Research and Analysis

A round-up of research papers — available on Internet — and economic figures of particular interest to academics and researchers.

Technology and Innovation

Databases of information products on licensable technologies, standards and research projects; networks of technical advisors, new graduates and highly qualified personnel; and SchoolNet, a series of newsgroups for Canadian students and teachers, which will link all Canadian colleges, universities and schools to the Internet.

Markets, Trade and Investment

Databases that provide specific and wide-ranging information that sources company products, services and capabilities; support international business development; detail trade performances in commodities and consumer goods; and support investment decisions.

Government Services to the Marketplace

Statutory and regulatory information on spectrum allocation programs, on corporations, bankruptcies, intellectual property (patents, trademarks), and so on.

Information on Management and Operations

Information services on cross-government programs; a full range of information sources of training on management practices; and diagnostic tools to help companies assess their competitiveness.

INFORMATION MANAGEMENT

As the department moves toward an expanded role in information analysis and dissemination, the libraries take on increased responsibility and significance. The disparate libraries of the founding departments are merging, as are the records management systems. The department is implementing a virtual library initiative that will put more information from the library collection onto the desks of employees and, through information products, into the hands of Canadian business.

A key component in **sector development** is direct assistance to small and large businesses, the principal client being the small to medium-sized enterprise (SME). They rely on the Canada Business Service Centres (CBSCs) for advice on start-up, government programs and access to government-obtained information. The policy paper *Building a More Innovative Economy* serves as the reference for the expansion and enhancement of the CBSC initiative. The CBSC National Secretariat will respond to increased demand by dramatically increasing the number of access points to CBSCs. The paper also calls for the service to be augmented with improved electronic access, allowing clients to communicate directly from their homes and offices with information specialists in the CBSCs.

INFORMATION TECHNOLOGY

The department continues to look for ways to improve the efficiency of the delivery of **marketplace services** programs through the appropriate use of information technology. In the Bureau of Competition Policy, the department has established an electronic information search laboratory and capability, allowing officers to search quickly through seized electronic records, reducing the duration of such searches. Systems development projects continue within Bankruptcy, Spectrum Management, Consumer Protection, Corporations and Intellectual Property programs.

One of the principal utilizers of information technology will be in the provision of strategic information to business in the **sector development** line of business. The finished products will be disseminated to the public through three distribution facilities.

The first is the Superserver, which houses a print-on-demand facility as well as on-line access to searchable information — text, graphics and fielded data. The facility is in operation in development mode. Additional enhancements in 1995-96 include refinement of the user interface, acquisition of additional user licences and e-mail linkages from products to Industry Canada support staff.

The second facility is portable media — diskettes and CD-ROMs. We have created four portable media trial products, which are being used as a learning tool to refine the processes involved in electronic publishing. The initial products have been well received by the industry associations and businesses who have helped us in defining and creating them.

The third facility is a fax return facility with interactive voice response that will allow clients to order short faxable information products to their office or home in real time. The equipment has been ordered, and the system developed is based on our experiences in setting up a similar facility within the CBSCs.

The job of defining the development processes, migration processes and the operation of the distribution facilities is well under way. The tools necessary are budgeted or acquired. We have created implementation teams for each product line and for the distribution facilities.

Technical work in progress stemming from the founding of the merged department includes:

- completion of the departmental Wide Area Network, which enables electronic services such as e-mail to be consistently delivered to all employees
- implementation of Lotus Notes groupware software
- implementation of common tools across the department and a primary computing environment.

PRIORITIES

- 1 Development and support of processes to create information products that meet the identified gaps in the information resources available to the Canadian business decision maker.
- 2 Development of client feedback monitoring capability for all our information products. The measurements from this monitoring must be presented to product developers to enable us to continually improve our products, keeping them relevant, useful and world-best.
- 3 Enhancements to the CBSC information dissemination process. The CBSC National Secretariat will increase the number of access points to the network. The Virtual CBSC will dramatically increase the richness of information directly accessible by both the CBSC clients and the CBSC officers serving the inquiring public.
- 4 Development, effectiveness monitoring and efficient operation of our distribution facilities — the Superserver, portable media and fax return.

E. Audit and Evaluation Issues

THE CHALLENGE

The department faces very significant changes and refocusing in its role, organization, activities and resources.

The audit and evaluation functions will help meet these challenges by focusing on the efficiency and effectiveness lessons and best practices, accountability structures and procedures, and performance measurement approaches that the department needs to meet its priority objectives and demonstrate success.

AUDIT AND EVALUATION CONTEXT

Most of the department's grants and contributions programs will be discontinued during the planning period. A much smaller number (11) will remain.

Emphasis will shift significantly toward the provision of services, particularly information products. Policy activity (including framework legislation) will also be proportionately more important as a departmental business line.

The broad policy framework for which the department has the lead is *Building a More Innovative Economy*. We will be expected to demonstrate the success of its implementation and move toward a follow-on package later this year.

Results-based performance measurement on an ongoing basis is becoming a necessity. At the departmental level, the new business planning process requires measurement of the impacts of the main business lines. Continuing resource constraints will subject all program and service activities to continuing scrutiny as to their impacts.

AUDIT AND EVALUATION PRIORITIES

Audit and evaluation priorities for the planning period will focus on initiatives aimed at attainment of overall departmental priorities. Special attention will be given to major restructured organizations to ensure that good internal control practices are not abandoned.

A particular area of emphasis will be the accountability requirements associated with new revenue generation possibilities.

Sunsetting/terminating grants and contributions programs may require special "wind-down" audits. Special evaluations or reviews should examine selected aspects of sunseting initiatives for "lessons learned" for future policy and program/service development.

The much-reduced stable of grants and contributions programs means that the majority of these programs can be scheduled for cyclical evaluation/audit over a multi-year period.

During the planning period, evaluation and audit activities will focus increasingly on information products and other services to business.

Early evaluation priority will be given to:

- elements of *Building a More Innovative Economy* for which Industry Canada has lead responsibility (e.g. CANARIE; SchoolNet)
- the world-class information products initiative.

Audit and evaluation studies will give particular emphasis to how well managers on an ongoing basis are implementing performance measurement for their programs, services and activities. Assistance will be given to managers to develop performance measurement methodologies.

Audits will also be conducted in response to special Treasury Board direction and under existing agreements. Initial areas include year-end expenditures (1994-95) and in support of the Official Languages Letter of Understanding (LOU).

F. Communications

CHALLENGES

- “Selling” the new department to clients and the Canadian public.
- Providing strategic communications support for priority activities (information highway, S&T Review, small business agenda, follow-up to the *Building a More Innovative Economy* document, strategic information products).
- Developing effective internal communications to help employees adjust to Program Review and the department’s new mandate.

PRINCIPAL ISSUES

- Client reaction to the new department’s mandate, goals and activities.
- Public recognition of the department’s leadership role in the information highway the small business agenda.
- Management of the government’s response to the S&T Review.
- The department’s contribution to the Quebec referendum debate.
- The management of employees adversely affected by Program Review and the remotivation of surviving employees.

PRIORITIES (1995-96)

- Adopt a more strategic approach to all aspects of communications planning and implementation.
- Publicly promote Industry Canada’s mandate, core lines of business, new services.
- Concentrate resources in support of corporate priorities and key files.
- Develop effective media relations capability.
- Introduce, manage new technologies (electronic media monitoring, electronic publishing, Internet information).
- Implement planned program of customer and public opinion research to help measure communications performance.
- Plan, execute and evaluate internal communications initiatives.

CORPORATE MESSAGES

- Industry Canada is withdrawing from subsidies to business. It will now concentrate its resources on creating the conditions that will lead Canadian business to become more innovative and competitive at home and abroad.
- Industry Canada is the principal architect of the government's micro-economic policy.
- Industry Canada is helping business to grow and is paying particular attention to the growth of small business because small business is the main creator of jobs in Canada.
- Industry Canada is helping to construct the information highway and other elements of an efficient and modern infrastructure.
- Industry Canada is working in partnership with industry to seek and expand markets for Canadian goods and services.
- Industry Canada is providing strategic information products and other services to business.
- When the federal Science and Technology Review is completed, the Minister of Industry will use the combined expertise of his department and the various agencies in his portfolio to develop a response consistent with the policy principles emerging from the Review.

PLANNED IMPACTS AND MEASURABLE RESULTS

- Employee and client understanding of Industry Canada, its mandate and mission.
- Broad client support for Industry Canada's policies, products and services.
- Better media understanding of the department, and fair and objective media treatment of departmental issues.