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AN INVESTMENT PRESENTATION
for
Piper Aircraft Corporation

October 1991

INVESTMENT CANADA
INVESTISSEMENT CANADA

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The information contained in this report was prepared by Investment Canada and Industry, Science and Technology Canada

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PREFACE

Canadian industry has a long tradition of competing successfully in global markets. While in the past, Canada's exports tended to be in raw materials, today Canada is exporting sophisticated manufactured goods, such as telecommunication and transportation equipment, as well as machinery and services around the world. To ensure that Canadian industry remains competitive in these rapidly expanding global markets, the Canadian Government has invested heavily in both infrastructure and skill development.

Technology-intensive manufacturers, such as manufacturers of civil aircraft who locate in Canada, benefit from the nation's economic and social infrastructure which includes:

- *an internationally competitive supplier base ;*
- *a large pool of trained engineering professionals;*
- *a large, qualified, and stable labour force;*
- *competitive wage levels;*
- *an excellent program of government support for exports;*
- *an excellent transportation and communication system;*
- *excellent support for the performance of research and development;*
- *superior education and healthcare systems; and*
- *clean, well-managed cities.*

These facts make a compelling case for choosing a Canadian location from which to serve the growing global markets for civil aircraft.

Canadian Aerospace Industry

Since the 1960's, Canada has produced about 7 percent of the western world's freely traded aerospace requirements. In the 1980s, the industry experienced a healthy average annual real growth rate of 10 percent, as the result of increased U.S. defence spending, and rapid growth in the regional and large civil transport aircraft markets

Most of the Canadian aerospace industry benefited from these growth markets and also from the industrial benefits associated with Canada's defence acquisitions such as the new fighter aircraft (CF-18) program. The airframe subsector led the industry, with an average growth rate of 13 percent, followed closely by the avionics and the propulsion subsectors with 12 percent and 8 percent average growth rates, respectively.

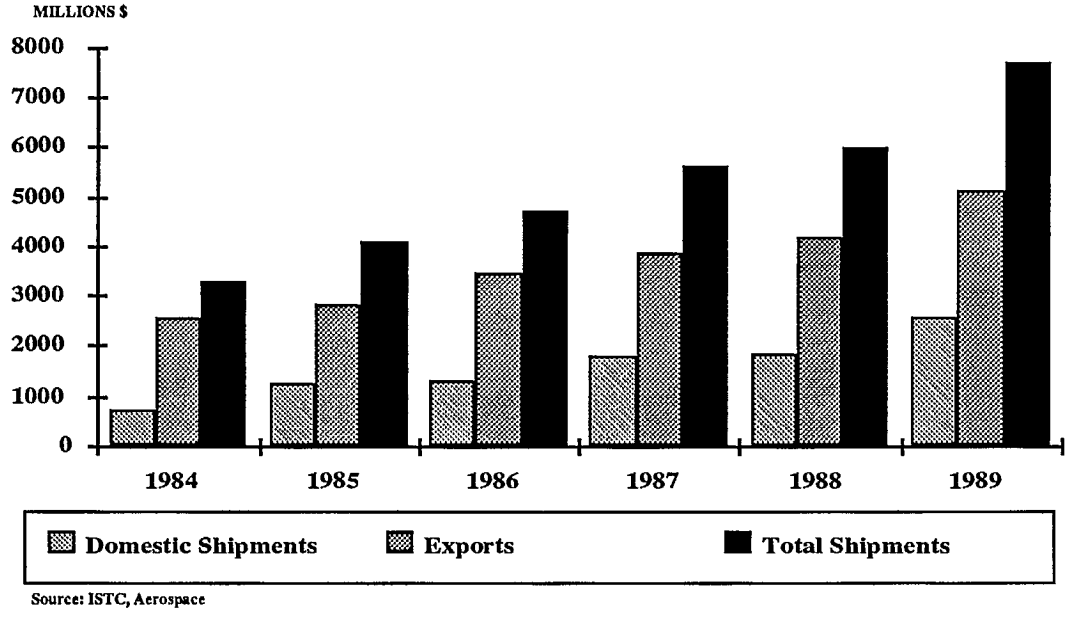
The industry's markets include transport and general aviation aircraft manufacturers, regional airlines, business aircraft users, major civil and defence aerospace contractors and governments. In 1988, about 70 percent of sales were to civilian markets, while the remainder were defence-related. Characteristically, the industry serves niche markets and is heavily export oriented. Consequently, the Canadian industry concentrates on specific products, processes and market segments that combine its technical expertise with good economic potential.

The United States is the principal export market for the industry's products. The principal factors allowing the Canadian industry to concentrate on the US market include:

- proximity to the large U.S. market;
- the favourable trade arrangements for aerospace and defence goods; as well as,
- the ownership linkages between major U.S. aerospace firms and Canadian counterparts.

In 1990, the industry employed 63,000 people and had sales worth $8 billion. Domestic sales during that period were close to $2 billion. Exports totalled $6 billion, of which 70 percent was destined for the U.S. market.

Figure 1: CANADIAN AEROSPACE SHIPMENTS



Source: ISTC, Aerospace

Tariff barriers do not have any real impact on trade in either commercial or defence aerospace products as GATT Agreement on Trade in Civil Aircraft have formally bound tariffs on commercial products to zero. Canada's access to the huge US market is further strengthened by its relief from non-tarriff barriers (NTB's) with the United States through many reciprocal defence production agreements, including the Defence Production Sharing Arrangement (DPSA). The DPSA allows Canadian companies to compete with U.S. firms in supplying the U.S. armed forces with a wide range of goods and services by setting aside the "Buy America" NTB.

The companies that make up the Canadian aerospace manufacturing industry can be divided into three segments. The first segment, accounting for some 45 percent of the industry's annual output, consists of the largest companies (over 2,000 employees). These companies have integrated design, development, manufacture, marketing and product support facilities for either complete aircraft, aero-engines, space systems or avionics systems, including defence electronics. The principal companies in this segment are:

- Pratt & Whitney;
- de Havilland;
- Canadair;
- Spar;
- Litton Systems;
- Bell Helicopter Canada; and,
- MBB Helicopter Canada.

The second segment of the Canadian aerospace industry is composed of about 40 medium-sized companies, which account for about 45 percent of the industry's output. These companies are primarily suppliers of proprietary products and build-to-print components, most of which are sold to foreign aerospace manufacturers, and companies that provide repair and overhaul services.

The main products of these companies include aircraft navigational and defence electronic systems, aircraft simulators, anti-aircraft defence systems and major sub-assemblies, such as wings, fuselage components, flight controls and landing gears for all types of aircraft. Major firms include:

- Garrett Canada .....electronic controls for aircraft environmental control systems
- Rolls-Royce Canada.....aero-engine repair and overhaul
- Standard Aero.....aero-engine repair and overhaul
- Hawker-Siddeley Canada (Orenda Division).....aero-engine repair and overhaul
- CAE Electronics.....aircraft simulators
- Bristol Aerospace .....missile propulsion systems
- McDonnell Douglas Canada.....airframe structural components
- Fleet Aerospace.....airframe structural components
- Canadian Aircraft Products.....airframe structural components
- Amherst Aerospace.....airframe structural components
- IMP, Aerospace Division.....airframe structural components

The third segment is composed of more than 100 companies, mostly small businesses with annual aerospace output worth less than $20 million. Collectively, these companies account for the remaining 10 percent of the industry's total output. With the exception of a small number of firms which have an integrated capability to design, develop, manufacture, market and support proprietary products, these companies are predominantly suppliers of subcontract products and services. Services they supply include precision machining, metal coating, heat treating, fabrication and casting. Most of their work is done in support of companies in other segments of the industry.

Location of the Aerospace Industry

Companies headquartered in Ontario and Quebec accounted for 89 percent of the total industry value of production in 1988, with the Prairie provinces, mainly Manitoba, accounting for about 7 percent and the remainder divided between British Columbia and the Atlantic provinces. The three largest firms, de Havilland, Canadair and Pratt & Whitney, accounted for 37 percent of the value of production in Canada. However, it should be noted that Pratt & Whitney has undergone considerable decentralization with the establishment of a state of the art computer integrated manufacturing facility in Halifax, Nova Scotia and it has recently announced plans to establish a new facility in Lethbridge, Alberta.

Aerospace Technology in Canada

Aerospace is one of the most R&D-intensive industry sectors in the world. The Canadian industry traditionally invests about 10 percent of revenue from total sales in R&D.

The ability to develop and incorporate technology into new designs is fundamental to successful competition in the aerospace market. The Canadian industry has a product development capability that is highly regarded in world markets. This reputation has been established over the years as a result of independent product development undertaken by Canadian firms, government-supported R&D, technology transfer, and innovative Canadian engineers and managers. Each of these elements has been and will continue to be critical to industry competitiveness. (See Appendix I for more information on R&D in Canada)

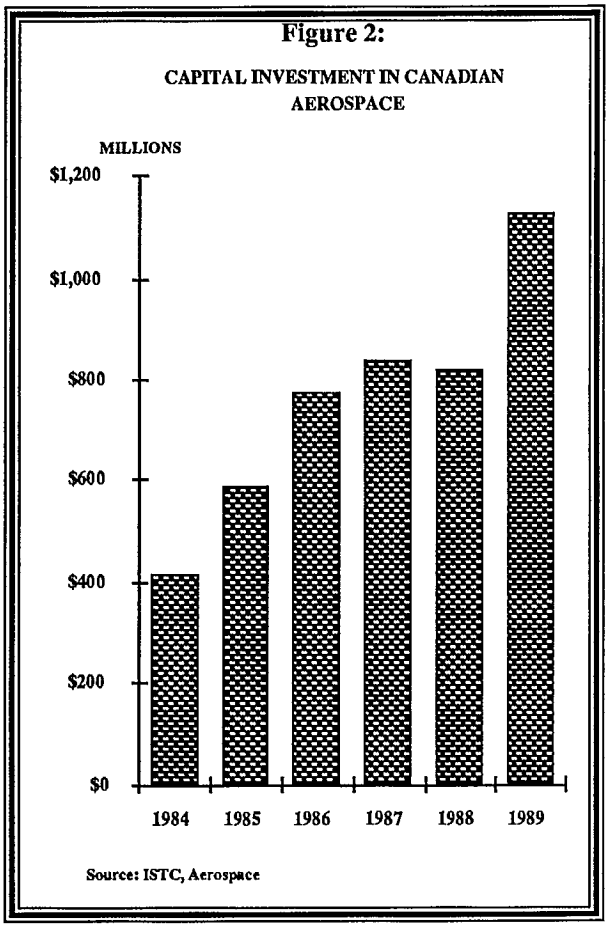
Although each of the larger firms within the Canadian aerospace industry maintains and operates its own development and test facilities, the industry also has access to the government-operated research facilities. These include the National Research Council's wind tunnel and structural test laboratories, and the research establishments of the Department of National Defence and the Department of Communications.

Canadian companies are quickly adopting modern manufacturing systems and methods to lower production costs. Most companies have computer-assisted design/computer-assisted manufacturing (CAD/CAM) capability. Flexible manufacturing methods have recently been adopted by some of the companies. The industry is also beginning to adopt techniques such as continuous improvement, just-in-time (JIT) inventory control principles, statistical process control and concurrent engineering.

The Canadian industry is constantly improving its competitiveness through increased emphasis on R&D, the adoption of new manufacturing technologies and new management concepts. Canadian government support to the Canadian aerospace industry through the Defence Industry Productivity Program (See Appendix III) has been instrumental in assisting the industry to maintain a high level of new product development activities over the past two decades.

In addition, to develop an expanding supply of skilled workers, the industry is currently working with various universities and educational institutions to establish curricula and training programs that are attuned to the industry's needs.

Figure 2:



WHAT DOES CANADA OFFER AEROSPACE MANUFACTURERS ?

I. Access to Global Markets

Canada's international trade links provide access to global markets, making Canada the seventh largest trading nation in the world. One of every four Canadian jobs is based on exports. Over the past two decades, exports have grown faster than the national economy as a whole and between 1982 and 1989, Canada experienced the second largest export growth among the G-7 industrialized nations.

More than 25% of the Canadian GDP is derived from exports mainly from a sophisticated and quality-conscious manufacturing sector which supplies transportation equipment, telecommunications equipment and machinery among other products to global markets.

Exports are vital to the economic growth of a country with a domestic market of some 26 million; therefore, the both federal and provincial governments of Canada have active programs to support and foster access to growing markets around the world. The strong and consistent growth in merchandise exports attests to Canada's commitment to competing in global markets.

Further evidence of Canada's commitment to competing in global markets may be found in its determination to create an environment of freer trade through the current round of GATT negotiations, through its entry into negotiations with the USA and Mexico for a North American Free Trade Agreement, and through the successful conclusion of the Canada-USA Free Trade Agreement in 1989.

The FTA has given Canadian companies secure access to the world's largest and most lucrative market for technology intensive manufacturers. Some 160 million people live within a two day drive of the industrial markets of Canada. As shown in Figure 1, Canadian cities are within easy reach of the large U.S. metropolitan centres of New York, Detroit, Chicago, Washington, Minneapolis, San Francisco and Seattle.

In addition to policy initiatives, Canada has ensured that all Canadian-based companies have access to global market opportunities through a series of programs for export market development which are more fully outlined in Appendix IV.

II. A Favorable Manufacturing Environment

The world aerospace industry will remain one of the most R&D-intensive manufacturing sectors. The Canadian manufacturing environment has the key ingredients that ensure continued competitivenes in the aerospace industry:

- support for technology development
- a sound infrastructure for basic research
- a technologically competent and flexible workforce
- secure access to the world's largest and most affluent market

Availability of Scientific and Engineering Personnel

Multinationals, with sophisticated R&D and manufacturing operations in Canada, offer varying reasons for locating in the Canada, but they all agree that one of the most important advantages Canada enjoys is its pool of highly trained professional engineers, and skilled engineering technologists and technicians.

Canada has a diverse pool of engineering talent. Canadians are among the most highly educated people in the world, with approximately 25% of Canadians having graduated from a post-secondary institution. Canada's post-secondary institutions had a total 1988-89 enrolment of 820,000 full-time students. Of these students, some 109,000 are enrolled in engineering or engineering technologies. In 1988, Canadian post secondary schools graduated some 20,000 science, engineering and engineering technologists.

Canada has an estimated 155,000 university graduate engineers in the workforce. Of these graduates, the nation has 112,000 engineers accredited by the professional association. Among the engineers with professional accreditation, 20% are involved in project planning, 13.5% are involved in research and development and design, and 13% are involved in operations and production.

A High Quality Workforce

The high level of education and the high literacy rate in Canada permeate all aspects of industrial operations. The Canadian workforce is well-suited to the more complex tasks and complex processes of technology intensive manufacturing. Their level of training is high and can be further enhanced and tailored to the specific needs of manufacturers by such programs as the Canadian Jobs Strategy (see Appendix II). This program, administered by Canada Employment and Immigration, offers companies the opportunity to provide their employees with high skills training at a substantially reduced cost. As a result of cooperative efforts between government and industry, high technology manufacturers in Canada enjoy such employment advantages as:

- a highly skilled labour force capable of adapting to new and complex production processes common in today's technology intensive industries, such as aerospace;

- favourable production labour costs. The hourly compensation for workers in the transportation equipment manufacturing sector in Canada was US$16.39 compared to the U.S. wage of US$19.93 (World Economic Forum, 1990);

- favourable salary costs for production department managers. The average 1989 salary level for these managers in Canada of $30,000 proved to be about one third lower than salaries in the U.S.;

- government sponsored health care, which eliminates the need for business to provide costly medical plans such as those offered in the U.S.

As the result of such a favourable manufacturing environment, employment in many technology intensive industries, such as aerospace is increasing rapidly. For example, employment in the aerospace sector increased from 47,000 in 1985 to some 63,000 in 1990.

Canada's Tax Environment for Manufacturing Firms

Canada has a favourable tax environment for companies in the electronics industry. Two of the most prominent tax incentives for manufacturers are the lower income tax rate for manufacturing income and the R&D tax credit. In addition to the federal incentives, the provinces offer similar incentives to manufacturers in the form of research and development assistance and tax holidays for new corporations.

A special deduction exists to reduce federal corporate income tax rate on manufacturing income. The lower tax rate for income from manufacturing and processing activities is 23.84% as of July 1, 1991. This figure is inclusive of federal surtax, and the abatement for provincial tax.

In addition to federal income tax, the provinces and territories also levy income taxes of their own. The income tax rates vary from a low of 5.5% to 17%, and are calculated based on the federal calculations of income, with some minor modifications with the exception of Quebec which levies tax based on their own calculation of income.

Tax Credits for the Performance of Research and Development

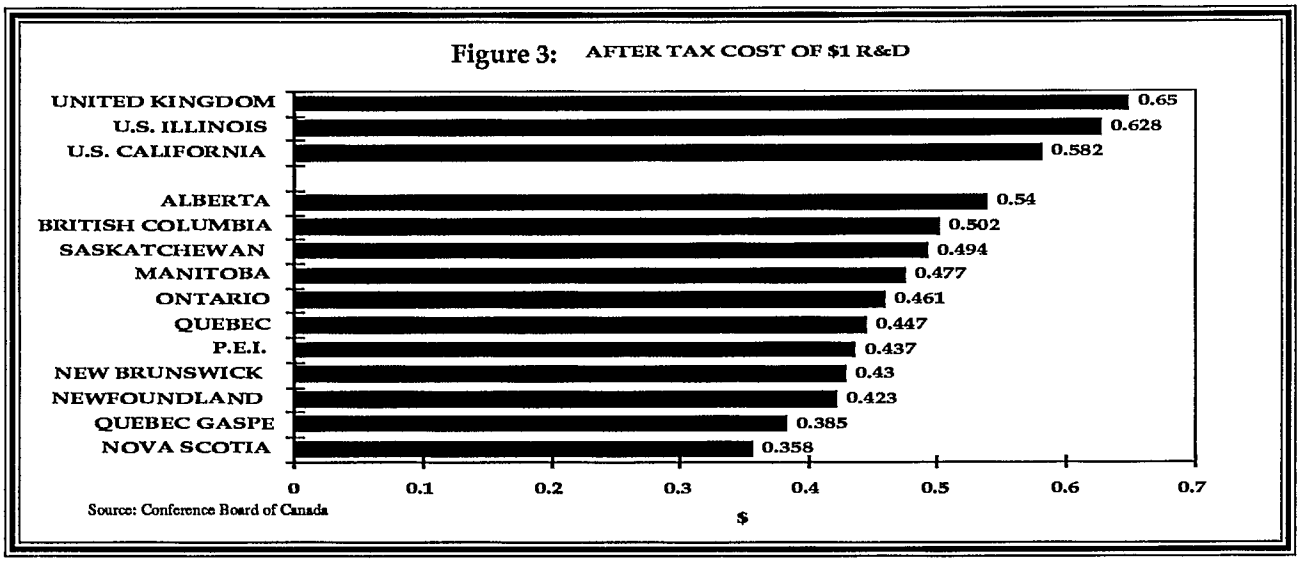
Special tax incentives are available through both the federal and provincial governments for Research and Development in Canada. The federal government provides incentives in the form of a tax credit. The R&D tax credit is Canada's largest single incentive for R&D, with estimated annual benefits conferred to corporations stated to be over $750 million.

The R&D tax credit is available to corporations for all current and fixed expenditures, except buildings. The R&D expenditure can be claimed in the year incurred or accumulated indefinitely for write-off in a subsequent period, as long as the expenditure is not deducted from income in any other year.

For non-Canadian Controlled Private Corporations (Non-CCPCs), a tax credit of 20% of R&D costs is available. R&D performed in the maritime provinces or the northern peninsula of Gaspé is eligible for a credit of 30%. Non-CCPCs can claim R&D tax credits totalling up to 75% of tax otherwise payable including the federal surtax. The cost of R&D less any R&D tax credit received can be deducted as an expense in the year incurred.

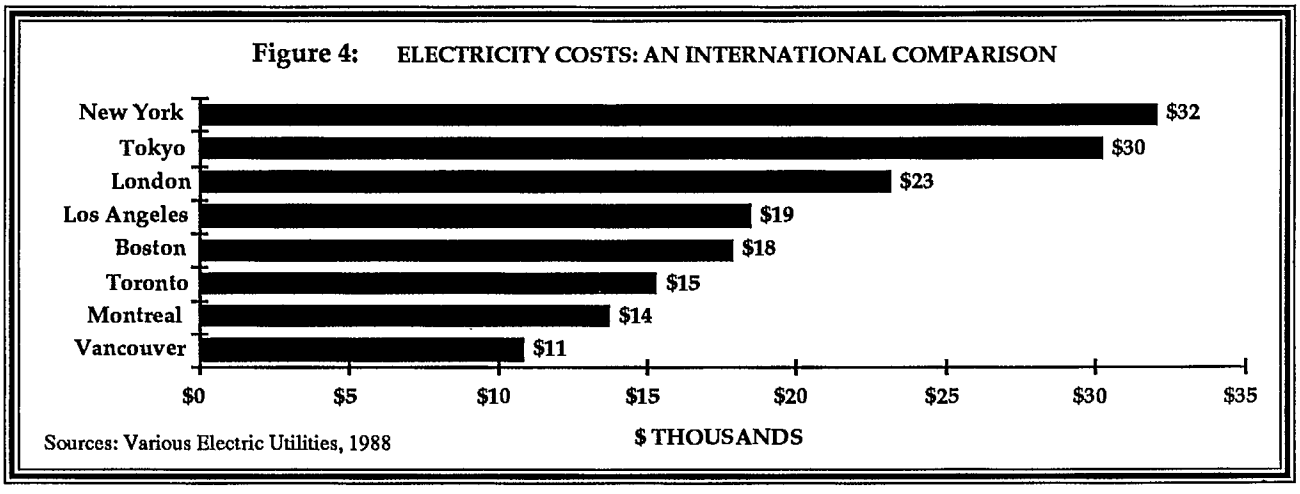
In addition to the savings in federal tax, there are tax savings to be realized at the provincial level through programs which parallel the federal program. The net result of the federal and provincial programs is to reduce the cost of $1 of R&D to between $0.358 and $0.54 depending on where the R&D is carried out (Figure 3).

Appendl provides detailed examples of how the tax credit system operates in the various Canadian provinces.



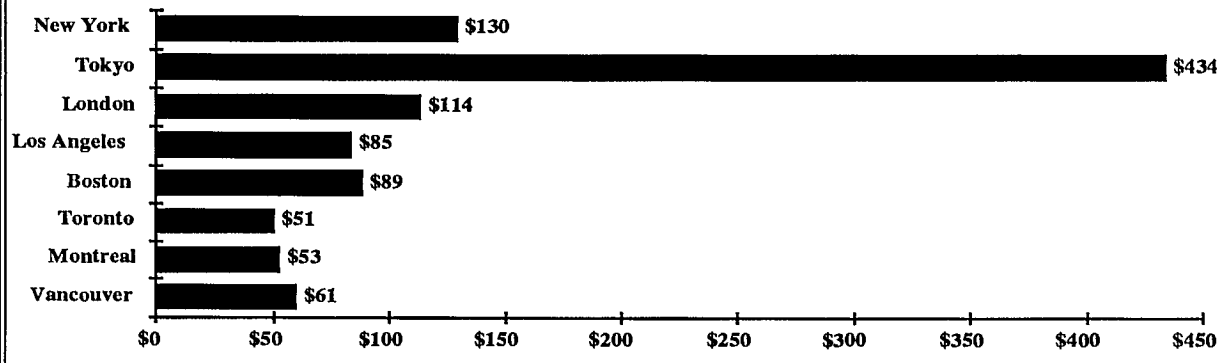
III. Low Cost Energy and Abundant Natural Resources

Abundant and secure supplies of energy and raw materials are other components of Canada's competitive advantage. Canada has the largest supply of fresh water in the world. This vast supply of water results not only in inexpensive water for industrial and domestic use, but also provides Canada with an abundant supply of inexpensive hydro-electricity. A 1988 study revealed that the cost of electricity and natural gas in Canada are significantly less expensive than in other industrialized nations (Figures 4 & 5). In terms of other resources,



Canada is one of only two G-7 countries that is self sufficient in oil supplies. Other raw materials are also abundant in Canada. In 1990, the WEF ranked Canada second among the 23 countries in terms of natural endowments.

Figure 5: NATURAL GAS COSTS: AN INTERNATIONAL COMPARISON



IV. A Superior Transportation and Communications Infrastructure

Canadian companies are acknowledged world leaders in the areas transportation and communications. Canada's size and export orientation has necessitated a strong transportation and communication infrastructure for conducting business on an international scale. Firms located in Canada have easy access to the entire North American market through an integrated system of highways, railways and air, sea and communication links. Canada has two transcontinental railways and more than 20 regional systems. There are over 271,000 kilometers (168,000 miles) of paved highways, some 25 major deep water ports, and in excess of 1,800 airports. The various modes of transportation are well connected and cargo can usually be switched from one mode to another without changing containers. Canada has international ocean ports serving both sides of the country, across either the Atlantic or Pacific ocean. Canada's communications infrastructure is second to none, with high quality fibre-optic and satellite communications spanning the globe providing the highest quality telephone communications.

V. Government Support for Technology Intensive Manufacturing

The Government of Canada recognizes the need for continuous innovation in the Canadian industry in order to remain internationally competitive. In addition to providing business and particularly technology intensive companies with a favourable climate for doing business, the Government of Canada has developed numerous programs to foster growth in technology intensive industry. Through the establishment of targeted government programs in support of technological development, the Canadian government and industry have created a unique system of co-operation. The extent and flexibility of the federal government programs which are applicable to manufacturers can be seen in the appendices that follow.

APPENDIX I: TAX INCENTIVES FOR RESEARCH AND DEVELOPMENT

Incentives for Research and Development

Special tax incentives are available to encourage corporations to undertake industrial research and development. All current expenditures (such as direct salaries and other operating costs) and certain capital expenditures on eligible R&D activities can be written off in the year incurred. While the cost of buildings used for R&D must be written off at the standard 4% declining balance CCA rate, the cost of specialized structures and equipment used for R&D may be written off in the year incurred.

In addition, there is a tax credit of 20% for eligible R&D expenditures (30% for R&D carried out in the Atlantic provinces). The tax credit for R&D applies to all current expenses (such as salaries) as well as capital expenditures on equipment and specialized structures used in qualified R&D activities.

The annual amount a corporation may claim for ITC related to R&D expenditures is 75% of federal corporate tax otherwise payable. Unused R&D tax credits can be carried back 3 years and forward 10 years. The tax credit claims in respect of R&D expenditures reduce the amount of the expenditures which may be deducted from income for tax purposes.

Investment Tax Credit
for
Research and Development

General	20%
Atlantic Region	30%
Small Business	35%

A Conference Board of Canada research report, published in 1990, concluded that the Canadian corporate tax system provides greater overall incentive for companies to engage in R&D than does the tax system of nine other leading industrial countries. This study compared each of the countries using a measure known as a B-Index which measures the ratio of the present value of project-related before-tax income to the present value of project-related costs at which an R&D project becomes profitable for the firm that undertakes it. The B-Index is, therefore, the critical (minimum) benefit-cost ratio.

Country	B-index	Rank
Canada	0.657	1
Australia	0.703	2
Korea	0.805	3
France	0.813	4
United States	0.972	5
United Kingdom	1.000	6
Japan	1.003	7
West Germany	1.027	8
Italy	1.033	9
Sweden	1.040	10

More detailed information on the research and development incentives available to Canadian-based corporations can be obtained from Investment Canada, (613)995-7280.

APPENDIX II: TRAINING INCENTIVES - THE CANADIAN JOBS STRATEGY

The Jobs Strategy comprises of six programs which are intended to be a collection of tools available individually or in combination to respond to clients' needs:

- Skill Investment
- Community Futures
- Skill Shortages
- Job Development
- Job Entry
- Innovations

Skill Investment

Provides training and retraining to facilitate adaptation to new types of jobs. Also provides a relocation assistance plan and a work-sharing compensation plan for workers to cushion the impact of layoffs or reduced wages. Employers and employees plan the training programs while the federal government subsidizes training costs and wages. Federal assistance for training can last up to three years. Five different options are available under this program.

Skill Shortages

Provides financial assistance to employers to train workers in skills that are in short supply and high demand. Assistance for training under the program may last up to three years. An employer can train current employees or ask the CEIC to refer qualified candidates who can be hired and trained.

Job Entry

The Job Entry program specifically targets youth, women, students and the severely unemployment-disadvantaged persons. Provides on- and off-the-job training and work experience for persons who face significant barriers in securing and maintaining employment. Operating and training costs are paid to co-ordinators. Business, labour, community groups, the public sector, and individuals are among those who can act as co-ordinators. Income support in the form of a training allowance or unemployment insurance benefits may be provided for participants.

Job Development

Designed to help the long-term unemployed to take advantage of the opportunities available in the labour market. The Job Development Program subsidizes the cost of training and work experience for individuals who have been unemployed for 24 of the previous 30 weeks, particularly members of established target groups: women, disabled persons, native peoples and visible minorities. Project proposals are submitted by businesses and non-profit organizations, and must create three or more subsidized jobs lasting between 16 and 52 weeks.

Innovations

The Innovations Program is designed to provide financial assistance for pilot and demonstration projects which test new and cost-effective ways to improve the functioning of the Canadian labour market.

Community Futures

Helps communities adapt to a changing economic environment and explant permanent employment. Eligible communities are those outside metropolitan areas facing chronic high unemployment or a major permanent layoff. Through a local Community Futures Committee they can obtain five different forms of assistance: services and loans to small businesses; income support to unemployed who are establishing their own business; relocation and exploratory assistance; institutional training to workers to meet skill needs and to increase prospect of employment; and support for innovative proposals from the Community Futures Committee for stimulating growth and recovery.

APPENDIX III: GOVERNMENT FINANCING FOR BUSINESS

Defense Industry Productivity Program (DIPP)

The objective of DIPP is to develop and maintain strong defence-related industries across Canada, capable of competing in domestic and export markets.

Four types of assistance are available. Contributions are provided towards eligible costs of the following projects carried out in Canada:

- *Research and Development* - research and development of defense-related products and for sustaining the associated technology base;
- *Source Establishment* - to establish qualified Canadian suppliers of defense-related products;
- *Capital Assistance* - to acquire advanced production equipment to modernize or upgrade engineering and/or manufacturing capability in Canada for defense- related products;
- *Market Feasibility* - studies to establish the specifications and characteristicof defense-related products required to meet market demand or to determine market sector characteristics for those products when needs have been identified in Canadian or export markets.

Contact: Defense Industry Productivity Program (DIPP) (613) 954-3326
Industry, Science and Technology Canada
C D Howe Building
235 Queen Street
Ottawa, Ontario
K1A OH5

Federal Business Development Bank (FBDB)

The FBDB offers two principal services to Canada's business community: financial services such as loans, loan guarantees, and venture capital, and management services such as counselling, planning, training, and information. worthwhile projects with funds that are not available elsewhere on reasonable terms and conditions. other businesses, to increase working capital, and to finance increased sales.

Contact: Federal Business Development Bank (514) 283-5904
Bank 800 Victoria Square
PO Box 335
Montreal, Quebec
H4Z 1L4

Small Business Loan Act (SBLA)

This Act helps small businesses obtain loans to finance specified fixed-asset needs, including purchase or upgrading of premises or equipment and purchase of land. These loans are made directly by approved lender to small enterprises, with ISTC providing for loss-sharing arrangements between the lenders and the federal government. Small Business Loans Administration, Crown Investments and Guarantees.

Contact: Industry, Science and Techonoly Canada (613) 995-5771
C D Howe Building
235 Queen Street
Ottawa, Ontario
K1A OH5

APPENDIX IV: TRADE - FEDERAL GOVERNMENT PROGRAMS FOR EXPORT

EAITC: Promoting Aerospace Exports

The Department of External Affairs and International Trade in Ottawa, together with its global network of 97 trade offices staffed by trade commissioners, is the best source for information on tariff and trade negotiations and on opportunities and competition in world marketplaces. It identifies opportunities for foreign capital projects and, with appropriate assistance from ISTC's regional offices and industry sector branches, helps Canadian firms to take advantage of them. It also works with the aerospace sector to promote Canadian exports.

Services to Exporters

The primary point of contact within the Department for exporters of aerospace and electronics products is the Defence Programs and Advanced Technology Bureau, which promotes and expands exports of Canadian defence and civilian high technology products. The bureau has four divisions:

- **The Information Technologies and Electronics Division** provides export marketing advice and guidance for the information technologies and telecommunications industries.
- **The Science and Technology Division** looks after international aspects of Canadian science as well as the Technology Inflow Program, and provides export marketing support to manufacturers of space equipment.
- **The Machinery, Transportation and Environmental Equipment Division** provides export marketing advice and support to manufacturers of such equipment.
- **The International Defence Programs, Aerospace & Marine Division,** has the prime responsibility for providing marketing support for Canada's aircraft, marine and defence industries. It provides this support by:
    - identifying export opportunities for aircraft, marine, and defence products;
    - advising Canadian industry about key international markets and suggesting ways to exploit market opportunities;
    - managing Canadian participation in bilateral and multilateral co-operative defence trading agreements;
    - maintaining access to foreign markets through negotiations to remove impediments to trade;
    - promoting the export of Canadian aircraft, marine, and defence products by working with Canadian posts abroad, conducting seminars and trade shows, and organizing trade missions;
    - co-ordinating the loan of National Defence personnel and materiel in support of industry's export marketing activities; and
    - providing assistance under the Program for Export Market Development (PEMD).

Other Export Programs

- International Trade Centres are located across Canada to provide trade services for exporters. They are staffed by experienced trade commissioners and are located in regional offices of Industry, Science and Technology Canada.

- The Program for Export Market Development offers assistance to Canadian businesses to participate in or undertake various types of export promotion activities. PEMD covers projects initiated by both industry and government and is designed to assist companies regardless of size. The program is handled by the International Trade Centres (see previous item) as well as by certain branches of EAITC and Industry, Science and Technology Canada. For more information call (613) 996-7200.

- The World Information Network for Exports (WIN Exports) is a microcomputer-based information system designed to assist Canada's trade commissioners to respond to the opportunities they have identified in their territories. Call (613) 996-5701 to list your company's export capabilities, experience and interests.

- Info Export is a guide to all the export programs of the federal government. It provides contact with EAITC's trade-information and advice on the best potential markets. Export trade literature is available. The toll-free hot-line is 1-800-267-8376.

Services Abroad

There are over 800 Trade Commissioners and locally engaged commercial officers located in over 80 countries abroad. Their responsibility is to assist companies based in Canada develop export sales in their respective markets.

Foreign companies looking for sources of Canadian aerospace products, or considering investments in Canada or joint ventures with Canadians, are encouraged to contact the Trade Commissioner in their nearest Canadian Embassy, High Commission or Consulate General or contact David Buxton at (613) 996-8050 or send him a fax at (613) 996-9265

Export Development Corporation (EDC)

Export Development Corporation is a Crown corporation which provides insurance, guarantees and financing facilities to help companies selling Canadian goods and services abroad. To meet insurance needs, EDC offers a broad range of products for both small and large exporters. The widely used product, export credit insurance, provides exporters with protection against non-payment by foreign buyers. EDC also offers insurance for new investments made by Canadian businesses in foreign markets, as well as bonding surety services for Canadian exporters bidding on export contracts.

EDC has three types of prearranged export financing facilities which it can establish with foreign banks or institutions. Each is designed to make it possible for foreign buyers to purchase Canadian goods and services on credit. In each case, EDC pays the Canadian exporter on the borrower's behalf, once the terms of the export contract have been satisfied.

Lines of Credit are a streamlined form of export financing by which EDC lends money to a foreign bank or institution, which then re-lends necessary funds to foreign purchasers of Canadian goods or services. Interest rates, repayment terms and other details are prearranged between EDC and the foreign borrower, which speed up turnaround times.

A Buyer Credit Protocol is an agreement between EDC and a foreign institution through which the foreign institution can guarantee EDC export loans to buyers of Canadian goods and services in that country. EDC and the foreign institution preset the total value of Canadian exports that can be guarangeed under a protocol. This, in turn, enables the two parties to prearrange many of the procedures by which the foreign institution can guarantee individual transactions.

Supplier Credit Protocols are a third type of umbrella agreement between EDC and a foreign institution. Here, the foreign institution guarantees the promissory notes (I.O.U.s) issued to Canadian exporters as payment by their foreign buyers, which EDC then purchases from the Canadian exporter.

EDC currently has 44 lines of credit and protocols, providing easy access to export financing for buyers in 21 countries. But these are not our only export financing options; EDC can provide other types of loans to buyers in many more countries than those listed below.

Mexico & South America	
Chili	$20 million
Colombia	$38 million
Mexico	$675 million
Venezuela	$10 million
Europe	
Belgium	$10 million
Czechoslovakia	$25 million
Denmark	$10 million
Hungary	$15 million
Italy	$10 million
Norway	$10 million
Portugal	$4.7 million
United Kingdom	$10 million
USSR	$436 million

USA & Caribbean	
Barbados	$9.5 million
Trinidad & Tobago	$15 million
Africa & Middle East	
Algeria	$342 million
Israel	$29 million
Tunisia	$80 million
Pacific & North Asia	
China	$1.5 billion
Philippines	$27 million
South Asia	
India	$82 million

EDC and the Aerospace Industry

Canadian companies have proven expertise in the aerospace industry. With total 1990 sales in excess of US$8.2 billion, and export sales worldwide of over US$6.2 billion, the demand for Canadian aerospace technology and products is obvious.

Companies such as *Canadair Group (division of Bombardier), Bell Helicopter Textron, Bristol Aerospace Ltd., Standard Aero and Dowty Canada* have continued to enjoy international success despite today's fiercely competitive global marketplace. This success is due in part, they maintain, to the support and backing of the Export Development Corporation (EDC).

As Dave Unruh, Vice-President of Standard Aero of Winnipeg, says, "We wouldn't have received our contract in Algeria without EDC financing and bonding support. The service and support we received from EDC throughout the transaction were of the highest quality."

Standard Aero has been serving the aviation community for more than 50 years and has become one of the largest independent suppliers of turbine engine and accessory overhaul/repair services in the world.

In 1989, Standard Aero came to EDC for financing in support of an aircraft engine overhaul contract with the Ministry of Defence in Algeria. The competition was tough and the foreign customer was asking for the utmost in quality, reliability and service. The contract also required the winning bidder to provide unconditional advanced payment and performance bonds, payable on demand. Standard Aero requested EDC's Performance Security Insurance in support of these bonds. When the foreign customer asked about the financing facilities, they were more than satisfied. Not only did the customer have access to financing, but Algeria could now benefit from a line of credit put in place by EDC with the Banque Algérienne de Développement. The contract proceeded smoothly.

EDC has a range of insurance and financing services that are designed to meet the needs of Canada's aerospace industry. As Jim Brockbank, Manager of EDC's Export Financing, OECD Department, says, "Considering the complex range of financial structures now prevalent in the world market-such as leveraged leasing- significant resources are expended to ensure EDC's financing services will be attractive to the needs of foreign buyers. Indeed, since 1988 we have arranged for approximately US$1 billion in financing facilities for customers of Canadian companies in the aerospace industry, ranging from airframe manufacturers to components suppliers. A number of these transactions have been with the commercially developed OECD countries, as well as the newly industrialized or less developed countries."

With 46 years of experience in export insurance, financing and guarantees, and with offices in 8 major cities across Canada, EDC can help Canadian aerospace exporters maximize their export opportunities throughout the world. For further information, telephone (613) 598-2992

Canadian International Development Agency (CIDA)

CIDA's Business Cooperation Branch provides financial support under the Industrial Cooperation Program to companies which have identified joint venture opportunities to undertake preliminary Starter Studies (maximum $15,000). This is usually followed by a more in-depth Viability Study (maximum $100,000), should the initial investigation prove positive. For information, telephone (819) 997-7901

Canadian Commercial Corporation (CCC)

The Canadian Commercial Corporation (CCC) was established to provide a responsive inter-government export contracting service to the private and public sectors in Canada, and a contract management service to foreign governmental customers in order to ensure their satisfaction. For information, telephone (613) 996-0034

APPENDIX VI: REGIONAL DEVELOPMENT INCENTIVES

Programme Name: **The Federal Economic Development Initiative in Northern Ontario (FedNor)**

Objective: FedNor promotes economic development throughout Northern Ontario, including the districts of Parry Sound, Nipissing and points north, through loan insurance and contributions.

Assistance: All financial assistance can be stacked up to 75% of total capital costs.

Capital Financing:

- Up to 35%of the capital cost ($25,000 to $15,000,000)of starting expanding or modernizing a business.
- FedNor contributions of $100,000 or less are not repayable.
- Contributions over $100,000 take the form of interest free loans

Loan Insurance

- Up to 85 percent of loans for the establishment, expansion or modernization of commercial operations can be insured. Insurance is only available for loans covering capital costs between $100,000 and $15 million, with a term of no longer than 15 years. Furthermore, the insurance is provided only when the applicant cannot obtain reasonable loan financing from conventional sources. Many business sectors are eligible for assistance, including manufacturing operations.

Other Assistance

- Up to 50% of the cost (maximum $25,000) of a consultant's study pertaining to engineering and market feasibility and of the cost of a venture capital search.
- Up to 50% of the cost (maximum $50,000) of a consultant's study related to improving productivity through expansion or modernization.
- Up to 50% of the cost ($5,000 to $50,000) for market research and analysis or participation in trade shows, seminars or other marketing events.
- Up to 60% of the cost of developing a new or improved product, process or service.
- Up to 50% of the cost (maximum $50,000) of a consultant to perform market research, identify sources of venture capital or study the feasibility of a project.

Contact:

FedNor,
Queens Centre, Suite 106,
473-477 Queen St. East
Sault Ste. Marie, Ontario
P6A 1Z5
Tel: (705)942-1327

Programme Name: **Atlantic Canada Opportunities Agency(ACOA)**

Eligible Projects:

ACOA supports and promotes opportunities for the economic development of Atlantic Canada. The sectors eligible for assistance under the ACOA Action Program include the following:

- manufacturing and processing industries;
- business services;
- commercial research and development organizations; and
- repair and maintenance services.

Action Program participation can be in the form of contributions, interest rate buy-downs, loan insurance or Action Loans, which provide interest free debt for 5 years.

Contact:

Atlantic Canada Opportunities Agency
19th Floor, 770 Main Street
P.O. Box 6051
Moncton, New Brunswick
E1C 9J8
Tel: (506) 851-6523

Programme Name: **Western Economic Diversification Canada**

Objective:

Western Economic Diversification Canada (WD) encourages economic growth in western Canada by providing financial assistance for projects that involve new products, industries, markets and technologies.

Eligible projects:

All proposed projects are assessed in terms of their contribution to the diversification of the western Canadian economy. WD provides "last-in" funding and only where the project could not proceed without it. Funding from other assistance plans may be incorporated with WD fundingto providethe maximum benefit to applicants.

WD provides funding for the following types of projects:

- new product development/commercialization;
- plant establishment;
- new market development;
- industry-wide productivity improvement; and
- feasibility studies involving new products expaned facilities, new technologies, industry-wide productivity improvements or new markets.

Contact:

Western Economic Diversification Canada
Canada Place, Suite 1500
9700 Jasper Avenue
Edmonton, Alberta
T5J 4H7
Tel: (403)495-4164

Programme Name: **Canada-Quebec Subsidiary Agreement on Economic Development**

A) The Manufacturing Productivity Improvement Program

This program helps manufacturing and processing firms in specified regions of Quebec improve their competitiveness in both domestic and international markets through the use of moderntechnology

Contributions for Consulting Studies:
Provides up to 50 per cent of the cost of hiring a consultant develop a marketing plan: conduct market, feasibility or productivity improvement studies search for venturecapital.

Contributions for Acquisition of New Product Machinery:
Can cover up to 25 per cent of new machinery, equipment or systems incorporating modern technology leading to improved productivity, qualityand state-of-the-art facili ties. Project costs must be at least $50,000; contributions do not exceed $1 million.

Applicable areas:
Quebec-Sud, Estrie, Montérégie, Lanaudière and Laval. Certain parts of these regions are also included: Quebec, Mauricie-Bois-Francs, Montreal, Laurentides and Outaouais.

B) The Enterprise Development Program

Objective:
The purpose of the Enterprise Development Program is topromote entrepreneurship, improve the competi tiveness of manufacturing and processing firms operating in the resource areas of Quebec, and encourage diversification of the industrial base.

Eligible projects:
- Studies
- Establishment, Expansion or Modernization of Enterprises
- Common Services
- Marketing, Commercial and Technological Prospecting
- Business Development

Contacts:
Industry, Science and Technology Canada
Suite 3800, 800 Victoria Square
P.O. Box 247
Montreal, Quebec
H4Z 1E8