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AGENDA: JOBS AND GROWTH
BUILDING A MORE INNOVATIVE ECONOMY
QUESTIONS AND ANSWERS

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A. BASIC COMMUNICATIONS LINES

COMMUNICATIONS MESSAGES FROM BUILDING A MORE INNOVATIVE ECONOMY

KEY MESSAGE

***THE GOVERNMENT HAS A REALISTIC, STEP-BY-STEP PLAN TO SUPPORT
ECONOMIC GROWTH AND JOB CREATION***

MESSAGES

This plan is part of the broader agenda to move Canada forward. It is a realistic and logical step toward economic renewal and an innovative society. It is both a framework for a better economy tomorrow and a focused set of initiatives that have job creation potential for today.

This plan builds on the Trade Team Canada approach. It will strengthen the capacity of our businesses to take advantage of new markets and doors opened by a coordinated Trade Team Canada approach.

This plan focuses on partnerships, between governments, and between government and the private sector.

There are areas of the economy where the government can make a difference. Government leadership can make a positive contribution toward:

- **Building a Positive Market Place and Helping Small Business Grow** (Encouraging businesses to increase productivity and create long term, sustainable employment.)
- **Expanding Markets for Jobs and Growth through Trade** (To maintain Canada's standard of living we have no choice but to look for opportunities in international markets.)
- **Creating an Efficient and Modern Infrastructure** (A strong infrastructure provides the foundation for an efficient economy.)
- **Making Technology work for Canada.** (So that Canada's economy is truly innovative in all regions of the country and all sectors of the economy).

GENERAL MESSAGES (Agenda: Jobs and Growth)

Jobs and Growth are our central concern. . . . Canada works best when Canadians work.

Fiscal restraint is necessary but it alone will not solve Canada's deficit.

B. GENERAL QUESTIONS

1. JOBS

Question: How many jobs will this plan create?

Answer: The government's agenda for jobs and growth describes practical measures to improve the climate for the private sector to create new and better-paying jobs. The actual number of jobs created will depend on the ability of the private sector, with the help of the government, to build a more innovative economy.

The agenda for jobs and growth is not about mega-projects -- we are getting out of that business.

Question: Why not simply spend money to create jobs?

Answer: Experience shows that most traditional spending programs and make-work schemes do not create lasting, better-paying jobs.

The government's agenda for jobs and growth sets out practical measures to improve the climate for the private sector to create new and better-paying jobs.

2. FUNDING

Question: How much will this plan cost?

Answer: All funding will be found through reallocations.

Most initiatives require limited reallocations within departmental budgets, for example, cutting paper burden, regulatory reform, program simplification, export financing, and youth internship.

A small handful of initiatives -- six in fact -- require incremental funding of \$90 million a year. This will be found through reallocation.

Question: How does the new spending square with the government's deficit reduction target?

Answer: The initiatives are fully consistent with the fiscal objectives set by the Minister of Finance. The government is committed to reducing the fiscal deficit to 3% of GDP by 1996-97, as an interim step to balancing the budget.

All funding will come through a reallocation of resources.

Question: Why are you giving more subsidies to business?

Answer: This plan does not subsidize industry.

In fact, new initiatives will be funded from the reallocation of resources at a time when departmental budgets will be falling. For example, consideration is being given to the budget of Industry Canada by reducing it by approximately 40% over the next three years.

3. BUSINESS VERSUS PEOPLE

Question: Why does the plan respond to the needs of business rather than the thousands of unemployed Canadians?

Answer: The plan is part of the government's comprehensive agenda for jobs and growth.

This initiative sets out the first stages of a plan of action to build a more innovative economy in Canada. Innovative businesses create jobs. In recent years small business have created 87% of new jobs.

Earlier papers include: Improving Social Security in Canada, A Framework for Economic Policy, and Creating a Healthy Fiscal Climate.

Question: What does the plan do for unemployed Canadians?

Answer: The plan improves the climate for the private sector to become more competitive and productive and able to create new and better-paying jobs, thereby raising the standard of living for all Canadians.

The plan also strengthens and extends programs which help Canadians get new jobs:

- Sectoral Initiatives Program;
- Youth Internship Program; and
- Self-employment Assistance Program.

Question: Why are you creating more government programs for business when business groups have been asking for cuts?

Answer: These initiatives respond to business requests to reduce government impediments to growth and to help them create a more dynamic marketplace.

4. PROGRAM REVIEW

Question: Is this package of spending initiatives consistent with the Program Review?

Answer: Yes, the two are consistent.

The plan reflects the government's priorities for creating an innovative economy. These priorities will be funded through reallocation.

The goals of the Program Review are to set priorities and ensure that taxpayers' money is spent well.

Question: What are the implications of Program Review for Industry Canada or other government departments?

Answer: No decisions have been taken with respect to Industry Canada or other government departments.

However, Ministers have agreed about the importance of implementing this plan which involves a large number of departments and agencies.

Implementing this plan of action is a clear, government-wide priority.

5. REGIONAL ECONOMIES

Question: Why does the plan fail to address the regional needs of the country, particularly Atlantic Canada?

Answer: The initiatives will improve business conditions and opportunities all across the country.

Most initiatives will help small businesses, which exist in every region, town and village.

Question: What specific initiatives benefit the regions?

Answer: The action plan contains many initiatives relevant to the regions. Examples include:

- reduced paper burden;
- improved efficiency of regulations;
- the Canada Business Service Centres;
- Canada Infrastructure Works;
- new approaches to trade development with greater focus on small and medium-sized firms;
- increased and better-coordinated tourism promotion; and
- the internal trade agreement.

6. PROVINCES

Question: Why does the government ignore the role of the provinces in the action plan?

Answer: The partnership theme is very strong in the action plan.

Our approach is built on successful partnerships with the provinces. Examples include:

- Trade Team Canada in China;
- Canada Business Service Centres;
- Canada Infrastructure Works;
- CANARIE;
- the agreement to reduce internal trade barriers; and
- SchoolNet.

Question: Are there any new areas of federal/provincial partnership?

Answer: The action plan points to several areas where cooperation would be helpful:

- regulatory reform;
- small business program simplification;
- provision of trade development services; and
- promotion of Canada as a tourism destination.

7. WHAT IS NEW?

Question: Is there really anything new in this package? There appears to be a lot that has been announced before.

Answer: The government announced its new approach to economic policy in the paper *A New Framework for Economic Policy*, which is also part of the Agenda: Jobs and Growth series.

The overall policy approach and the specific initiatives set out in *Building a More Innovative Economy* represent new steps forward for the government in the context of the framework.

This plan of action represents a major step in building a more innovative economy for Canada. It is a change in the approach to dealing with Canada's economic challenges. The specific initiatives either represent a new objective in policy or a broadening or deepening of existing programs that work.

Question: What is the purpose of *Building a More Innovative Economy*? The plan looks like a laundry list of marginal changes.

Answer: We believe that government leadership can make a difference in the economy. The need for fiscal restraint will not be used as an excuse for do-nothing government.

The action plan sets out initiatives which are designed to:

- move the Canadian economy beyond the current recovery to produce the better-paying jobs and higher standard of living that all Canadians want;
- support innovation and growth by removing market inefficiencies; and
- improve the efficiency of government by adjusting programs and policies.

8. PROMISES

Question: Why should Canadians take these promises seriously?

Answer: The government is accountable for each of the commitments in this plan.

We have established timeframes, identified ministers responsible and where necessary will develop an agreed, and measurable, definition of success or failure with the private sector. Having clear targets and open processes are key to establishing accountability.

Ultimately the only test of a promise is whether it is kept.

9. FUTURE ANNOUNCEMENTS

Question: When will the details for each of the initiatives be available?

Answer: Ministers responsible for specific initiatives will provide details in the weeks and months ahead according to the timelines set out in the paper.

There are ten ministers involved in the 32 initiatives that are announced in the paper.

10. FEDERAL BUSINESS DEVELOPMENT BANK

Question: We understood that changes to the mandate of the Federal Business Development Bank (FBDB) were to be part of the package. What happened?

Answer: Industry Canada is consulting with private sector organizations and other government departments about the future of the FBDB, as was promised in the budget.

C. MARKETPLACE CLIMATE

11. PAPER BURDEN

Question: Why will this initiative succeed when similar attempts have failed previously?

Answer: We will succeed because we have identified an open process as the key element of success:

- Minister Eggleton will lead the government's efforts in close consultation with the private sector;
- a timetable with specific reduction targets will be set;
- a simple means of measurement focused on small businesses will be created;
- the key elements will be reviewed -- statutes, policies and regulations; and
- we will report annually on progress.

12. PROCUREMENT

Question: Why set up a special setaside program?

Answer: We want to target up to \$1.5 billion of federal procurement to small and Aboriginal business to encourage jobs, economic growth and innovation.

With this setaside, we will help small businesses to compete more effectively for federal government contracts.

Question: How can you ensure that the taxpayers will get value for money?

Answer: Procurements will be set aside when qualified, cost-effective suppliers are available.

We will ensure that these suppliers are aware of the opportunities by advertising them on the open and transparent Open Bidding Service.

13. *SMALL BUSINESSES LOANS ACT*

Question: Why is the government increasing the cost of *Small Businesses Loans Act* (SBLA) loans and thereby limiting the access of small business?

Answer: Prior to being changed, the program had hit its lending ceiling. The changes to the SBLA give small businesses access to an additional \$8 billion in guaranteed bank loans.

Given the current fiscal situation, we decided to put the program on a cost-recovery basis. We will consult with the private sector on this.

Small business has clearly indicated that access to capital is the most important factor for growth.

Question: Why is the government providing a \$8 billion subsidy to business?

Answer: We are not.

The amount of loans that can be covered by the program is being increased by \$8 billion, but businesses are still required to repay any loans they make under the program.

Question: Why is the program being expanded when small business groups are criticizing it?

Answer: The program is very popular with small business. In the context of consultations, some questions have been raised about specific aspects of the program. We will be addressing these concerns.

14. CANADA COMMUNITY INVESTMENT PLAN

Question: Doesn't this plan merely duplicate similar provincial plans?

Answer: Industry Canada and the regional development agencies will help to ensure that the plan is consistent with regional needs and that it does not duplicate provincial programs.

Question: When will we know which communities qualify?

Answer: Minister Manley will describe how demonstration projects will be selected in the next several months.

15. PROGRAM SIMPLIFICATION

Question: How many programs will be cut?

Answer: We are all committed to reduce substantially the number of small business programs by 1998. The goal is fewer, more flexible and responsive programs.

A progress report will be available by spring 1995, drawing on the results of Program Review.

Following discussions with small business associations, we will commit to further specific steps.

16. CANADA BUSINESS SERVICE CENTRES

Question: Why is the government spending more money on its operations at a time when taxpayers are demanding less government?

Answer: The CBSCs provide business access to services and information provided by all levels of government through a national, single-window network.

Since opening these Centres last year, demand for services has grown sharply, ranging from rates of 50% to 100% a year.

The additional investment in the CBSCs is being used to respond to these growing client demands.

There are nine centres now and one will be opening in Toronto. Using these as hubs, existing host organizations (for example, Chambers of Commerce and Economic Development organizations) will be used to provide services at the local level.

17. PAYROLL TAXES

Question: Is the government committed to reduce payroll taxes?

Answer: Yes, and we have taken action. Minister Axworthy reconfirmed that the government will implement a cut in the Unemployment Insurance (UI) premium rate in 1995, as announced in the Budget.

We are committed to progressive cuts in the UI premium rate, once the UI account is back in a healthy state.

Other components of payroll taxes (for example, the Canada Pension Plan and Workers' Compensation) will fluctuate with program requirements. For example, the contribution rate under the Canada Pension Plan was raised on 22 November 1994 to maintain the integrity of the program.

It is a priority for the government to reduce payroll taxes as this becomes possible.

18. REGULATORY REFORM

Question: Why is the government skewing the regulatory system in favour of business at the expense of the environment and consumers?

Answer: We will not lower our standards for environmental and consumer protection. Making the system more effective will improve environmental and consumer protection.

Regulatory reform will simplify and speed up the process of developing and managing regulations and make the system more efficient.

Our objective is to make the regulatory system more efficient and accessible to Canadians, thereby freeing up resources for growth and job creation.

Question: Why should we believe that the government is serious about regulatory reform this time?

Answer: This regulatory reform package builds on previous efforts and extends them considerably. It combines:

- fundamental legislative change (the new *Regulatory Efficiency Act* and the *Statutory Instruments Act*);
- a package of reforms in the way the federal government manages regulations; and
- targeted reforms in six sectors.

19. STANDARDS

Question: Why spend \$2 million more a year to create further obstacles for industry and consumers?

Answer: Uncoordinated standards create barriers to trade and growth. The standards system is intended to harmonize standards and thereby reduce or eliminate obstacles to markets and to growth.

We need to modernize and streamline the Standards Council of Canada and give it a new mandate to harmonize Canadian and international standards.

This reform will help our own industry improve its access to domestic and international markets.

20. INNOVATIVE WORKPLACES

Question: Why does the plan focus only on business concerns and not address human resources issues?

Answer: Initiatives that encourage individuals and promote the development of innovative workplace practices are outlined in the plan. Other, equally important, human resources issues are covered in Minister Axworthy's paper, *Improving Social Security in Canada*.

Question: Why are you re-announcing existing programs?

Answer: We are not.

We are strengthening and expanding those programs which are effective -- the Sectoral Initiatives Program, the Youth Internship Program, and the Self-employment Assistance Program.

In addition, we will modernize the Canada Labour Code in partnership with labour and management to encourage greater partnership in the resolution of workplace issues.

D. TRADE

21. INTERNAL TRADE

Question: Will there be a new round of internal trade talks?

Answer: We are working cooperatively with the provinces to implement the many elements of the current agreement, including the reduction of restrictions on investment and mobility of labour, and opening government purchasing.

The agreement also provides the framework for further cooperation and negotiation on a wide range of issues, including progress on standards and regulatory reform.

We will be pursuing these issues in the context of the current agreement's entry into force on 1 July 1995.

22. TRADE POLICY

Question: Is there anything new on trade policy?

Answer: The action plan sets out our priorities for external trade, including:

- expanding the World Trade Organization membership to include important trading partners -- China, Taiwan, Russia, Ukraine and Saudi Arabia;
- broadening and deepening the North American Free Trade Agreement (NAFTA) to include Chile and to seek improvements in areas like anti-dumping and countervail;
- focusing on strategic markets such as Israel Asia Pacific, Latin America and Australia; and
- strengthening selected market access agreements.

23. TRADE DEVELOPMENT

Question: Is there really anything new in developing trade opportunities?

Answer: The action plan sets out several major new initiatives:

- our Trade Team Canada approach will provide more effective service and reduce duplication;
- we will ensure that Canadian exporters are properly prepared before venturing abroad;
- we will direct export market development assistance to small and medium-sized firms;
- we will use the International Trade Business Plan as the centrepiece for international business development and priority setting; and
- we will put greater attention on agri-food exports.

24. EXPORT FINANCING

Question: Are you providing any new financial assistance to small and medium-sized firms?

Answer: We have several new export financing initiatives:

- a user-friendly road map on trade financing information (in place);
- a guarantee mechanism to increase operating lines of credit for small businesses (under development by the Export Development corporation);
- an initiative to make trade financing available at the local level (under development by the EDC); and
- a mechanism to provide pre-shipment export financing to small and mid-sized firms (under development by the Canadian Commercial Corporation).

25. TOURISM

Question: Are the provinces supportive of this initiative?

Answer: As outlined in Hon. Judd Buchanan's report on the tourism industry, all the provinces and both territories have indicated their support for the initiative.

Programs will be jointly developed, implemented and funded by representatives of the federal government, the provincial governments and the industry.

Question: When will you announce the membership of the Board of Directors for the Canadian Tourism Commission?

Answer: The role and mandate of both the Canadian Tourism Commission and its Board are currently being developed.

Representatives will be drawn from the private sector and the provincial and federal governments.

Our goal is to have a Board of Directors appointed as soon as possible.

E. INFRASTRUCTURE

26. TRANSPORTATION POLICY

Question: What positive contribution will the new transportation policy make?

Answer: The action plan describes the necessary changes to create an efficient, affordable, safe and competitive transportation system that will allow businesses to create growth and jobs.

The Minister of Transport will announce new air, rail and marine policies according to the schedule set out in the action plan. A regulatory review will also be completed next year.

Question: Is this a new transportation policy, or just disguised government cutbacks?

Answer: The government is looking to reduce or cease subsidies in the medium term. While some subsidies will be required to ensure access to remote regions, most will be scaled down or eliminated.

27. CANADA INFRASTRUCTURE WORKS

Question: Will there be an extension to the Canada Infrastructure Works Program?

Answer: We are now completing the first year of the program. Early indications are that it is a success.

It is too early to speculate about whether there will be next steps. Any option for this would have to be considered in the context of the fiscal constraints that all governments face.

28. TELECOMMUNICATIONS REGULATION

Question: Does the action plan announce anything new in the regulation of telecommunications?

Answer: The action plan clearly states the government's policy objective of promoting a more competitive market for telecommunications. Where competition in telecommunications has been introduced in the past it has brought lower prices, and greater choice for consumers along with new investment and innovation in products and services.

The government will proceed with finalizing its policies once the report of the Canadian Radio-television and Telecommunications Commission (CRTC) is received by mid-1995 and the Information Highway Advisory Council has been consulted.

29. CANARIE

Question: Why is the government spending \$80 million to support a very profitable industry?

Answer: The government is not providing direct assistance to the industry.

We are investing in CANARIE, a not-for-profit organization with over 140 members representing industry, research and education. The federal government's contribution will be matched by almost \$400 million from other partners.

Projects to be undertaken include:

- increasing the speed of the CA*net, Canada's internet;
- creation of a very high speed test network;
- assistance for innovative firms doing market-driven research on advanced networking; and
- extending the Canadian internet into Yukon and the Northwest Territories.

30. SCHOOLNET

Question: Is it really possible to link all Canadian schools by 1998?

Answer: The SchoolNet project has partners in provincial governments and the private sector. It is through these partnerships that SchoolNet will reach its goals. To date, 4,000 of Canada's 16,500 schools have been linked.

Other features of this strengthening of the SchoolNet program include:

- expansion of the Computers for Schools program to include libraries and some training centres; and
- the SchoolNet Community Access Project to provide access to up to 1,000 rural communities.



F. SCIENCE AND TECHNOLOGY

31. SCIENCE AND TECHNOLOGY

Question: Why was the vital area of science and technology ignored in the paper?

Answer: Science and technology were not ignored in the paper.

The elements of this plan are based on a number of consultations and reviews. Further actions will be taken as other consultations and reviews are completed. For example, the federal government is currently conducting a review of its science and technology policies. This review is not due to be completed until after the release of this paper.

Changes in science and technology policy will be made in response to the results of the review. There will be action on these issues early in 1995.

