

WORKING GROUP ON TYPES  
OF INCENTIVES AND WEIGHTS  
(Return on Investment and  
Equity/Investment Oriented Incentives)

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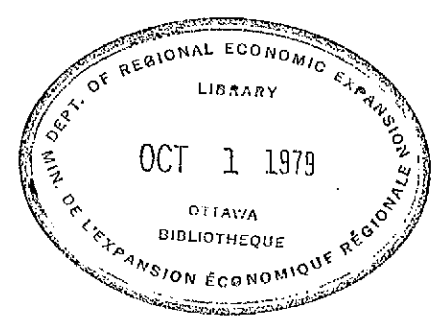
Canada. Dept of Regional Economic Expansion. Working Group on  
Types and of Incentives and Weights

WORKING GROUP ON TYPES

OF INCENTIVES AND WEIGHTS

(Return on Investment and Equity/  
Investment Oriented Incentives): [revised]

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WORKING GROUP ON TYPES  
OF INCENTIVES AND WEIGHTS

(Return on Investment and Equity/  
Investment Oriented Incentives)

TERMS OF REFERENCE

The terms of reference of this group relate to the review and appraisal of types of incentives which are presently in use, i.e. incentive grants, including repayable and conditionally repayable grants, and loan guarantees. In addition, the review is to include the related areas of direct loans to applicants, and provision of subsidies to offset high interest costs.

More specifically, we are to consider these incentive tools in terms of real and apparent impact, advantages, and disadvantages from various points of view, and the relative importance of each type of incentive. Further, our review is to include consideration of appropriate levels to be made available for various types of projects in different Regions, along with desirable features of a continuing program, such as types of operation to be included, terms and conditions to be imposed and manner of delivery; this last point to include a consideration of the basis of calculation and incentive amounts.

## RECOMMENDATIONS

As a result of our review, we have formulated a number of specific recommendations which are enumerated below. At the outset, however, our working group wishes to make it clear that, in our view, in spite of some shortcomings which have been identified through experience, the R.D.I.A. program as it is presently constituted has considerable merit. Indeed, it is our feeling that all those who have been responsible for the formulation and execution of R.D.I.A. are to be commended.

We are of the opinion that the development incentive has and can continue to be the backbone of an effective program of industrial development, and whereas adjustments to the parameters of the program, terms and conditions and methods of delivery are to be suggested, major structural changes to the overall program should not be undertaken without critical analysis of the overall impact of such changes.

### Incentive Grants

- (1) Non-repayable incentive grants must remain the mainstay of the incentives program.
- (2) Grants should continue to be based on a combination of capital cost and employment elements.

### Rates of Grants

- (1) Standard formula incentive rates for new facilities and new product expansions should remain unchanged.
- (2) Rates for modernizations and expansions should be increased by five to ten percentage points.

- (3) The \$30,000 per job and the \$6,000,000 maximum primary grant should be raised to \$50,000 and \$10,000,000 to overcome the erosion in value due to inflation.
- (4) Incentive grants should not be deductible for purposes of calculating capital cost allowances. (Recommendations 1 and 2 are made with the assumption that present capital cost allowance treatment will not change.)

#### Regional Differences in Incentives Rates

- (1) No new incentives formula rates (additional to the existing two) should be introduced to differentiate one region from another.
- (2) Further serious consideration should be given to increasing the standard formulas for Eastern Québec - say Riviere du Loup to Gaspé to bring them in line with Atlantic.

#### Terms and Conditions

- (1) The R.D.I.A. Section on prior commitments (9(1)(b)) should be eliminated, and Section 7(1)(a) should be amended to give appropriate control and flexibility to screen projects.
- (2) The minimum size of project for a modernization or expansion should be established at twenty-five percent of the cost of the existing facility.
- (3) For smaller cases, inspection procedures should be simplified to permit quicker disbursement of funds.
- (4) Incentive payments relating to approved capital costs should be increased to 100% at initial payment.

- (5) Greater use should be made of subsidiary agreements under G.D.A.'s to design incentives packages for very large and complex industrial projects.
- (6) Projects involving the replacement of an existing facility should generally be classified as modernizations/expansions rather than as new facilities.
- (7) Eligible operations should be expanded to include the repair and overhaul of major items of aircraft and marine equipment.

Loan Guarantees

- (1) The maximum amount of loan to be guaranteed should be related to total capital employed in the project rather than total capital costs.
- (2) Loan guarantee assistance should be available if required after commercial production date.
- (3) Expansions and modernizations of commercial facilities in excess of 25% of the cost of the facility should be eligible for loan guarantee assistance.
- (4) Eligibility for loan guarantee assistance should be expanded to include commercial air services, and other transportation and communication facilities.

ELEMENTS OF INCENTIVES PROGRAMS

Basis for Incentive Calculations

From a public acceptability point of view, an incentive based totally on wages and salaries (or direct jobs) might seem appropriate since it relates so directly to departmental goals. While its retention as an element in the incentive formula is desirable, the uncertainties attaching to payments against such an incentive must be taken into account. Also, the use of wages and salaries as the sole basis for calculating an incentive would greatly reduce our ability to relate to the financial needs of the project, with resultant significant increases in windfalls and shortfalls.

Conversely, the calculation of incentives based on capital costs only has the distinct advantage of ease in calculation and offers a greater degree of certainty as to the final amount of payment. In using this basis, the departmental goals are not brought into high profile, and although payment on capital costs may be appropriate for modernization projects which are not so directly oriented toward job created, inflexibility and lack of orientation toward employment are serious drawbacks. (this is expanded on below).

Incentives based on a combination of capital costs and wages and salaries (or some variation thereon) tend to neutralize the disadvantages of each case to within acceptable limits without blunting the effectiveness of the incentives. By using the two elements in combination, we have more flexibility

in tailoring our incentive to individual requirements.

In all of the above, major elements in the financing structure are ignored - pre-operating expenses and working capital. As in the Alberta Nutritive Processing Subsidiary Agreement, an incentive based on total capital employed could be offered. Such an incentive has the definite advantage of relating directly to the overall financing requirements of the project. Unless a job element were added, however, such a formula would not relate directly to departmental aims.

Used in conjunction with jobs, the percentage of total capital employed which could be offered, assuming the same general overall levels of incentive, would be so low as to appear unattractive. A major additional problem is that of accurately estimating working capital before the fact, and measuring it after the fact.

Until further experience has been gained in the Alberta Nutritive Subsidiary Agreement, we cannot confidently draw on their experience in this area.

#### Types of Grant

The outright grant (i.e. non-repayable incentive) is the most desirable from the point of view of most suitable general tool for a continuing incentives program. This judgement stems from the nature of the R.D.I.A. program, with its preponderance of smaller, less sophisticated applications, which precludes, because of cost and time limitations, the possibility of involvement in the more complex types of incentive assistance.



Actual, in contrast to apparent impact, varies greatly from project to project. Depending on the tax status of the applicant, and the investment mix of his project (i.e. between fixed assets of high or low capital cost allowance rates), the present DCF value of the incentive may vary by as much as 50%.

Major advantages of non-repayable incentives within the existing program are fairly obvious: cash at the front end of the project (i.e. incentive effectively increases equity), reasonable assurance as to the amount and timing of incentive payment, and thus a predictable effect on cash flow. Disadvantages relate to lack of bridge financing, some administrative problems, and if the grant is the only tool available, the inability to adjust the level of assistance to a project if required, either at the outset or at a later date.

We have the authority to make grants conditionally repayable. To date, we have not encountered situations (or perhaps been unable to solve the problem of attaching appropriate conditions) where we have been able to use this tool, although hypothetically at least, the high risk with potential high return project could call for its use.

The impact of a repayable incentive in terms of present value of net effect on cash flow will vary widely, but it will be significantly less than for outright grants. A major factor in the cash flow calculation, and specific disadvantage of this type of incentive is the loss of C.C.A. privileges until such time as repayment is made.

Conversely an obvious advantage is the potential saving in program cost compared to outright grants, due to our ability to reduce assistance commensurate with the real needs of the project after operations have been underway for some time. Disadvantages include the uncertainties for the applicant relating to any conditional assistance, but the major problem is the difficulty in establishing appropriate conditions and in administering a repayable incentive program fairly.

An unconditionally repayable incentive is a powerful tool in aiding the financing of a large project because, during the time the incentive is outstanding, it has some of the properties of equity thus making it easier to raise the balance of the capital (usually secured) required for the project. Such a tool is not required for small projects subject to formula incentives, because the formula is sufficiently generous to fill both the functions of increasing the return on equity capital invested and of facilitating the financing of the project.

Another aspect of the repayable incentive is that, to a minor degree, it does improve the return on equity of a project owing to the DCF effect on repayments and the lack of interest payable. In addition, the incentive, due to its relatively low profile, can be useful to DREE in respect of large sensitive cases.

#### Loan Guarantees

Beyond the area of direct incentive grants, the current legislation provides for loan guarantees to certain industrial and commercial projects. The number of projects actually

assisted to date has been small, but it cannot be questioned that the program has had meaningful direct and indirect impact on industrial development. Such a development tool has considerable advantages and disadvantages which are tabulated below.

Advantages

- (1) They have a strongly catalytic role to play when projects cannot proceed because of a lack of normal financing.
- (2) The program is predicated on a close relationship with financial institutions and as a result carries the imprimatur of the private sector on the soundness of evaluation decisions taken by DREE.
- (3) Makes available for the advancing of departmental goals sizable amounts of private capital which would otherwise be directed elsewhere.
- (4) The guarantee is a tangible expression of government commitment over a lengthy period of time (usually in the 10-25 year range).
- (5) Loan guarantees are contingent commitments and as such their budgetary impact is less severe. In fact, this is a particularly attractive feature in the present climate of budgetary restraint.
- (6) Loan guarantee assistance engenders substantially less public criticism regarding government largesse to the business sector.
- (7) Departmental manpower resources are substantially levered by using qualified lenders as co-administrators of the guaranteed loan.

Disadvantages

- (1) Tripartite involvement (DREE, Finance and the lender) can frustrate quick response.
- (2) The properties of loan guarantees as a stimulant are more limited than those of incentive grants.
- (3) The size of the guarantee fee can have a discouraging effect.
- (4) A guarantee does not improve the basic viability of the project.

The loan guarantee program has been constrained in part because many of its eligibility parameters have been determined by legislation designed as a framework for incentive grants rather than for a financing mechanism. For example, tying eligibility to total capital costs rather than total capital employed precludes any effective support for working capital financing which can of course be a company's major financing need. A further constraint imposed by a development incentives (grant) oriented act is the restriction of eligibility to start-up financing, be it for the establishment, or expansion of eligible facilities.

A serious drawback, which stems from the loan guarantee association with the incentive grant program, is the inability to offer assistance after commercial production date. Changes in financing requirements are a continuing thing and should be recognized as such by our program structure.

A further constraint in the R.D.I.A. legislation concerns the Department's inability to consider guarantee assistance for the expansion or modernization of commercial facilities. This can result in the anomaly, for example, of being unable to assist an experienced entrepreneur to exploit a clearly identifiable market opportunity in the hospitality business yet allowing a new facility to proceed in competition to the possible detriment of both ventures.

#### Loans

If no other source of funds is available, a direct loan could obviously be a valuable development tool. Such a program exhibits some of the same advantages as the loan guarantee program; helps in realization of projects where normal financing is not available; ultimate cost to government is substantially lower than a grant program; loans are much less subject to public criticism than grants.

On the negative side, the absence of available financing to a project is often a signal that it is of excessively high risk. The loan market in Canada is already well serviced by private agencies and government lending programs. This being the case, we would likely be required to pick up risks that are less than marginal with resultant unacceptably high losses.

#### Interest Subsidies

The argument for suggesting that DREE provide interest subsidies is presumably based on the untested assumption that projects in slow growth areas have to pay significantly higher

interest rates than in other areas for similar projects. In our view, any DREE inspired interest subsidy program would duplicate the purpose of existing programs.

A rationale for incentives is that they offset the disadvantages of locating industry in slow growth areas. These disadvantages are normally reflected in additional operating expenses. It is agreed that any additional interest costs due to locational disadvantages are likely to be very small relative to other operating expenses, especially in manufacturing industry.

RELATIVE IMPORTANCE OF TYPES OF INCENTIVE

From an entrepreneur's point of view the most important attractions of an incentive are its ability to improve the return on capital invested and to facilitate financing of the project. The discounted cash flow present value system of analysis (See appendix A) is the best method of recognizing the relative importance of attributes of an incentive to an entrepreneur attracted by return on equity capital investment. This method emphasizes that the greatest attractive elements are the amount of the incentive relative to capital employed in the project and the timing of the payment of that incentive. These aspects reinforce our contention that the outright grant type of incentive has considerable merit over other types of incentive and on this basis should remain the mainstay of the DREE program. On the other hand, where a major factor (in large non-formula cases) is the facilitation of financing, repayable incentive and loan guarantees become important tools and attract the entrepreneurs.

Incentives Grants based on Capital Costs only

The proposal that grant incentives should be based solely on ACC seems to have strong support within the department and is therefore the subject of special examination. There are clear advantages in that the applicant knows at an early stage the amount of the incentive and administratively the incentive can

be defined, paid and the case closed within a short time frame. It also appears logical, as the incentive is more related to the capital cost of the project. However, the proposal is rejected on the following grounds:-

1. The formula level of the incentive would have to be raised substantially (to approximately 47% for the Atlantic provinces and 36% for the balance of the designated region - see Appendix C) to compensate for the lack of incentive based on wages and salaries. The effect of this would be to increase significantly the attraction of the DREE program to capital-intensive industry and reduce the attraction to labour-intensive industry. This distortion is against Canada's economic interests if capital-intensive operations in competition with more labour-intensive operations would be artificially encouraged before they are economically justified in real terms.
2. The types of jobs created by the incentive (encouraging capital intensiveness) are less likely to have an immediate effect on the hard core of unemployment as higher levels of skills and education are generally required as the invested capital per job increases.
3. The cost per job to DREE would be increased (with a higher level of capital-intensive projects), thus reducing DREE's effectiveness in job creation on a limited budget.



4. For political reasons it is important to emphasize the job creation element as a DREE objective and tying the incentive to jobs created demonstrates this in the mind of the public at large.
5. It is suspected that labour-intensive projects tend in general to have a higher ratio of working capital to fixed assets and that much of the investment is intangible, such as training costs. Thus, if the incentive based on wages and salaries is eliminated, the attraction of the incentive in relation to total capital employed would be diminished in these projects, even if the incentive rate were raised substantially.

APPROPRIATE RATES OF INCENTIVES

General Incentive Rate Structure

On the basis of a survey conducted within the Department at managerial level, the following consensus conclusions, endorsed by Group 'B', have been drawn in respect of existing grant incentives: -

1. Incentive levels for new facilities are in an appropriate range in that they are sufficient to attract projects and yet not great enough to encourage too many frivolous applications.
2. Incentive levels for project expansions are too low and should be increased by 5 - 10 percentage points. This aspect is particularly important for attracting projects which are expected to continue to expand after the initial facility has been established.
3. At small relative cost, the attractiveness of grant incentives could be enhanced and public criticism reduced if they became tax free. Currently incentives must be deducted from capital costs allowances and are therefore taxable.

Territorial Differences in Incentive Rates

Judging from the results of the survey of departmental managerial opinion, it would seem that applicants are relatively insensitive to the level of incentives once the level is within

a certain range (say 20-40% of ACC). Thus, it is not appropriate to recommend a version of legislated bands of differential rates within regions. It is recommended that the special needs of areas be taken into account in evaluations and that discretion to this aspect be used more often. However, despite the previous statement, possibly some serious consideration should be given to raising the incentive rates in Quebec east of Quebec City to the rates prevalent in the Atlantic provinces in view of the material disadvantages of the region and its proximity to the Atlantic provinces.

#### Standard Formulas

The 1974 program changes saw the introduction of standard formulas for the awarding of incentives to small and medium sized cases. This measure was introduced with the full realization that shortfalls would occur, we could lose a small percentage of potential projects, and windfalls would be realized in some other cases. Our analysis at that time indicated that, if standard formulas were restricted to the smaller cases, the amounts involved were not significant. Balanced against this is the administrative convenience of not having to decide on a specific level of incentive for each case. From the applicant's point of view, advance knowledge of the expected incentive amount is of considerable value in planning his project.

Adjustment of Maxima

Two of the overriding maxima, established in 1969 when the RDIA was first proclaimed, are stated in dollar amounts. Unlike the 50% of capital employed, which automatically adjusts to current dollar values, the \$6,000,000 maximum primary incentive and the \$30,000 per job created have both been eroded seriously by inflation over the seven years of the program's history. Whereas the constraints of these maxima are not felt on a daily basis, they have been a problem often enough to warrant considering an increase to offset the effects of inflation.

TERMS, CONDITIONS AND CONSTRAINTS OF PRESENT PROGRAM

Prior Commitments

It appears that a large number of projects are being lost due to the application of Section 9(1)(b). The principle behind this section is that if a project is committed prior to an application being received by DREE, then no incentive is required. Of more drastic consequence is the prior commitment which is uncovered at inspection, depriving the expectant applicant of promised funds to cover project costs already increased.

The rule as it stands is too strict and restrictive. The important consideration is whether the applicant intends to proceed with his project without an incentive. If he clearly intends to proceed, then no incentive is needed. This aspect is catered for in Section 7(1)(a). Hence it is recommended that Section 9(1)(b) be eliminated and that more use be made of Section 7(1)(a) on a discretionary basis with certain minimum ground rules laid down by internal policy.

Timing of Payments

In some provinces there have been difficulties for some applicants in obtaining interim finance from the time of expenditure on fixed assets until the payment of the incentive. The problem is not widespread, but it does exist. In addition, many applicants are irritated that the incentive cannot be made available to them sooner.

Despite these reservations, it is our judgement that the existing system is satisfactory and should not be changed.

The present timing of payments is determined by two factors. Firstly, the principle that an incentive should not be paid until the objective of the incentive has been achieved. Secondly, payments are made when the amount to be paid is known.

While we are not recommending basic changes to policy, a review of procedures relating to payments could be undertaken to reduce delays. Also, higher percentages could be considered for initial payments as discussed below in relation to payment procedures.

#### Size Limitations on Expansion and Modernization Projects

Our observations, which are backed up by the incentives managers interviewed, are that many small modernization and expansion projects are no more than part of routine and continuing capital expenditures which would be carried out by any dynamic organization. As such, they cannot be considered to be contributing to industrial development. In the interests of program effectiveness, we should try to avoid spending program dollars in support of such projects.

A positive regulatory measure in this regard would be to set the minimum size of project as a percentage (say 25%) of the cost of the existing facility. In this way the small entrepreneur could not claim discrimination, while the larger operator would be limited to assistance on significant projects. We feel that this emphasis on significance is important. Such a change would also alleviate administrative pressures.

Large Cases

We recognize the limited attraction which RDIA has for large organizations, and its legislative limitations to assist very large and complex projects. Although the Directors have indicated the desire to have a "package of incentives" available to draw on from special situations, many cases will be unique and any attempt to put together a comprehensive package will fall short of desired objectives. The various provincial governments, with differing priorities and operating methods represent an important factor here.

In some regions, subsidiary agreements under the G.D.A.'s have been used to implement larger, more complex, industrial development initiatives. In one case at least, the subsidiary agreement called for the use of R.D.I.A. as one of the tools to carry out the program.

The use of the subsidiary agreement approach to carry out specific initiatives would seem a logical way to ensure that the tools are appropriate for the job at hand.

Payment Procedures

Without wishing to detract from the importance of compliance with legislation and offer terms, it is still our observation that procedures to be completed before payments can be issued are complex and time consuming. In fact, a number of projects have been jeopardized by our administrative inability to disburse our initial payment more quickly.

Our reservations on making advance payments (before C.P.) are stated elsewhere, but it is our feeling that by the wider use of estimates, auditors' certificates and other abbreviated procedures, we should be able to arrive at an estimated initial payment to be disbursed without delay. Detailed calculations could be reserved for the interim or final payment stage, as is presently done in relation to jobs.

If payment procedures are adjusted, consideration might be given to disbursing, at the initial payment, 100% of the incentive on ACC. This would be a means of getting money to the entrepreneur quicker, and would not result in any serious administrative problems.

#### Classification of Replacement Facilities

This whole area of replacement facility incentives is one that is rife with inequities and administrative problems. On analysis, it will be found that most such projects are merely modernizations, sometimes involving some increase in productive capacity. The criteria for deeming that they are "new facilities" is that a new location is chosen and a new building purchased or rented. Effectively, the same operation continues in the new location.

Our administration of the cases involves the waiving of Regulation 21, which we do almost automatically, and all the difficulties relating to the determination of present and proposed employment, and the calculation of the increment on which the incentive will be paid.



The result is often inequitable, since the entrepreneur who moves receives a higher incentive than he who simply modernizes on the same location, and it might even be argued that by our treatment we are encouraging unnecessary moves to acquire more elaborate premises.

A more equitable treatment would be to treat these cases as modernizations/expansions, unless it can be clearly demonstrated that the move involves the establishment of a completely new operation. In cases where new products will be produced, we could continue to use the existing procedure of paying on the jobs relating to the new product.

#### Service Industries

Considerable attention was given to the question of including certain elements of the service industry under eligibility for incentive grants. The proposal was discussed with incentives personnel in all provincial offices and there was not a clear consensus that such a recommendation should be considered. However, the general attitude was that definitional and administrative problems would preclude any effective thrust in this direction. It was suggested by Québec, for example, that major service ventures which could be construed at least partly as infrastructure could be handled by subsidiary agreement. Ontario strongly supported consideration of grants to certain service industries in principle but recognized difficulties in application.

After a careful review of the circumstances, we have concluded that service industry assistance by way of incentive grant does not appear to be an appropriate recommendation at this time.

Serious consideration has been given to the expansion of the definition of manufacturing industry to embrace a minor portion of the service industry which is quasi manufacturing in nature. Specifically the repair and overhaul of major items of aircraft and marine equipment could be classed as an eligible endeavour on the premise that these are essentially re-manufacturing activities. It is recognized that presently we are able to qualify some of these processes.

Loan guarantees could also be given a broader scope in its consideration of applications for commercial ventures. Such ventures should include:

Commercial air service

Other transportation

Communications facilities e.g. Cable TV

MEASUREMENT OF IMPACT OF INCENTIVE ASSISTANCE

## (Present Value Concept)

To measure and compare the actual impact of various incentive tools on a project, an appropriate approach is to calculate the net effective of the incentive on the cash flow of the operation, expressed in terms of present value.

Depending on the specific terms of the offer, and the details of the project and the applicant's operation, many variables may be applied to the present value calculation; viz:-

- (1) Timing of payments;
- (2) Whether repayments are required, and whether these are conditional or unconditional;
- (3) The manner in which the incentive will be applied to reduce undepreciated capital cost for tax purposes;
- (4) The applicable rate of income tax during the period under review.

As a brief example, an outright grant of \$100,000 under various sets of circumstances was analyzed and the net present value of the cash flow was tabulated. It was assumed in all cases that the payment was made 80% in year 1 and 20% in year 4. Discount rate of 10% was used.

Tax Rate	<u>50%</u>	<u>25%</u>	<u>0.%</u>
Investment			
- 100% class 29	\$40,500	\$65,400	\$90,200
- 75% class 29 & 25% class 3	49,900	70,000	90,200
- 50% class 29 & 50% class 3	59,200	74,700	90,200
- 25% class 29 & 75% class 3	68,600	79,400	90,200

By way of comparison, an incentive of the same amount, conditionally repayable in two equal instalments in years 5 and 6, attracting the high tax rate and involving a 50/50 investment (i.e. equivalent to the case in the above table with a present value of \$59,200) would have a net present value of approximately \$20,000 only.

The permutations and combinations are endless, and it can be seen that the present value approach can be a useful way of comparing many incentives packages. Of course it cannot be used for loans, loan guarantees or unconditionally repayable incentives due to the distinctly different nature of these incentives tools.

STATISTICS ON SIZE OF FORMULA INCENTIVES  
(Period - July 1974 to July 1976)

	<u>Authorized Incentive</u>	<u>ACC</u>	<u>Authorized In- centive as % of ACC</u>
<u>Atlantic Provinces</u>			
Newfoundland	\$ 2,171,876	\$ 5,110,508	42.5
Prince Edward Island	2,171,145	5,412,915	40.1
Nova Scotia	5,817,351	12,936,313	45.0
New Brunswick	<u>4,442,855</u>	<u>9,323,757</u>	<u>47.7</u>
TOTAL	<u>\$14,603,227</u>	<u>\$32,783,493</u>	<u>44.5</u>
<u>Other Provinces</u>			
Quebec	\$21,047,268	\$62,350,625	33.8
Ontario	4,859,714	13,803,536	35.2
Manitoba	6,275,841	18,525,964	33.9
Saskatchewan	4,822,415	14,534,254	33.2
Alberta	1,794,813	6,030,915	29.8
British Columbia	<u>905,537</u>	<u>3,004,805</u>	<u>30.1</u>
TOTAL	<u>\$39,705,588</u>	<u>\$118,250,099</u>	<u>33.6</u>

Above statistics are based on cases where ACC was less than \$1½ million and jobs were less than 100. They are based on 630 records. Number of jobs created are estimated at 12,570.

The statistics indicate that if incentives were only related to ACC the amount of the average incentive would have been 44.5% of ACC in the Atlantic Provinces and 33.6% in the rest of the designated region.

