SUMMARY OF PROVINCIAL INDUSTRIAL INCENTIVES PROGRAMS

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SUMMARY OF PROVINCIAL INDUSTRIAL INCENTIVES PROGRAMS

Prepared by: Industrial Intelligence Section Industrial Intelligence & Promotion Branch Canada Department of Regional Economic Expansion Canada October 28, 1970

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BRITISH COLUMBIA

Department of Industrial Development, Trade and Commerce

Objective:

To provide services for the encouragement of industry, the development of trade, and the collection and publication of statistics.

How it Works:

The Department may assist firms to establish new industries and survey foreign and domestic markets through:

- The Bureau of Economics and Statistics

- The Office of the Industrial Commissioner

- The British Columbia Research Council

Contact for Further Information

Department of Industrial Development, Trade and Commerce, Parliament Building, Victoria, British Columbia.

Incentive Programs

The province has two "Bounty" Acts which serve as incentives to encourage more intensive processing of mineral products within the province.

1. The Copper Bounty Act

How it Works: A bounty of 1 cent per pound would be payable on blister copper or refined copper produced from ore or concentrates mined, smelted or refined within the province.

Resources at Disposal of the Act: Payments under the Act are not to exceed \$250,000 in any one year or a total of \$2,500,000 in the aggregate.

Summary of Activity:

No bounties have been paid as yet under this Act.

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2. The Iron Bounty Act

How it Works: The Act provides for a bounty on each ton of pig iron, sponge iron, or fluid iron charged directly to a steel furnace from ore smelted within the province. No bounty is payable on more than 100,000 tons of iron in any one year or on more than 1,000,000 tons of iron in aggregate. The maximum benefits under the Act range from \$2.00 per ton on iron from ore mined out of the province to \$5.00 per ton. on iron from ore mined within the province.

Resources at Disposal of Act: A maximum of \$500,000 could be paid out in any one year and \$5,000,000 in aggregate.

Summary of Activity

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In connection with this Act it is noted that a steel smelter plant is now completed in Kimberly to utilize British Columbia ore; initial capacity is 80,000 tons of high quality steel per year. Based on this capacity, a bounty of $(80,000 \times \$5.00)$ \$400,000 could be paid annually.

Contact for Further Information

Department of Mines & Petroleum Resources, Victoria, British Columbia.

ALBERTA

Assistance to Industry through the Alberta Commercial Corporation

Objective:

Through its program of financial assistance to manufacturing businesses, the Alberta Commercial Corporation promotes the utilization of manpower and raw resources, and promotes, with financial assistance, the establishment and growth of industry in Alberta.

How Does it Work:

Alberta manufacturing firms which are basically sound and well managed, and which are in need of financial assistance in addition to that obtainable through normal banking or other facilities are eligible to apply for assistance.

Three basic plans of financial assistance are available according to requirements of the individual company.

1. Inventory Financing

2. Equipment Financing

3. Land and Building Financing

In the case of inventories, financing is usually limited to about 75% of cost while on loans covering equipment or plant site the level usually runs to about 60%.

Resources at its Disposal:

There is no ceiling as such on the amount of money loaned. A month to month balance is maintained and the Corporation goes to the Provincial Treasurer for the difference.

Summary of Corporation's Activity:

The Corporation had approximately \$8.5 million on loan to industries as of October 15, 1970. They had another \$1.5 million on loan to Indian and Metis industries.

Contact for Further Information

Alberta Commercial Corporation, Department of Industry and Development, Centennial Building, Edmonton 15, Alberta.

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SASKATCHEWAN

1. Saskatchewan Economic Development Corporation (SEDCO)

Objective:

To provide a source of financial assistance for industrial enterprises wishing to establish or expand their operations in Saskatchewan.

How it Works:

Firms make applications for loans to the SEDCO board who will approve an application if the criteria for expansion, diversification, or development are met.

All manufacturing processing industries, including industrialagricultural enterprises are eligible for assistance from SEDCO.

Financial Resources Available to the Corporation:

Most of the moneys lent by the Corporation are obtained from the various money markets. Non-interest bearing loans can be obtained from the Provincial Treasurer and there is no set ceiling on the amount of these loans. SEDCO is limited to borrowing \$55 million in the aggregate under present legislation.

Summary of SEDCO's Activity to end of 1969:

At the end of the 1969 fiscal year SEDCO had \$22,989,754 in loans receivable and owed the Provincial Treasurer approximately \$13,000,000. Two million dollars of this was non-interest bearing.

Contact for Further Information

Saskatchewan Economic Development Corporation, Saskatchewan Power Building, Regina, Saskatchewan.

2. Industry Incentives Act 1970

Objective:

To encourage the establishment, expansion and modernization of industry in certain areas of Saskatchewan.

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How it Works:

Forgivable loans may be awarded at the discretion of the Minister of Industry and Commerce to industries establishing, expanding or modernizing facilities in areas of Saskatchewan designated for such assistance. A firm is ineligible if it qualifies for or receives assistance under the Federal Regional Incentives Act.

No loan shall exceed:

- a. \$5,000 for each job determined by the Minister to have been created directly in the operation of the facility.
- b. Twenty per cent of the capital cost, as determined by the Minister, of establishing, expanding or modernizing the facility in respect of which the loan is made; or

c. \$300,000

Whichever is least.

Note:

A loan cannot be wholly forgiven in less than five years from the date upon which moneys of the loan are first advanced.

Summary of Activity:

New legislation. No loans approved to date.

Contact for Further Information

The Department of Industry, Saskatchewan Power Building, Regina, Saskatchewan

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MANITOBA

1. Manitoba Development Fund (M.D.F.)

Objective:

The Manitoba Development Fund is a Crown Corporation which has been established to provide loans to new and existing manufacturing and processing industries, to the tourist accommodation industry and to community development corporations in the province.

How it Works:

In considering applications for financial assistance, the M.D.F. is influenced mainly by sound business considerations and the potential contribution to the economic growth of Manitoba, including the creation of employment opportunities. Given these considerations, loans are generally extended when financing is not otherwise available on reasonable terms and conditions, and provided the owner has invested a reasonable amount of capital in the business. The terms of repayment can be tailored to suit the requirments of the individual applicant.

Resources at the Disposal of the Fund:

The Fund receives the majority of its financing from the sale of Government secured bonds and debentures. A small amount is also received from the sale of capital stock. Fifty thousand shares have been authorized, issued and fully paid for giving a total share capital of \$5,000,000.

Summary of Loan Activity:

As of March 31, 1968, 254 loan applications had been accepted and approved, totalling \$61,177,548. Of these, 86 loans have been repaid in full, totalling \$5,099,178.

Contact for Further Information

The Manitoba Development Fund, 600 - 428 Portage Avenue, Winnipeg 1, Manitoba.

2. Other Development Programs

(a) Product Development Fund

Loans are available through the Product Development Fund to Manitoba manufacturers and processors to meet the challenge of growth and change. These loans will assist firms to "rent" the knowledge and experience of outside experts who can provide counsel on the identification and solution of problems in plant design, product modification, engineering, marketing and management. Financial assistance will usually be on a medium term basis. The average maximum maturity of a Product Development Fund loan will be about 5 years, but longer terms may be negotiated under special circumstances. The rate on repayments are set to suit the needs of individual business with interest charged only on the unpaid balance.

Contact for Further Information

Product and Process Development Branch, Department of Industry and Commerce, 511 Norquay Building, Winnipeg 1, Manitoba.

(b) Exports Financing

The Manitoba Export Corporation has been set up through the Manitoba Development Fund to help Manitoba firms with financing involved in shipping export orders. Only about .4% of total moneys expended by the fund in 1968 were used for this purpose.

Contact for Further Information

Manitoba Export Corporation, 509 Norquay Building, Winnipeg 1, Manitoba.

(c) Technical Assistance Grants

This program provides technical assistance grants to aid Manitoba manufacturing and processing firms to retain private consulting and advisory services. These grants will permit manufacturers to take advantage of modern management techniques to improve manufacturing productivity, product acceptance and organizational control and efficiency. The grant is apportioned on approved applications to the following schedule: - 75% of first \$1,000 of total costs

- 50% of the next \$4,000 of total costs

- 25% of the next \$15,000 to a maximum of \$20,000

The grants are additional to loans already available for plant and product engineering assistance through the Product Development Fund.

Contact for Further Information

Product Development Fund, 600 - 428 Portage Avenue, Winnipeg 1, Manitoba.

(d) Design Improvement Grants

Any manufacturing or processing firm in Manitoba is eligible to apply for a Design Improvement Grant towards the cost of retaining professional consulting and advisory services to assist with the improvement of market acceptance and competitiveness of existing products or with the creation of profitable new products. Grants may be applied to market research, market testing, new product development, packaging, product diversification, etc., and is apportioned as follows:

- 75% on first \$1,000 cost of study

- 50% on next \$4,000 cost of study

- 25% on next \$15,000 cost of study to a maximum of \$20,000

Contact for Further Information

Product and Process Development Branch, Department of Industry and Commerce, 511 Norquay Building, Winnipeg 1, Manitoba.

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(e) Technical Training for Supervisors

This government program is available to help Manitoba manufacturers and processors meet the cost of retraining or up-grading supervisory personnel to meet the demands of new techniques, new technologies and greater competition. Assistance grants will be provided towards 50% of the tuition cost for approved courses when such training is not available in the Province, and when it will contribute directly to the occupational competence and skill of the supervisor.

Contact for Further Information

Immigration and Training Branch, Department of Industry and Commerce, 511 Norquay Building, Winnipeg 1, Manitoba.

ONTARIO

The Ontario Development Corporation (ODC)

Objectives:

ODC is a Crown Corporation established for the specific purpose of stimulating economic and regional development in Ontario. It administers two incentive programs.

How They Work:

- 1. Term Loans
 - (a) Form Of Assistance:

Capital and working capital funds in the form of loans and/or guarantees to secondary manufacturing.

- (b) Qualifying Activities:
 - Construction of new buildings or remodelling of existing buildings.
 - 2. Purchase of new equipment which will substantially add to employment.

(c) Maximum Amount:

\$300,000 (maximum for any one community)

- NOTE: Applications for loans in excess of this amount may be considered in **exc**eptional circumstances.
- (d) Criteria:
 - 1. Applicants must be unable to obtain their financial requirements from conventional lending institutions on reasonable terms and conditions.
 - 2. Applicants must have sufficient financial equity in the business to warrant financial assistance.
 - The granting of financial assistance must materially assist in the economic development of Ontario.

- 2. Program for the Equalization of Industrial Opportunity in Ontario (E.I.O.)
 - (a) Objective:

To provide for an expansion of industry and employment particularly in areas of slow growth in Ontario. These areas are reviewed regularly by the Ontario Development Corporation.

- (b) Qualifying Activities:
 - 1. Secondary manufacturing companies establishing facilities in the Provincial Equalization Areas.
 - 2. Approved additions to existing facilities.
 - 3. Warehouses and other concerns of a closely related nature, which have a direct relationship with secondary manufacturing and which can contribute substantially to the economy in locations where there is little or no secondary manufacturing.
 - 4. Tourist developments that will effectively raise the occupancy levels in local tourist establishments.

(c) Form of Assistance:

Six year interest-free forgivable loans.

(d) Loan Formula:

33 1/3% of first \$350,000 and 25% of the balance of the approved costs of facilities.

(e) Maximum Loan:

\$500,000

(f) Forgiveness Formula:

10% at the end of the first year.

10% at the end of the second year, and so on until the end of the 5th year.

At the end of the sixth year, provided the company has stayed in the locality in which the grant was given and has performed satisfactorily, the balance of the loan will be forgiven.

Financial Resources at the Disposal of the Corporation:

The Corporation receives its financing from the Government of Ontario, based on estimates presented every two years. E.I.O. receives the financing for its activities from voted funds while the term loan program is financed from statutory funds.

Summary of the Corporation's Activity:

Up to the end of September 1970, 53 companies were granted term loans totalling \$9.6 million. Since the Ontario Equalization of Industrial Opportunity Program was announced in the fall of 1967 to July 1970, 250 E.I.O. loans were approved totalling \$37,570,765. Direct employment of 8,410 jobs were created initially, increasing later to an estimated 18,457 jobs.

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Contact for Further Information

The Ontario Development Corporation, 950 Yonge Street, Toronto, Ontario.

QUEBEC

1. Regional Industrial Development Assistance Act (Bill 23)

Objective:

The Regional Industrial Assistance Act was enacted on June 21, 1968 for the purpose of promoting industries and the expansion of existing industries in the slow growth areas of Quebec.

How It Works:

Through the Regional Industrial Development Assistance Program, incentives are granted, under certain conditions and over a three-year period, to manufacturing or processing firms for investments of at least \$50,000 in regions designated by provincial authorities. Such investments must be made in the construction or expansion of plants or factories or the purchase of machinery, tools or equipment. Production for the new facilities must begin before April 1, 1972.

The incentive granted varies according to location. In Zone 1, which includes the administrative regions of the Eastern Townships, Trois-Rivieres, Quebec and the Ottawa Valley, the incentive is calculated at the rate of 40% of the first \$250,000 of investment, 30% of the next \$750,000 and 25% of any additional amount. The incentives may not exceed \$500,000 in any case.

In the case of an existing business, the proposed investment must be more than 25% of the depreciated capital cost of all the firm's property in the Province of Quebec. Incentives will not be granted simply for relocating in another area of the Province.

This financial assistance program is meant to complement the federal Regional Development Incentives Act. Provincial incentives will therefore be granted only if the Federal incentives do not apply or if they are less than those provided under the Provincial plan.

It should be mentioned that oil refineries and newsprint mills are covered by the Provincial Act but not by the Federal. Incentives are paid at the rate of 60% at the start of regular business operations resulting from the investment, 20% twelve months later, and the remainder at the end of another twelve months.

This Act will remain in effect through March 31, 1971.

Resources at Disposal of the Act:

There is no ceiling placed on expenditures under the Act except for the \$500,000 limit per application. The moneys are obtained as needed from consolidated revenue.

Summary of Activity:

To date approximately 103 grants have been given totalling \$3.5 million.

Contact for Further Information

Commerce Section, Department of Industry & Commerce, 1080 Beaver Hall Hill, Montreal 128, P.Q.

2. Quebec Industrial Credit Bureau

Objective:

Created in 1967 by the National Assembly of Quebec. The Bureau is a public corporation set up to promote the development of manufacturing industry in the province. It is especially designed to aid small and medium sized industrial operations located in slow-growth areas of Quebec which do not have easy access to usual financing sources.

How It Works:

The Quebec Industrial Credit Bureau grants term loans to new or existing manufacturing enterprises for the following purposes:

- purchase of land and construction, improvement or expansion of plants or factories;
- acquisition of machinery, tools and equipment;
- improvement or consolidation, under certain conditions, of the firm's financial structure.

The Bureau is also empowered to guarantee the total or partial repayment of a loan, including interest, when it deems advisable.

As a general rule, it does not refinance existing debts, but will occasionally consider requests for the purpose of strengthening working capital requirements.

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A company wishing to take advantage of the financial assistance offered through the Bureau must satisfy the following requirements:

- its plant must be located in Quebec;
- it must be engaged in manufacturing or processing activities;
- it must have the potential for growth which will allow its future contribution to the economic development of a region of Quebec; the Bureau gives special attention to applications involving slow-growth regions;
- the necessary aid must not be available on reasonable terms from other sources;
- it must have sound management;
- the equity put up by the owners must be adequate;
- repayment of the loan must be feasibile within a reasonable period of time;
- the gurarantees put up must offer sufficient protection; however, loans made by the Bureau are not necessarily limited to a fixed percentage of the assets provided as a guarantee.

As security for its loans, the Bureau usually requires a mortgage on the company's land and buildings, security of movable property or a mortgage bond on the company's assets. Interest rates vary according to current rates and to the particular features of each case.

The Quebec Industrial Credit Bureau may purchase land, buildings or equipment for subsequent sale or leasing to an industrial enterprise which has agreed in advance to buy or rent them on the terms set by the Bureau.

Resources at Disposal of the Bureau:

The Bureau receives all its financing from the Provincial Government. It has been allotted \$50 million for the total program which could run up to five years. Summary of the Bureau's Activity:

To date 24 million dollars is on loan to various industries in the province.

Contact for Further Information

Quebec Industrial Credit Bureau, Royal Bank Building, 710 Place d'Youville, Quebec, P.Q.

3. An Act to Amend the Corporation Tax Act (Bill 24)

Objective:

To stimulate industrial development.

How It Works:

This Bill grants to manufacturing industries a reduction, from Provincial taxable income, of up to 30% of any amount over \$50,000 invested in construction, expansion and equipment of manufacturing plants in Quebec. This credit applied to investments made between April 1, 1968 and March 31, 1971. Advantage of the credit need not be taken during that period but may be reserved for subsequent financial years.

Contact for Further Information

Director of Information, Department of Revenue, Parliament Buildings, Quebec, P.Q. General Director, Quebec Department of Industry and Commerce, 1 Place Ville Marie, Montreal 113, Quebec.

4. The General Investment Corporation of Quebec (G.I.C.)

The General Investment Corporation of Quebec was incorporated as a company in 1962 under an Act of the Quebec Parliament.

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It is an autonomous company with a dual nature, its shareholders being the public and private financial institutions, the Caisses Populaires (Credit Unions) and the Government of Quebec (a minority shareholder).

The General Investment Corporation, founded for the purpose of taking an active part in the industrial development of Quebec, is primarily an administrative company. (Its charter confers upon the company the right to make long-term industrial loans, and it has made a number of such loans). It holds majority interests either directly or indirectly in fifteen firms. These interests are concentrated in three main sectors: the food industry, the engineering industry and the logging industry.

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1. New Brunswick Development Corporation

Objectives:

The New Brunswick Development Corporation assists in the expansion and diversification of existing industry in New Brunswick and, through promotion and assistance, encourages new manufacturing and processing industries to locate and develop in the province.

How It Works:

Loans or guarantees of loans are provided, usually with first mortgage security. The Corporation's financial assistance is not intended to compete with conventional lenders. The Corporation must be satisfied that the required funds are not obtainable on reasonable terms from other sources.

Resources at the Disposal of the Corporation:

All the financial resources of the Corporation are received from the Provincial Government. No budget figure is available.

Summary of Activities:

The Corporation had \$23,600,000 in loans and guarantees outstanding as of June 30, 1970. Of this amount \$10,993,000 is in loans and the remainder in guarantees.

Contact for Further Information

The New Brunswick Development Corporation, P.O. Box 71, Fredericton, New Brunswick. Telex: 014-4600

2. Industrial Finance Board (I.F.B.)

Objectives:

The Industrial Development and Expansion Act of 1956 authorizes the Industrial Finance Board to provide financial assistance in the form of direct or guaranteed loans to certain types of new or expanding industries or to take an equity interest in these industries.

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How It Works:

Loans are available for recognized manufacturers and apply to land, buildings, machinery and equipment. Applications are considered only when the required funds cannot be obtained. from conventional sources on reasonable terms. Industries can also benefit from the services of plant location and technical advice offered by the Department of Economic Growth.

Resources at Disposal of the Board:

Financing is received from the Consolidated Revenue Fund. There are no statutory limits on financed industrial loans or guarantees which may be outstanding at any one time.

Summary of It's Activity:

The Board had \$12,722,000 on loan or guarantee as of June 30, 1970. Most of this was in the form of guarantees.

Contact for Further Information

The Secretary, The New Brunswick Industrial Finance Board, P.O. Box 1150, Fredericton, New Brunswick.

3. Guarantee Loan Board (G.F.B.)

Objective:

The Board is administered by the Department of Finance. Its prime function is to guarantee bond issues and large long-term loans.

How It Works:

Each application is reviewed on its own merits by the Board. Applications are to be submitted on an official form, accompanied by at least two years audited financial statements. Loans approved are subject to an annual service fee of 3/4 of 1% on first \$100,000, 1/2 of 1% on next \$100,000 and 1/2 of 1% on balance.

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Resources at the Disposal of the Board:

Financing is received directly from the Department of Finance.

Summary of Activities:

Since the inception of the program to June 30, 1970, \$72,799,500 has been guaranteed by the Board.

Contact for Further Information

Department of Finance, Legislative Building, Fredericton, New Brunswick.

1. Industrial Enterprises Incorporated (I.E.I.)

Objective:

I.E.I. is a Provincial Crown Corporation set up for the purpose of providing assistance to industries wishing to establish or expand their facilities.

How It Works:

Direct loans and loan guarantees are available. The interest rate on loans tends to be flexible and repayment periods can be up to 25 years. First mortgage on real estate and chattel mortgages on machinery and equipment are the standard forms of security required by I.E.I., but personal guarantees of the individuals concerned or of a parent organization can also be requested. A second mortgage position may be taken by I.E.I. if the first mortgage is held by the Industrial Development Bank or an approved lending agency. Its flexible approach can also provide for interim financing or loans for working capital.

Financial Resources at the Disposal of the Corporation:

The Corporation had approximately \$20,000,000 allotted for its operations to the end of 1969.

Summary of the Corporation's Activity:

To the end of 1969 the Corporation loaned \$12.5 million to various industries in Prince Edward Island.

NOTE:

A Provincial Lending Authority has been set up under the administration of I.E.I. The Lending Authority was established to provide working capital to small businesses mainly connected with tourism and agriculture.

Contact for Further Information

Industrial Enterprises Incorporated, 128 Kent Street, Charlottetown, P.E.I.

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NOVA SCOTIA

1. Industrial Estates Limited (IEL)

Objective:

This is a Provincial Crown corporation set up to promote the establishment of new industries in Nova Scotia and, in certain circumstances, the expansion of existing industry.

How It Works:

For secondary manufacturers locating or expanding in Nova Scotia, IEL will finance 100% of the cost of land and buildings anywhere in the province. Buildings may be constructed to the manufacturers' specifications on the site of his choice. Repayments may be accelerated without penalty. IEL will finance at least 60% of the installed cost of new machinery, including sales tax, duties, shipping and installation costs. The maximum term of the loan is 20 years for land and buildings and 10 years for machinery and equipment. Repayment schedules are very flexible. IEL has tax agreements with most municipalities which limit municipal taxes on IEL assisted industries to 1% of the cost of the building only for a 10 year period.

Financial Resources at the Corporation's Disposal:

The Corporation receives most of its financing from the Province but will approach the various money markets if necessary.

Summary of Activity:

The Corporation had \$66 million on loan and another \$10.5 million committed as of March 31, 1969. Since March 1969 they financed Michelin Tire Company to the extent of another \$50.0 million.

Contact for Further Information:

Industrial Estates Limited, 5161 George Street, Halifax, Nova Scotia.

2. The Industrial Loan Board Program

Objective:

To provide loans or guarantees for the establishment or expansion of manufacturing or processing plants as well as businesses providing certain types of accommodation or tourist facilities.

How It Works:

Qualified applicants may receive mortgage financing up to 75% of the current appraised value of land, buildings, equipment, furnishing, and other chattels. The maximum term of the loan is 15 years for Industrial purposes and 20 years if the loan is used to finance accommodation facilities such as, motels, hotels, tourist homes, etc. Interest charges are established from time to time by the Governor-in-Council and are applied against the reducing balance of the loans. Payments can be made annually, semi-annually, quarterly, or monthly, depending upon the type and size of the loan. Loans are available to firms proposing to process raw or other materials into substantially altered products deemed capable of developing or diversifying the provincial economy.

Financial Resources at the Disposal of the Board:

The Board receives its financing from the Department of Trade and Industry and is thus controlled by this Department.

Summary of Activity:

To March 31, 1969 the Board made 509 loans totalling \$48,265,000. Of these loans, 253, totalling approximately \$39 million were industrial loans.

Contact for Further Information

Department of Trade and Industry, P.O. Box 456, Halifax, Nova Scotia.

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NEWFOUNDLAND

1. Industrial Development Corporation:

Objective:

To provide financial assistance to qualifying business enterprises wishing to expand, modernize or locate in the province of Newfoundland.

How It Works:

The Corporation was given the power under the Act of 1967 creating it, to lend to any persons or corporations carrying on or proposing to carry on an approved business in the province. Each applicant must deal directly with the corporation in arriving at the type of assistance to be granted and the terms at which this assistance will be granted. Assistance usually takes the form of direct loans or the guarantee of loans.

Financial Resources at the Disposal of the Corporation:

The corporation goes to the various markets for its financing but can also receive funds from the Department of Economic Development.

Summary of Activity:

To date the corporation has financed approximately \$26 million worth of loans and guarantees.

Contact for Further Information

Industrial Development Corporation, Confederation Building, St. John's, Newfoundland.

NOTE:

The Province of Newfoundland is presently reviewing its incentive programs and it is anticipated changes will occur within the coming months. The province to date, has used a large variety of incentives to attract various industries and these have been awarded at the discretion of the Minister of Economic Development.

Contact for Further Information

Minister of Economic Development, Confederation Building, St. John's, Newfoundland.

