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Subsidiary
Agreement



Government
of Canada

Regional
Economic
Expansion

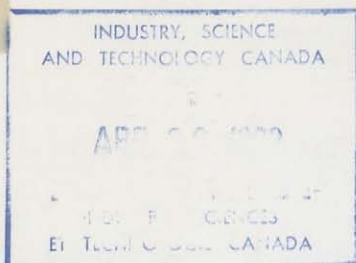
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CANADA/BRITISH COLUMBIA

INDUSTRIAL DEVELOPMENT



JULY 8, 1977

CANADA - BRITISH COLUMBIA
SUBSIDIARY AGREEMENT
INDUSTRIAL DEVELOPMENT

THIS AGREEMENT made this 8th day of July, 1977

BETWEEN:

THE GOVERNMENT OF CANADA (herein referred to as "Canada"), represented by the Minister of Regional Economic Expansion,

OF THE FIRST PART,

AND:

THE GOVERNMENT OF THE PROVINCE OF BRITISH COLUMBIA (herein referred to as "the Province"), represented by the Minister of Economic Development,

OF THE SECOND PART.

WHEREAS Canada and the Province, on the 28th day of March, 1974, entered into a General Development Agreement (herein referred to as the "GDA") for the purpose of facilitating joint cooperation in respect of economic and socio-economic development in British Columbia to achieve objectives set forth in section 3 thereof; and

WHEREAS in pursuing these objectives Canada and the Province have agreed to seek a coordinated application of relevant federal and provincial policies and programs; and

WHEREAS Canada and the Province have agreed on a new development opportunity to be implemented; and

WHEREAS the Governor in Council by Order in Council P.C. 1977-12/1693 of the 16th day of June, 1977, has authorized the Minister of Regional Economic Expansion to execute this Agreement on behalf of Canada; and

WHEREAS the Lieutenant Governor in Council by Order in Council No. 2207 of the 7th day of July, 1977, has authorized the Minister of Economic Development to execute this Agreement on behalf of the Province;

NOW THEREFORE the parties hereto mutually agree as follows:

DEFINITIONS

1. In this Agreement:

- (a) "capital project" means any project, as determined by the Industrial Development Committee, in which construction or related activities are involved;
- (b) "designated region" means that area of the province which has been designated as a designated region pursuant to section 3 of the Regional Development Incentives Act, R.S.C. 1970, c. R3;
- (c) "development opportunity" means additional industrial development (more particularly described as the programs in Part A and Part B of Schedule "A" to this Agreement) of the target area, with a view to improving opportunities for productive employment therein and access thereto;
- (d) "Federal Minister" means the Minister of Regional Economic Expansion of Canada and, unless the context otherwise requires, includes anyone authorized by him to act on his behalf;
- (e) "fiscal year" means the period commencing on April 1 of any year and terminating on March 31 of the immediately following year;
- (f) "Industrial Development Committee" means the Committee established pursuant to sub-section 4 (1);
- (g) "Lower Mainland" means that part of the province comprising the regional districts of Greater Vancouver, Central Fraser Valley, Dewdney-Alouette, Fraser-Cheam, excluding Electoral Areas A, B and C;
- (h) "Ministers" means the Federal Minister and the Provincial Minister;
- (i) "project" means a subdivision of a program which subdivision has been duly authorized by the Industrial Development Committee under sub-section 3 (7);
- (j) "Provincial Minister" means the Minister of Economic Development and, unless the context otherwise requires, includes anyone authorized by him to act on his behalf;

- (k) "Southern Vancouver Island" means that part of the province comprising the Capital Regional district, excluding Electoral Area D; and
- (l) "target area" means all of the Province of British Columbia except the "Lower Mainland" and "Southern Vancouver Island".

PURPOSE AND OBJECTIVES

- 2. (1) The purpose of this Agreement is to enable Canada and the Province to implement the development opportunity by coordinating existing programs and jointly undertaking additional new projects to encourage industrial development in the target area according to the strategy outlined in Schedule "A" of this Agreement.
- (2) The objectives of this Agreement are to encourage greater sectorial and spatial diversification of economic activity in the Province of British Columbia and thereby improve opportunities for productive employment in the target area and achieve a more balanced level of development among the different areas of the Province.

SUBJECT MATTER

- 3. (1) The Province will undertake, either directly or through agencies of the Province, in accordance with guidelines and procedures to be established under this Agreement, the programs listed and described in Part A of Schedule "A".
- (2) The Province will undertake, manage and finance, in a manner consistent with and supportive of the development opportunity, the program activities described in Section 5 of Part B of Schedule "A".
- (3) Canada will undertake, manage and finance, in a manner consistent with and supportive of the development opportunity, the program activities described in Section 6 of Part B of Schedule "A".
- (4) Canada and the Province will consult regularly with one another with respect to their individual program activities under Part B of Schedule "A" and will provide the staff and resources required to coordinate these program activities in support of the development opportunity.
- (5) The Province or its agencies shall take over or arrange to take over on completion, each capital project undertaken under this Agreement. British Columbia agrees to save Canada

free and harmless from any claims that may be made against it arising out of the operation, maintenance or repair of any project funded pursuant to this Agreement.

- (6) This Agreement shall terminate on March 31, 1982, but projects approved in writing on or before that day may be implemented as though the Agreement had not terminated. Eligible costs may be expended by the Province in respect of projects under Part A of Schedule "A" up to and including March 31, 1983, but Canada shall not pay any claim in respect of such costs unless it is received on or before September 30, 1983.
- (7) All activities to be undertaken pursuant to this Agreement shall be consistent with the objectives and intent stated herein and all projects under Part A of Schedule "A", before being implemented, shall be authorized in writing by Canada and the Province through the Industrial Development Committee.
- (8) Each party agrees, with respect to the implementation of those projects for which it is responsible, to ensure that the environmental laws of Parliament and of the Provincial Legislature are strictly adhered to.
- (9) Notwithstanding sub-section 2 (1) of this Agreement, if a particular project is considered by the Ministers personally to be necessarily incidental to the attainment of the purposes of this Agreement, then such project may be implemented in the Lower Mainland or Southern Vancouver Island.

ADMINISTRATION AND MANAGEMENT

4. (1) The parties agree to establish a Committee to be called the Industrial Development Committee (herein referred to as the Committee), consisting of four regular members and two ex-officio members to be appointed as provided in sub-section 4 (2).
- (2) The Provincial Minister shall appoint two regular members to the Committee from the Ministry of Economic Development of the Province and one ex-officio member from the British Columbia Development Corporation. The Federal Minister shall appoint one regular member to the Committee from the Department of Regional Economic Expansion, one regular member from the Department of Industry Trade and Commerce, and one ex-officio member from the Federal Business Development Bank.
- (3) The representative of the Department of Regional Economic Expansion and one of the representatives of the British Columbia Ministry of Economic Development shall act as co-Chairmen of the Committee.

- (4) Decisions of the Committee shall be acted upon only if its regular members are unanimous. In those cases where the regular members of the committee are unable to reach a unanimous decision, the relevant matter shall be referred to the Ministers personally, whose decision shall be final.
- (5) The Committee shall submit for the approval of the Ministers annually, not later than September 1 of each year, an assessment of the progress made in implementing the development opportunity, the effectiveness to date in achieving the objectives intended and the continuing relevance of the objectives themselves, together with the projected budget required for the next following fiscal year.
- (6) Canada and the Province agree to provide the Committee with all information necessary for the performance of its functions which include the management and administration of this agreement as elaborated in Part C of Schedule "A".
- (7) The signatures of the co-Chairmen of the Committee shall be sufficient verification for the purpose of this Agreement of any recommendation or decision made, or approval given by the Committee.
- (8) The Committee may establish sub-committees to advise and assist it in its work, which sub-committees may include persons who are not members of the Committee. Sub-committees will prepare, as required, submissions and recommendations on all matters relating to the planning and implementation of the projects described in Schedule "A".

FINANCIAL PROVISIONS

5. (1) Canada shall contribute to the Province fifty per cent (50%) of the eligible costs of projects described in Part A of Schedule "A" and implemented pursuant to the terms of this Agreement.
- (2) The provision of money by Canada and the Province for the implementation of this Agreement is subject to the Parliament of Canada and the Legislative Assembly of the Province of British Columbia having provided funds for such purpose for the fiscal year in which such financing is required.
- (3) Notwithstanding anything in this Agreement, the maximum contribution by Canada under sub-section 5 (1) shall be \$35 000 000.
- (4) Subject to sub-section 5 (7), the eligible costs of capital projects described in Part A of Schedule "A" are all direct costs which, in the opinion of the Committee, have been

reasonably and properly incurred by the Province in the implementation of the projects. Direct costs include costs relating to public information, survey, engineering, and architectural design, but do not include administration costs.

- (5) Subject to sub-section 5 (7), the eligible costs of non-capital projects described in Part A of Schedule "A" are all costs, which in the opinion of the Committee have been reasonably and properly incurred and paid by the Province for the supply of goods or the performance of work or services for the implementation of any such projects, but do not include the remuneration of any permanent employee of the Province or its agencies.
- (6) The eligible costs of projects under the Community Industrial Development and Industrial Assistance Programs under Part A of Schedule "A" shall be the amount of such assistance which may take the form of loans, as may be approved by the Ministers, on recommendation of the Committee.
- (7) Eligible costs do not include any costs relating to the acquisition of land or any interest therein or costs arising from conditions of acquisitions unless otherwise expressly authorized in Schedule "A".
- (8) This Agreement may be amended in writing as agreed from time to time by the Ministers personally. Each project item added to Schedule "A" shall be governed by the terms thereof as fully and effectively as if it had originally been included in this Agreement. It is expressly understood and agreed, however, that any amendment to sub-sections 5 (1) and 5 (3) shall require the approval of the Governor in Council and the Lieutenant Governor in Council.
- (9) The Committee may make adjustment in and between the projects comprising any program specified in Schedule "A" to this Agreement, PROVIDED, HOWEVER, that such adjustments do not increase the total budget of the relevant program.
- (10) If, at any stage of a program, it appears to the Province that the costs thereof will exceed the estimated costs specified for that program in Schedule "A", the Province shall promptly so inform the Committee and state the reasons for such increase.
- (11) Upon being so informed, the Committee shall consider the circumstances which have contributed to the increase in the estimated costs and shall prepare and present a report and recommendations to the Ministers in respect of the action proposed to be taken.

IMPLEMENTATION PROCEDURES

6. (1) Canada's contributions under sub-section 5 (1) are conditional upon the following procedures being observed in the implementation of the development opportunity:

Project Documentation

- (a) A Project Document containing a general description of the project, including design and construction standards where applicable, cost estimates, purposes and objectives, must be reviewed by the Committee and approved by the Ministers before a project is eligible for cost sharing.

Contract Procedures

- (b) All contracts for approved activities shall be awarded in accordance with procedures to be approved by the Committee and, unless in its opinion it is impractical to do so, shall be let pursuant to tenders invited by public advertisement and awarded to the qualified and responsible tenderer submitting the lowest evaluated bid.
- (c) All contracts under this Agreement shall be supervised in accordance with procedures to be approved by the Committee and shall be available for review by the Committee.
- (d) Reports, documents, plans, maps and other materials prepared by any person who has been awarded a contract pursuant to this Agreement or by the employee, servant or agent of any such person shall become the property of both parties.
- (e) In the awarding of contracts, the Province shall retain the services of Canadian firms or individuals where practical and consistent with economy and efficiency.
- (f) All announcements of contract awards shall be made jointly by Canada and the Province.
- (2) Canadian material, machinery and equipment, and consulting and other professional services shall be used in respect of all work under this Agreement to the extent to which it is procurable and consistent with economy and efficiency as determined by the Committee.
- (3) Each party agrees that in all contracts awarded and in the engagement of persons related to a project under this Agreement, there shall be no discrimination by reason of race,

sex, age, marital status, national origin, colour, religion or political affiliation.

(4) With regard to the applicability of labour standards, the parties agree as follows:

- (a) rates of pay shall be those prevailing in the area of employment for each classification of work, subject to the minimum wage specified in provincial legislation;
- (b) in building construction, the rates of pay for overtime shall be time and one-half the specified prevailing rate of pay after the hours stipulated for the purposes of overtime payment in the relevant provincial standards, which shall in no case be more than 48 per week;
- (c) in road and heavy construction, the rates of pay for overtime shall be time and one-half the specified prevailing rate after the hours stipulated for purposes of overtime payment in the relevant provincial standards which shall in no case be more than 50 per week; and
- (d) labour conditions are to be specified in all tendering documents and are to be posted conspicuously in the work placed:

it being expressly understood and agreed that to the extent to which there are higher provincial standards or collective agreements applicable to particular occupations or regions, these higher provincial standards or agreements shall apply.

(5) Recruitment of labour shall be conducted through the Canada Manpower Centres and Union hiring halls wherever possible.

PAYMENT PROCEDURES

- 7. (1) Subject to sub-section 7 (2), payments by Canada shall be made to the Province promptly on the basis of progress claims setting out the eligible costs actually incurred and paid for the project, certified by a senior officer of the Province, bearing a provincial audit certificate and submitted in a form satisfactory to the Federal Minister.
- (2) In order to assist with the interim financing of projects Canada may, if the Province so requests, make interim payments to the Province of up to one hundred per cent (100%) of Canada's share of claims submitted, based on estimates of costs incurred as certified by a senior officer of the Province.

- (3) The Province shall account for each interim payment by submitting to Canada within 90 days after such payment by Canada, a detailed statement of the actual expenditures incurred and paid, verified in a manner satisfactory to the Federal Minister. Any discrepancy between the amount paid to the Province and the amount actually payable, shall be promptly adjusted between Canada and the Province.
- (4) No interim payment shall be made in a fiscal year until the fourth quarter's interim payment, made in the previous fiscal year, has been liquidated by claims for expenditures actually incurred and paid, certified by a senior officer of the Provincial Department of Finance and bearing a provincial audit certificate, and any outstanding balance of the payment has been repaid or accounted for in a form or in a manner satisfactory to the Federal Minister.

RECORDS AND AUDIT

8. The Province shall maintain proper and accurate accounts and records relating to the cost of projects undertaken pursuant to sub-section 3 (1), and Canada may audit the amounts of all progress claims and payments and the provincial accounts and records relating thereto.

SHAREABLE REVENUE

9. (1) For purposes of this Agreement shareable revenue includes any monies accruing to or collected by the Province or its agencies and representing the repayment in whole or in part of any loan under the Community Industrial Development Program.
- (2) Any shareable revenue received by the Province or its agencies shall be divided between Canada and the Province for a period of five years in the same proportions as the respected shared costs of Canada and the Province in that particular project.
- (3) When any lands acquired or works constructed by the Province for any purpose specified under this Agreement, and to which Canada contributed its share of acquisition costs or construction costs, are sold within ten years after such acquisition or construction, the proceeds from the sale shall be divided between Canada and the Province in the same proportion as the contribution of Canada and the Province in that particular program or project.
- (4) When any lands acquired or works constructed by the Province for any purpose specified under this Agreement are changed within ten years to a use incompatible with the intent of this Agreement, the Province shall pay Canada an amount equal to the original contribution by Canada to these lands or works.

MONITORING

10. (1) All substantive amendments to contracts awarded pursuant to this Agreement shall require the prior approval of the Committee.
- (2) Any member of the Committee or his representative shall be permitted to inspect any project at all reasonable times for the purpose of verifying progress claims and obtaining any other information concerning the project which may be required by the Federal Minister or the Provincial Minister.

PUBLIC INFORMATION

11. (1) Canada and the Province agree to co-operate in the development and implementation of a program of public information respecting implementation of projects under this Agreement, and further agree to supply, erect and maintain on the direction of the Committee:
 - (a) during the course of construction of jointly funded capital projects, a project sign or signs consistent with Federal-Provincial Identity graphics guidelines, and in both official languages, specifying that the relevant project is a Canada-British Columbia Regional Development Project, financed by contributions from the Department of Regional Economic Expansion of the Government of Canada and the Ministry of Economic Development of the Government of British Columbia (and any other Federal or Provincial agency where relevant), or such wording to the like effect as may be agreed upon by the Ministers; and
 - (b) where relevant upon completion of each project, a permanent sign or plaque to the effect set forth in (a).
- (2) Any public announcement of the measures covered and of the products generated by this Agreement, as well as any official opening ceremony for any jointly funded project under this Agreement, where such ceremony is indicated and appropriate, shall be arranged jointly by the Ministers.

GENERAL

12. (1) No member of the House of Commons of Canada shall be admitted to any share or part of this Agreement or to any benefit to arise therefrom.

- (2) The Province may make payments to any person, firm or corporation for the carrying out of any work or the performance of any service in respect of any project authorized pursuant to this Agreement, provided that no member of the Legislative Assembly of the Province of British Columbia has a significant beneficial interest therein or will receive a direct payment arising therefrom.
- (3) The terms and conditions of the GDA shall apply to this Agreement.

EVALUATION

13. During this Agreement, Canada and the Province shall jointly effect an assessment of the programs listed in Schedule "A" with regard to the stated objectives. Annual progress reports shall be submitted by the Committee to the Ministers on or before the annual meeting of the Ministers as prescribed under sub-section 9.1 and section 10 of the GDA. In addition, Canada and the Province shall also jointly effect an evaluation of this Agreement with respect to the general economic and socio-economic development of British Columbia.

IN WITNESS WHEREOF this Agreement has been executed on behalf of Canada by the Minister of Regional Economic Expansion, and the Minister of Industry, Trade and Commerce and on behalf of the Province by the Minister of Economic Development.

IN THE PRESENCE OF:

GOVERNMENT OF CANADA

Witness

Minister of
Regional Economic Expansion

Witness

Minister of
Industry, Trade and Commerce

GOVERNMENT OF THE PROVINCE OF
BRITISH COLUMBIA

Witness

Minister of
Economic Development

CANADA - BRITISH COLUMBIA
SUBSIDIARY AGREEMENT
INDUSTRIAL DEVELOPMENT

SCHEDULE "A"

CIRCUMSTANCES

British Columbia's economy is characterized in large part by its basic lack of diversity, a condition which is evident from heavy reliance on a few industries (primary resource industries), from a narrow focus on one or two major export markets and from the concentration of economic activity in relatively few regions of the Province.

This section looks at these characteristics in some detail. In addition, the problems arising from them, as well as their implications for the British Columbia economy, will be discussed.

The Industrial Structure

An indication of British Columbia's narrow industrial base is given by the fact that approximately 55 percent of the total value-added by all primary and manufacturing industries in the Province is accounted for by forestry, mining and primary metal processing.

Of approximately 137 000 persons employed in manufacturing, 54 percent worked in four resource related industries, namely, wood products, paper and allied products, primary metals and petroleum and coal products. This compares to the 21 percent of manufacturing employment that these four sectors represent on a national basis. It should be noted that in addition approximately 30 000 employees are involved in primary logging and mining operations.

British Columbia has a distinctive industrial structure relative to that of Canada. Table 1 shows the percentage distribution of manufacturing establishments, by number of employees for British Columbia and Canada.

TABLE 1
Percentage of Industrial Establishments by Number of Employees

Employees	British Columbia	Canada
	%	%
Establishments with less than 50 employees	85.1	80.1
Establishments with 50-499 employees	13.9	18.4
Establishments with more than 500 employees	1.0	1.5

It is apparent that in British Columbia there is a greater concentration of small establishments, relative to Canada as a whole, and a lesser proportion of intermediate and large manufacturing establishments. It must be recognized that using arbitrary divisions across all industrial sectors has some weaknesses, but it does highlight the structural difference between British Columbia and Canada.

The 32 manufacturing establishments in British Columbia with more than 500 employees in 1972 accounted for 22 percent of manufacturing employment in the Province. Of these, 25 were in three resource-related manufacturing sectors (wood, paper and allied, and primary metals). This, again, demonstrates the extreme concentration of manufacturing activity in a very few sectors.

The Spatial Distribution of Industry

Geographically, the British Columbia economy is dominated by its two largest metropolitan areas, Greater Vancouver and Greater Victoria. More than 70 per cent of the Province's population lives in or adjacent to these communities in an area of under 1 500 square miles. Approximately 52 percent of employment in the manufacturing sector is located in the Lower Mainland and Southern Vancouver Island. However, even this figure does not fully reflect the concentrated nature of the provincial economy. The figure is strongly influenced by the forestry and mineral industries which, by their very nature, are usually located close to the source of the resources. A quite different picture is seen if the figures are adjusted to exclude manufacturing directly related to forestry and mining - only approximately 20 percent of manufacturing employment is found outside the densely populated Vancouver and Victoria areas of the Province. In addition, the manufacturing that does take place in the hinterland area is characterized by a large number of small establishments. Less than 10 percent have more than 50 employees while 65 percent have 10 or less employees. When forestry and mining activities are included the comparable figures are about

19 percent with more than 50 employees and some 56 percent with less than 10 employees.

The Industrial Markets

Dependence on, and lack of diversity in, export markets is also very apparent - some 60 percent of the goods produced in British Columbia are sold abroad; approximately 50 percent of the exported goods are sold in the United States, with Japan absorbing another 25 percent.

Dependence on markets in a few key industrial areas of the world (the United States and Japan) means that sales and prices of British Columbia products will be highly dependent on policies and economic conditions in those countries. The result is that major segments of British Columbia industry are subject to the ups and downs of the United States and Japanese economies and, historically, these swings in business conditions have been amplified in British Columbia.

Implications for the Provincial Economy

These characteristics of the economy-export dependence, narrow industrial base, primary-resource orientation, and regional concentration of economic activity - have significant implications for British Columbia's potential economic performance and the distribution of the benefits arising therefrom.

Narrow dependence on resource-based industries raises its own problems. Natural resources, whether renewable or non-renewable, are no longer in seemingly unlimited supply. Production of mineral resources can ultimately be expected to level off and then to decline. Even renewable resources, such as the forests, have reached the point where a continuation of past production growth trends could jeopardize future yields as well as employment and income growth potential.

In short, continued growth of employment and incomes in British Columbia cannot be assured only on the strength of resource extraction and primary processing. Further growth will eventually require a broadening of the economic base into activities (such as secondary manufacturing and the services) that are less dependent on natural resource abundance per se. Such resources can continue to be an important factor but cannot be the only factor.

The regional concentration of economic activity indicates that there has not been balanced development among areas of British Columbia. These regional economic disparities give rise to a sense of regional grievance and to a feeling of isolation from policies and decisions made at the Provincial and Federal levels.

Provincial Policies

The objectives of the economic development strategy of the Province have been broadly articulated to include:

1. increasing the opportunities for productive employment and, more generally, ensuring greater balance between actual employment and the numbers of people actively seeking work;
2. maintaining and enhancing the real incomes of British Columbians;
3. providing stability of employment and real incomes in the Province; and
4. achieving a greater degree of regional balance in Provincial economic development.

When these objectives are viewed in conjunction with what has been written above, it becomes apparent that a very important objective of the Provincial economic development strategy must be aimed towards increased secondary manufacturing and support activities in the less densely populated areas of the Province. It is also apparent that, because of a number of inhibiting factors, the achievement of such increased activity will require special measures.

Several factors inhibit the development of greater manufacturing activity in the less densely populated areas of the Province. For example, the distribution of population, and hence the market area, is such that a plant location in, or close to one of the metropolitan centres is frequently most logical from a manufacturer's point of view. Unless viable alternatives to such locations are available, the concentration of manufacturing activity will tend to increase. The costs of locating and operating a manufacturing establishment elsewhere in the Province is generally greater because of such factors as the topography, dominated by the mountain ranges that traverse British Columbia from north to south. This factor alone puts potential industrial land at a premium and contributes to the high cost of servicing land for industrial uses. Developed industrial land in the Interior is in generally short supply. Many Interior towns have some provisions made for industrial parks but none of them are fully serviced with the exception of Cranbrook, Kamloops and Prince George.

Servicing of parks from 20 to 100 acres depending on the size of the town and the feasibility of establishing industry in it could take place in approximately 17 towns and cities through the Interior. As is found elsewhere in Canada, the service sector, particularly the segment that supports business activity, is much less developed in the smaller centres and rural areas of the Province. It is often argued that firms in these areas are at a disadvantage because credit is harder to obtain and/or more expensive than in metropolitan areas. Granting credit in the smaller centres and rural areas may have extra risks involved because of the other economic disadvantages discussed and the fact that land and buildings may have little disposal value if the original firm is placed in receivership.

Transportation costs related to the movement of material inputs and product distribution to the market places many firms at a disadvantage compared to those in the metropolitan areas that are served by a wide range of transportation services and are adjacent to major domestic markets. While many parts of British Columbia are served by road, rail, air and/or water transportation, load factors in some areas, particularly in the south, often severely hamper the ability of the systems to serve increased levels of manufacturing activity over the short term.

Summary

The realization of the enunciated Federal and Provincial objectives to diversify and distribute economic activity throughout British Columbia requires a program of assistance designed to overcome the disadvantages of locating manufacturing activities away from the already highly developed centres. The thrust of such a program would be to stimulate manufacturing and support those parts of British Columbia presently on, or close to the major transportation routes. For the most part this would include, but not be limited to, the Prince Rupert-Prince George-Kamloops corridor, and the corridor served by Highway 3.

In support of a program of industrial incentives, a research effort is needed to identify viable manufacturing opportunities. Also included would be support for regional industrial development commissions which would play an active role in support of the diversification and dispersion goals of the two senior levels of government.

This Agreement is intended to provide the structure and funding of such a program. Obviously no one government program of this sort can solve all the problems of the Provincial economy. A program of this magnitude can only provide a portion of the stimulus to economic development in British Columbia. Thus it must be viewed as complementing other programs - some already in existence, some to be brought into existence - aimed towards achieving the development objectives for British Columbia.

With these somewhat conflicting constraints in mind, the programs outlined in the following section were designed to afford a material addition to development efforts at as low cost as possible.

PROGRAMMING

The two levels of government have agreed to co-operate in the development of new joint initiatives, and to co-ordinate the application of their existing programs toward the objectives of this agreement. At the same time, through the mechanism of a federal-provincial Industrial Development Committee, to be established to manage this agreement, the parties agree to bring a greater co-ordination and relevance of the programs of all participating agencies to the needs of the British Columbia economy.

PART A - JOINT PROGRAMMING

This part outlines those programs, namely: Research, Community Industrial Development, Industrial Assistance, and Public Information, which the two governments agree to jointly develop, manage and finance.

1. Research

This is the fundamental work required to provide the information and analysis necessary to implement the other portions of the Agreement and to ensure that the developmental objectives of the federal and provincial governments are rationally attained. The intent is to provide for consultant studies of specific industrial opportunities, including technical, marketing and feasibility studies and the preparation of special reports determining needs and costs of community infrastructure inputs if selected opportunities are realized.

The Industrial Development Committee will review all research proposals and will approve those to be eligible for funding under the agreement. The implementation of these aspects of the program will be through the appropriate agency of the Government of British Columbia.

1.1 Opportunity Identification

Under the Interim Planning Agreement (IPA) between DREE and the provincial Ministry of Economic Development, several opportunities in a variety of sectors and in different regions of the province were identified. Specific components of this material require further examination. In addition, other potential opportunities have come to light and others will continue to emerge which will warrant examination.

Major elements of this work are, therefore:

- (i) Investigations to examine in greater depth the opportunities identified in the IPA studies.
- (ii) Examination of new potential opportunities as they emerge to determine their importance and possible impact on the provincial economy.
- (iii) Conduct an examination of service industry opportunities that are related to new and expanding industrial activities and from the changing British Columbia economy.

The funds provided will pay the cost of private consultants engaged to carry out these study efforts.

Estimated five year cost: \$1 000 000

1.2 Opportunity Analysis

When specific industrial opportunities have been identified, it will be necessary to determine the viability of the projects. Analytical studies, in marketing, technology and, generally, feasibility level studies will be conducted to determine viability within the target area. These studies will, in addition to analyzing the viability of specific industrial opportunities, identify the necessary ancillary public actions that might be required to ensure that such activities can be realized in the priority regions and communities of the province. The analysis would be conducted through the provincial Ministry of Economic Development, with, where appropriate, assistance from the British Columbia Development Corporation, the federal Department of Industry, Trade and Commerce and DREE.

The funds provided in this part of this Agreement cover the costs of engaging private consultants.

Estimated five year cost: \$2 000 000

1.3 Special Reports

It will be necessary, in some instances, to have special reports and analyses prepared on community and regional development to ensure that priority regions and communities have the capacity, or are aware of the deficiencies which prevent them from doing so, to be able to absorb specific industrial opportunities. Such reports would review transportation and accessibility, land availability and infrastructure availability for the industry itself and for the community if the specific industrial opportunities imply a quantum increase in labour force and, hence, population. Such information would be invaluable to other federal and provincial agencies in forewarning them of possible future requests for selected programming efforts that fall under their respective mandates. The funds provided for in this part of the Agreement cover the costs of engaging private consultants.

Estimated five year cost: \$ 850 000

2. Community Industrial Development

The objectives of the community industrial development program are:

- (i) to encourage the development of well trained and effective industrial development capabilities in each of the main economic regions of the province;
- (ii) to ensure the existence of adequate competitively priced industrial land in the key regional centres which have been identified as potential growth areas in the province; and

- (iii) to encourage and facilitate orderly development and efficient growth patterns in British Columbia by supporting industrial development in industrial parks, or in special cases in industrial malls, or advance factory space.

The principal thrusts of the community industrial development program will be directed to the development of a regional approach to industrial development planning, and to encourage greater development of higher value added processing and footloose activities in the various regions of the province. While such developments might occur anywhere in the province, both governments have agreed to give particular attention to those regional centres where growth prospects have already been identified, which lie on or near to the major accessible rail and road transportation systems of the province.

2.1 Assistance to Industrial Commissions

This program will involve the provision of financial assistance to regional industrial development commissions to enable them to hire and retain competent staff. It is proposed that a sliding scale support program starting at 90 percent and diminishing over three years to 50 percent be provided to cover salary and approved administrative costs of regional industrial development commissions. This support would be paid for periods of up to three years for those regional industrial development commissions established during the terms of the Agreement. A regional industrial commission will be one with responsibilities for the preparation and administration of an economic development plan for a regional district or for one of the nine economic regions of the province, and for the coordination of the industrial development and promotional efforts of the various communities of sub-regions within the larger area. Provision is also made here for special measures that might be required in exceptional circumstances to promote opportunities which are identified through the research components of the program.

Estimated costs for five years: \$2 000 000

2.2 Industrial Parks

A key to the proposed dispersion of industrial activity over a wider area of the Province than now exists is the availability of sufficient industrial land at competitive prices in those key communities which because of their characteristics have considerable attraction for the location of industrial activity. Under this section of the program it is proposed to make low interest loans to such communities to service land required for the establishment of industrial parks, where there is an inadequate supply of industrial sites to meet projected requirements.

Generally the type of centre to which priority will be given under this section will be ones which serve a regional economic function in the area of the Province in which they are located and for which there is a demonstrated growth potential. They will normally have a stable population base, and will be located on or adjacent to principal transportation and communications systems. Each centre will already have an adequate level of basic community infrastructure to meet its current needs, but will lack adequate serviced industrial land to meet the projected expansion in industrial activity.

The criteria against which requests for assistance will be evaluated will include:

The existence of demonstrated opportunities for industrial development which contribute to diversification of economic activity in the areas and the creation of new jobs or the stabilization of existing employment.

The community provides a regional function, is of sufficient size to increase this role, has the necessary transportation, service and municipal infrastructure but lacks adequate supply of serviced industrial land.

The existence of a potential labour force to meet the needs of the new industrial activities proposed.

The further stimulation of the community affected is consistent with other regional, provincial or national development goals or strategies.

The park will be viable and will continue to operate without the need of continuing public sector support.

One of the principal objectives of the industrial parks program is to provide sufficient industrial land in key areas of the Province to enable the realization of industrial activities which might otherwise not occur. It is not an intended result of the program that some areas will be able to unfairly compete with others through lower rents or charges made possible because of assistance provided through this program. Consequently it will be a condition that parks assisted under this Agreement will have to be managed and operated in accordance with guidelines to be established by the two governments and administered by the British Columbia Development Corporation.

Estimated costs for five years: \$30 000 000

2.3 Industrial Sites

In communities which do not meet the criteria, nor have sufficient demand for the development of industrial parks, this program may provide low interest loans for industrial infrastructure and where necessary improvements to municipal infrastructure where public sector investment is required to support an identified industrial opportunity which will have significant benefits in terms of employment and income. It is intended that such assistance will only be available to projects locating in smaller communities in the Province where there is inadequate serviced industrial land to meet the needs of the enterprise, and where the community's ability to service a site is severely limited.

This project is designed to enable a local area to react quickly to potential opportunities which will be significantly beneficial and at the same time contribute to the overall objectives of this Agreement. It will not be possible to identify all areas or activities that might be assisted until the opportunities come forward, so a large degree of flexibility will be required if unforeseen developments are to be accommodated. There are, however, a number of criteria which must be met by any project to qualify for assistance under this activity.

1. There must be an identified opportunity that will have significant benefits in terms of employment and income.
2. There is no industrial park or other suitable site where the facility would logically and economically locate.
3. The facility must be new and its proceeding must be dependent on the provision of assistance under this program activity.
4. There is community support for the facility, and community involvement in the extension of basic services for it.
5. The need for and the amount of public funds provided to the project from other government programs.
6. The project is consistent with the objectives of other federal and provincial programs, and with any development strategy for the province or the region concerned.

Estimated five year cost: \$15 000 000

2.4 Industrial Malls

This aspect of programming is designed to assist in certain exceptional situations in the development of complexes which would be the sites of a number of industrial activities which would share certain common facilities and services, thus making available to

each a higher level of services than might otherwise be available and at a lower per unit cost. At the same time it is probable that such a development would encourage the clustering of related activities which would contribute to both forward and backward linkages among the firms in the complex.

The situation which would give rise to consideration of such complexes would normally result from developments of a major scale taking place in an area and creating a number of new and smaller industrial opportunities over a fairly short period of time, either in related or remote areas of activity. There would generally be an underdeveloped system of industrial and commercial infrastructure which would tend to deter the new opportunities from being realized within the area or time frame desired.

In the area of programming it is proposed that the governments would provide or supplement loan financing to a development authority to enable the detailed planning of the concept, and the development of the common facilities and services required for the operation of the complex. As is the case with industrial parks it would be expected that the operation of such a complex would be in accord with guidelines to be established under the authority of this subsidiary agreement.

Estimated cost for five years: \$9 000 000

2.5 Advance Factory Space

This part of the programming is a refinement of activity under the Industrial Parks section. In certain situations an opportunity might only be realized through the provision by a local authority of a building or buildings to house a particular operation. Such situations would only be considered where there are not other suitable locations in the Province where space is already available or where it is considered that the addition of the activity concerned would significantly contribute to the overall development of a particular area.

The criteria against which proposed projects of this type would be reviewed will be those applicable to the industrial parks program. In addition, however, the following will apply:

Suitable alternative sites for the location of the operation concerned do not exist in the target area of the province for this Agreement.

The proposed operation will make major contributions to the economic development of the affected area which warrant the investment in land and building by the development agency.

The development agency has full support and involvement of the local and regional administrations and must demonstrate the ability of the proposed operation to repay all loan assistance provided to it.

Under this program loan funds will be made available to finance the development costs of advance factory space in those cases for which assistance under this program is recommended. This assistance will be provided at favourable rates of interest and will be intended to cover the full development costs of such advance factory space. The actual amount and repayment terms for such assistance will be determined by the Committee.

Estimated five year cost: \$5 000 000

3. Industrial Assistance

3.1 Assistance to Small Enterprises

As indicated earlier, the percentage of small business enterprises in British Columbia is higher than the Canadian average. Many of these businesses are the "seeds" of expanded B.C. industrial production while others are fundamental to healthy regional growth and industrial support.

This program is designed to encourage and assist the modernization, expansion or establishment of small business enterprises, which because of size or function would not normally meet the criteria of existing incentive programs. Under this program the Agreement provides for interest-free forgivable loans to new and expanding small enterprises involved in manufacturing or processing, or maintenance or repair relating to the manufacturing sector in the target area. For purposes of this program a small enterprise is one in which average sales do or are not anticipated to exceed \$500 000 per year. Assistance under this activity would not exceed \$30 000 for any one enterprise.

Estimated five year cost: \$5 000 000

4. Public Information

It is anticipated that over and above the normal public information services of the respective federal and provincial departments and agencies involved, there will be a need for a program of information diffusion of the component elements of this Agreement. This program element will provide for the preparation and distribution of the informative material required to meet the need.

Estimated five-year cost: \$ 150 000

PART B - CO-ORDINATED PROGRAMMING

This part outlines those existing programming activities which each level of government may undertake, manage and finance by itself within the term of this Agreement. While each level of government will carry out its own program activities, both agree to apply them in a manner that is consistent with and supportive of the general strategy of the Canada-British Columbia General Development Agreement, and the objectives of this Agreement. Both parties agree to consult at regular intervals with respect to their individual program activities and to provide the staff and resources required for the carrying out of their respective responsibilities. It is understood, of course, that this commitment does not impinge upon the decision-making authority vested with either government with respect to programs identified in this Part.

5. British Columbia

The Ministry of Economic Development will continue to analyse, interpret and report on various regional and sectoral concerns of the provincial economy, and to assist the development of business enterprises throughout the Province through its Trade and Industry and Small Business Assistance program.

The British Columbia Development Corporation will continue to promote the economic development of the Province through its standard loan and loan guarantee programs and its program to provide reasonably priced industrial land throughout the Province. Also a program of loans with favourable interest rates will be made available to business enterprises locating outside the Lower Mainland and Southern Vancouver Island. The Corporation's land development activities and their loan program with favourable interest rates will be co-ordinated with those joint activities of the two governments provided for in Part A.

During the term of this Agreement it is anticipated that the program of loans with favourable interest rates, standard loans, loan guarantees and indemnity activities of the Corporation in the target area may be up to \$20 million.

6. Canada

DREE will continue to apply the RDIA program in the designated region. Through this mechanism, DREE is able to provide development incentives for eligible manufacturing and processing industries and loan guarantees for these as well as commercial facilities. It is estimated that up to \$20 000 000 may be committed under this program.

In addition and in close harmony with DREE initiatives, the Department of Industry, Trade and Commerce will continue its industry assistance programs, including inter alia the Enterprise Development Program (EDP), the Defense Industry Productivity Program (DIP), the Shipbuilding Industry Assistance Program (SIAP) and the Machinery Program (MACH).

The export support and promotion programs of IT&C are considered to be of particular relevance to the objectives of this Agreement and the Trade Commissioner Service will continue its efforts on export markets in the Pacific Rim: the principal export target for output of the British Columbia economy.

PART C - FEDERAL/PROVINCIAL INDUSTRIAL DEVELOPMENT CO-ORDINATION

In addition to the direct programming activities of Parts A and B, the two governments agree that regular consultation between the departments and agencies directly involved in the delivery of the programs under the Agreement, and other federal and provincial departments and agencies involved in programming impacting on the industrial development of the provincial economy is desirable and necessary and can contribute in a major way to the attainment of the objectives of the Agreement. To facilitate consultation the Industrial Development Committee referred to in Section 4 will bring together senior officials from the provincial Ministry of Economic Development and the British Columbia Development Corporation and the federal Departments of Industry, Trade and Commerce, and Regional Economic Expansion and the Federal Business Development Bank. This Committee will have two major roles: the direct management of Part A of this Agreement, and the bringing together of a wide range of federal and provincial program elements in pursuit of the philosophy and objectives as envisaged in Part B of this Agreement.

The Industrial Development Committee shall also be required to meet at least once a year with representatives of the industrial community and the various regional industrial development commissions to consult on the changing needs of the provincial economy. Industry representatives shall be appointed by the Ministers. Based on such consultation and on annual reviews of the Agreement and the program activities under it, the Committee may advise both governments on existing program efforts and future program initiatives.

CANADA - BRITISH COLUMBIA
SUBSIDIARY AGREEMENT
INDUSTRIAL DEVELOPMENT

SCHEDULE "B"

PROGRAM	PROJECT ITEMS	ESTIMATED PROGRAM COSTS (\$000s)	ESTIMATED PROJECTS COSTS (\$000s)		
			TOTAL	FEDERAL SHARE	PROVINCIAL SHARE
PART A - JOINT SHARE COST PROGRAMS					
1. Research		\$ 3 850			
	1.1 Opportunity Identification		\$ 1 000	\$ 500	\$ 500
	1.2 Opportunity Analysis		2 000	1 000	1 000
	1.3 Special Reports		850	425	425
2. Community Industrial Development		61 000			
	2.1 Industrial Commissions		2 000	1 000	1 000
	2.2 Industrial Parks		30 000	15 000	15 000
	2.3 Industrial Sites		15 000	7 500	7 500
	2.4 Industrial Malls		9 000	4 500	4 500
	2.5 Advance Factory Space		5 000	2 500	2 500
3. Industrial Assistance		5 000			
	3.1 Assistance to Small Enterprises		5 000	2 500	2 500
4. Public Information		150	150	75	75
	TOTAL PART A	\$ 70 000	\$ 70 000	\$35 000	\$35 000
PART B - CO-ORDINATED PROGRAMMING					
5. Financial Assistance Including Loans (1) (British Columbia Development Corporation)		\$ 20 000	\$ 20 000		\$20 000
6. Regional Development Incentives and Loan Guarantees (2) (Department of Regional Economic Expansion)		20 000	20 000	20 000	
	TOTAL PART B	\$ 40 000	\$ 40 000	\$20 000	\$20 000
	TOTAL PARTS A AND B	\$110 000	\$110 000	\$55 000	\$55 000

(1) Estimated level of commitments which may be made under the programs to be introduced by British Columbia.

(2) Estimated level of commitments which may be made in British Columbia under the Regional Development Incentives Act.