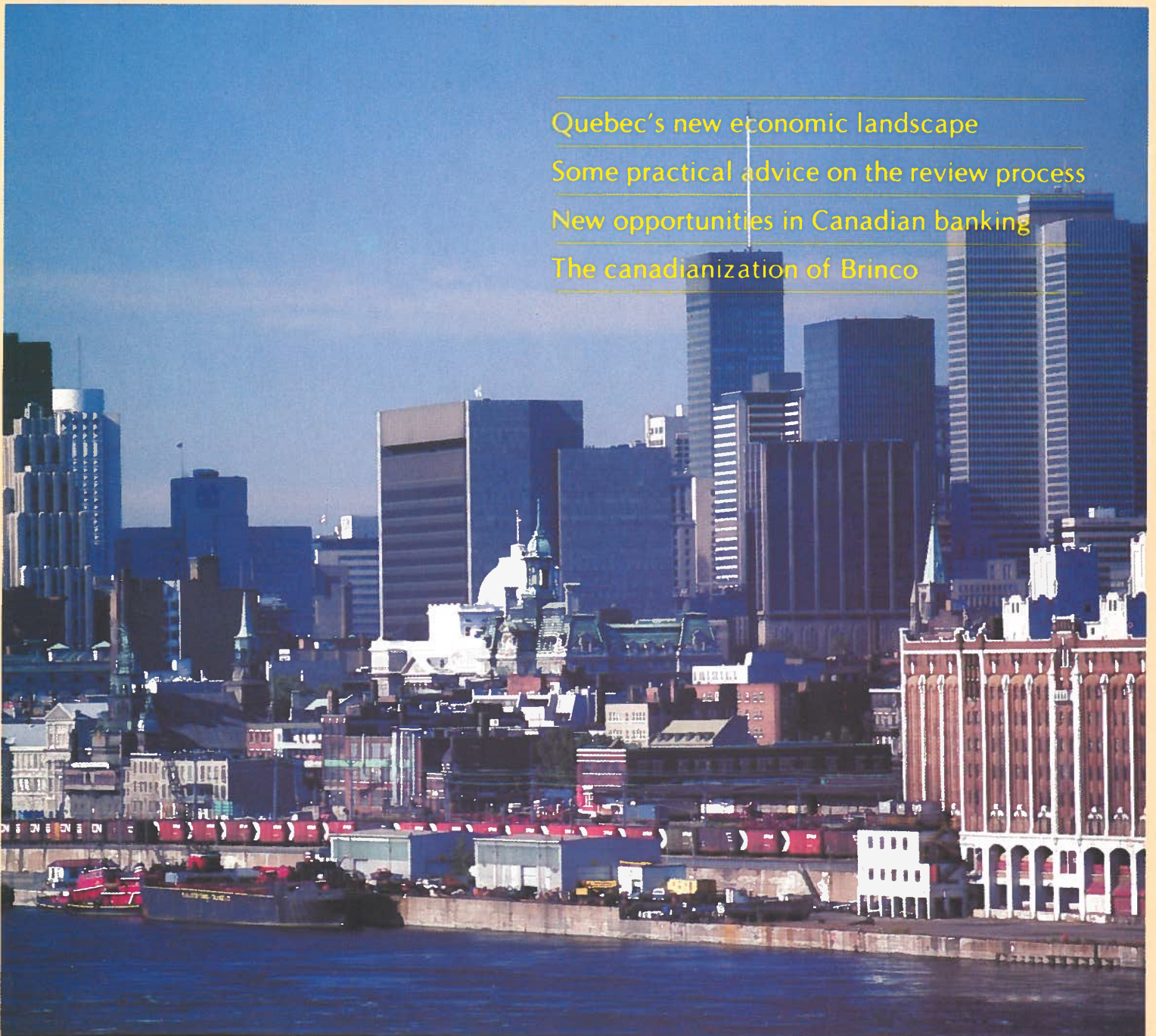


# FOREIGN INVESTMENT REVIEW

A journal on  
investment conditions in

## CANADA

Spring 1981 Vol. 4, No. 2



Quebec's new economic landscape

Some practical advice on the review process

New opportunities in Canadian banking

The canadianization of Brinco

# FOREIGN INVESTMENT REVIEW

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# News briefs

## FIRA and the new National Energy Program

Announced simultaneously with the federal budget on October 28, the new National Energy Program has stimulated considerable comment both in and out of Canada.

The energy policy rests on three fundamental precepts:

- It must establish the basis for Canadians to seize control of their own energy future through security of supply and independence from the world oil market;
- It must offer to Canadians the real opportunity to participate in the energy industry in general and the petroleum industry in particular, and to share in the benefits of industry expansion; and
- It must establish a petroleum pricing and revenue-sharing regime that recognizes the requirement of fairness to all Canadians.

The first two precepts were translated into two specific goals: the first is to ensure "... at least fifty percent Canadian ownership of oil and gas production by the end of this decade" and the second "... Canadian control of a significant number of the larger oil and gas firms". These are ambitious goals, considering that Canadian ownership of production is currently about 30 percent and Canadians control only 8 of the 25 top oil and gas producing companies in Canada.

Direct reference was made to FIRA in the statement of the new energy program. It stated that "FIRA will ... continue to play a key role in ensuring the government's Canadianization goals". Implied is that an even greater weight than in the past will be given to the Canadian ownership factor in the Agency's review of investment proposals in the energy sector. Another investment review criterion that will be affected is the one concerning the compatibility of an investment with national and provincial economic and industrial policies. The message is quite clear: energy is a vital sector of the economy in which Canadians must have an increasing share of ownership and control, and the Foreign Investment Review Act will be applied in such a way as to contribute to the attainment of that goal.

The recent precision and clarity of the statement of these ownership objectives tend to shroud the fact that they have been an established part of federal economic policy for a number of years. In fact, the policy objective of increasing Canadian ownership and control of the energy sector pre-dates the Foreign Investment Review Act. In 1970, the federal government announced such a policy in

relation to the mining of uranium. In 1974, only a few months after the creation of the Foreign Investment Review Agency, Prime Minister Trudeau announced increased Canadian ownership as an objective of the Liberal Party of Canada. Two years later, reference was again made to that policy objective in the federal government's energy paper entitled *An Energy Strategy for Canada*. Another clear indication of this policy orientation was made in 1977 when the Canada Oil and Gas Land Regulations were amended to provide that authority would be given for the production of petroleum from federal lands only if Canadian equity interests in the undertaking amounted to at least 25 percent. The new energy program calls for that share to be increased to 50 percent.

These energy policy objectives, therefore, are not of recent vintage. They have existed and have been stated in one form or another over the past 10 years. The key difference is the clarity and precision with which they have been stated.

## New banking legislation

On November 26 Senate approval and Royal Assent were given to new banking legislation which had been approved by the House of Commons on November 19. This is the final chapter of a six-year review of the 468-page statute, which involved a Government white paper, extensive hearings before Senate and House of Commons committees and four banking bills.

Beyond the usual objectives inherent in such legislation, it is hoped that the new legislation will increase competition in the Canadian banking system by providing easier entry of new or existing Canadian-owned institutions; by extending the powers of banks to include financial leasing, factoring and venture capital; and by recognizing the presence of foreign bank subsidiaries in the Canadian banking system by according to them a competitive role in the federal system, while ensuring that the Canadian banking system remains predominantly Canadian-owned and managed.

In addition, the legislation clarifies the business powers of banks in some areas such as data processing and underwriting of corporate securities.

Furthermore, the legislation establishes a Canadian Payments Association to ensure that the national payments system in Canada evolves in a manner that is fair to all participants, that is responsive to technological change and that is efficient.

For details on how the new legislation affects the operations of foreign bank sub-

sidiaries in Canada, readers should consult the article on the new Bank Act which appears in this issue of the *Foreign Investment Review*.

## Canada reluctantly introduces "credit mixte"

The Canadian Government has introduced a new element into its export development program: credit mixte. This is an export financing device that blends concessionary financing with conventional export financing to produce low interest rates. It has been and is being aggressively used by some of Canada's competitors in many bidding situations, and it was felt necessary to provide Canadian firms funds to match the credit mixte terms being offered by foreign governments.

Signings to a maximum of \$900 million over the next three years will be made available through the Export Development Corporation, a Crown corporation which provides export financing assistance to firms in all regions of the country.

The Minister of State for Trade, the Honourable Ed Lumley, explained that up to now foreign competitors, who have had a credit mixte backing from their governments, had a clear advantage over Canadian firms who were otherwise competitive in price, delivery, quality and service. In spite of repeated attempts by Canada and other like-minded industrialized countries to negotiate an international agreement to restrict the use of concessional financing, certain countries have persisted in using it. The Minister, however, underlined Canada's intention to continue to press for such an agreement.

To meet present realities, the Government is making this financing assistance available to Canadian firms on a matching basis, when it is clear that their major competitors are resorting to this form of export subsidization.

## June 3 is Census Day

On June 3, 1981, Statistics Canada, Canada's official statistics gathering agency, will launch its twelfth decennial census. Approximately 39,000 census agents will cover about 9.4 million kilometres to gather precise information on Canada's over 8 million households.

Canada's Statistics Act requires that every Canadian respond to the questions asked during the census in order to ensure that the information gathered be as precise and extensive as possible.

Census statistics have been an invaluable source of information for Canadian businesses, principally in the following ways: to forecast demand and potential sales; to determine the best locations for retail outlets, manufacturing plants and other business activities; to determine market penetration; to evaluate manpower availability; and to guide publicity and sales campaigns.

### Capital expenditures by business to rise again

Business capital spending will increase approximately 19 percent in 1981, according to Statistics Canada. Contributing significantly to this growth will be expenditures in oil and gas wells, which are expected to rise 19.7 percent. The spending increase in this industry group, while impressive, is well below the 42.2 percent increase recorded last year. The same is true for metal and non-metal mining; expenditures will rise almost 37 percent in 1981, which is smaller than the 1980 increase of 52 percent.

One of the most impressive expenditure increases will be in pipelines, especially natural gas pipelines, which Statistics Canada expects to reach 147.7 percent.

Overall spending in manufacturing industries, which rose 28 percent in 1980, will increase again in 1981, but at a slower



One of the most impressive increases in capital spending will be on pipelines.

rate of 23 percent. Leading the list of industries that will increase spending are chemicals (47.6 percent), paper and allied products (40 percent), petroleum and coal products (148.9 percent) and transportation equipment (19.6 percent).

Spending in the trade, financial and commercial sector is expected to rise almost 15 percent and in non-residential construction, nearly 18 percent. Expenditures in housing construction could increase 12 percent in 1981.

### An invaluable source of information

Foreign businessmen, who are interested in investing in Canada, can obtain a wealth of information and advice on the Canadian economy and government policies from Canada's trade representatives abroad, members of the Trade Commissioner Service. The trade commissioners are often the foreign investor's first "port of call" because their primary task, which is to assist Canadian exporters, requires that they have a thorough knowledge of Canada's economy in all its facets, including its industrial structure and policies, markets, regional characteristics, employment and financing.

The trade commissioner can provide information and material about relevant government policies and programs, such as general or specific incentives to industry or the requirements of the Foreign Investment Review Act, and he can usually provide contacts in Canada for other more specialized kinds of information.

The long history of the Trade Commissioner Service, which is the oldest specialized foreign trade service, gives it the experience, depth and continuity to provide this kind of assistance.

Throughout its nearly 90 years of operation, export market development and assistance have continued to be the primary concern of the trade commissioners. But in the wider service to Canada's industrial development, they have also been attentive to the two-way flow of investment. Considerable economic changes in Canada over the years have led to new or changed activities on the part of trade commissioners.

As far as foreign investment is concerned, an earlier policy encouraging the establishment of branch plants, which contributed to the development of Canada's industrial base, was replaced by a policy favouring more selective investment consistent with Canada's maturing economy.

With their close ties to the business community in Canada and abroad, trade

commissioners are well placed to assist that flow of investment. Their intimate knowledge of both the foreign investor's market and the Canadian market enables them to explain similarities and differences to the investor, while their ready access to economic, industrial and commercial information can be invaluable in the investment decision.

Moreover, an extensive network of contacts throughout Canada, broadened a few years ago to include access to provincial as well as federal contacts, can provide the investor with information he needs on everything from tax laws to industrial incentives.

Because of the strategic location of the trade commissioner offices in Canadian embassies and consulates abroad, this assistance and information can be made available to investors in their own country and often in the very city where they have their headquarters. And, once established in Canada, the investor can count on the trade commissioner service to assist in the export of the products of his Canadian plant.

# Quebec's new economic landscape

by Michel Nadeau

Quebec's economy has usually been portrayed as a blend of traditional manufacturing and natural resource production. However, the Quiet Revolution of the early 1960s, which was an essentially social phenomenon, caused a wave of entrepreneurship which in turn has led to the remarkable transformation of the province's economic landscape.

In an age when energy resources are growing scarce, Quebec is one of the few regions in the world where energy production will increase. In fact, the province's production of energy will double by 1985, largely on the strength of its output of hydro-electricity which, in oil equivalent, will swell from 131,200,000 barrels a year to 243,000,000. This is a conservative estimate given for the partial hydro-electric development of James Bay. The only way that figure could not be reached would be if the rivers feeding James Bay ceased to run. The strategic importance of James Bay is that much greater when one considers the price stability of that energy source which is not subject to the volatility of international cartels or the vagaries of international politics.

With 15,000 megawatts of power in place and the possibility of adding another 25,000, Hydro-Québec, the public corporation responsible for the production and transmission of electricity in the province, can offer some of the best rates available to North American consumers of electricity. For example, on March 1, 1980, industrial consumers in New York paid \$33.99 per 1,000 kilowatts, in Chicago \$18.96 and in Toronto \$14.42; in Quebec, they paid \$13.10. The difference for the residential consumer was even greater. In spite of its low rates, Hydro-Québec has the distinction of being the most profitable corporation in Canada, its 1979 profits reaching \$746 million. With only 6.3 million inhabitants spread over 1.5 million square kilometres, the province can use its immense hydro-electricity resources to good advantage as a tool for economic and industrial development. Montreal, the province's largest city and one of North America's leading cities, provides industry access to 85 million consumers within a 1,000 kilometre radius, another plus when one takes into account the rise in the price of fuel and thus transportation costs. That is, of course, the flip side of the energy coin.

Much has been said about the political debate related to Quebec's future in the Canadian federal system and the resulting tensions. While this debate has been very real, Montreal is, among North American cities, one of the least affected by social and racial tensions, something which is too often ignored by the media and others. Another fact that the political debate has overshadowed is the solid per-

formance of Quebec's economy in recent years.

The Economic Council of Canada recently pointed out that, with the exception of Alberta, Quebec is the only province where productivity did not decrease over the last 6 years. It has thus escaped a trend that has prevailed in much of the industrialized world. It can also claim to have had one of the lowest rates of labour-cost increases over the last 3 years, costs per unit of output rising only 6 percent a year. Another important element of the province's economic performance has been capital investment, which has increased over 13.6 percent a year since 1970. Quebec has had the best provincial real economic growth record over the last 5 years at 16.6 percent a year, discounting inflation. Growth in 1981 is forecast by the Conference Board to reach 1.4 percent, a respectable rate given current national and international economic circumstances. Another indicator of the province's economic strength is its record of job creation which totalled 180,000 over the last three years.

This kind of economic performance is never accidental. An important underlying factor is major public works related to projects such as the Olympic Games and the James Bay hydro-electric project, which represent billions of dollars of stimulus for the economy. Currently, work has begun on the establishment of a \$1 billion distribution network that will make natural gas available to virtually every part of Quebec. In addition, there are strong possibilities that about \$2.5 billion will be spent to improve the productivity of Montreal's six refineries, a timely project given that the province will continue to rely on hydrocarbons for approximately 50 percent of its energy needs.

Another target for major investment is the province's forest industry, which has undertaken a \$2-billion plant modernization program to be carried out over the next 5 years. Such investment is vital to Quebec retaining its position as the world's leading newsprint producer and maybe increasing its current 17-percent share of the world market. In addition to the modernization program, whole new pulp and paper production centers are being created through the joint efforts of government and industry. Different firms are trying to imitate the success of the Donohue Saint-Félicien complex, built

*Michel Nadeau is the financial editor of Le Devoir, one of Canada's most prestigious daily newspapers.*

north of Quebec City in 1978, which proved to be highly profitable from day one. Currently, Donohue Normick is constructing a newsprint plant whose production will be based on woodchips supplied by sawmills in Abitibi, a region in the northwest of the province.

This dynamic modernization and expansion program is designed to help the industry face the very serious challenge presented by the fast-rising forest products industry in the South of the United States. Industry leaders are optimistic that their efforts will be rewarded and that forest products will continue to account for a major part of Quebec's exports.

World demand for many of Quebec's abundant mineral resources continues to be very strong. One interesting development has been the rebirth of the province's gold mining industry. The spectacular rise in gold prices has been more than a boon to speculators: it has led to the opening of 10 new gold mines in Abitibi. Further price increases would likely intensify activities in this industry.

Other resource industries of the province have been well served by rising international prices, in particular copper and zinc which in large part are processed in Quebec. The Noranda Group, an important player in the mining industry, made important discoveries of these minerals last year and is expanding its Rouyn-Noranda processing plant which will be equipped with state-of-the-art technology.

Not all of Quebec's mining industries have enjoyed such good fortune. The asbestos industry, for example, has been hurt by less than firm markets in recent years and the reputation of the mineral has been damaged by repeated reports of health hazards associated with its use. In an attempt to stimulate a greater degree of processing of the mineral in the province and to contribute to resolving some of the industry's problems, the Government of Quebec acquired an interest in the industry. A research center on asbestos, a third of whose world production comes from Quebec, has been established. It recently developed a new technology for the recovery of residues. In spite of current problems, asbestos will continue to be in demand as an important and in some areas irreplaceable construction material.

Another mineral that has had its share of problems of late is iron ore, largely as a result of the international slump of the steel industry. Nevertheless, steps are being taken to ensure that the province's producers are well-poised for taking advantage of international recovery. Sidbec, Quebec's major steel producer, has entered into an agreement with two of the world's largest steel producers, U.S. Steel and British Steel, giving it access to U.S. and European markets, which it will serve from the port of Sept-Îles on the St. Lawrence River.

In addition to these and other mineral resources such as titanium, columbium



Grande Baie, in Northern Quebec, is the site of Alcan Aluminum's ongoing expansion program, valued at approximately \$500 million.

and uranium, Quebec has major deposits of basic construction materials such as sand, gravel and stone to which the construction industry has ready access at very competitive prices. It has been estimated that costs of these basic materials in Quebec and Canada are approximately 40 percent cheaper than costs for similar materials in the United States. With the introduction of new European technology and the improvement of technology in the province, Canada's three major cement firms have made considerable progress in penetrating the U.S. market from their Quebec base.

At first glance, one would not expect Quebec to have much of an agriculture and food industry, with its soil frost-laden 200 nights a year. Therefore, it is surprising to find out that the province's degree of food self-sufficiency is 60 percent, up 9 percent over the last 5 years. More intensive production systems, a significant reorganization of grain production (wheat, corn and barley) and considerably larger animal production have not only increased self-sufficiency, but have diversified the agricultural economy which, until recently, was in great part concentrated on dairy farming. Not that this process has been at the expense of the dairy industry. It is still the single most important source of revenue for the province's farmers. Much of Quebec's milk production is processed into butter, a wide variety of common and exotic cheeses, and yogurt, which supply local markets as well as markets throughout Canada and the United States. An increasing proportion of Quebec's agricultural output is being ex-

ported. A case in point is pork: Quebec has become Japan's most important foreign source of that product.

Fishing has become a \$60-million-a-year business in Quebec, which has benefited immensely from the Canadian Government's decision to establish a 200-mile offshore economic zone. The value of the catch has increased over 100 percent in the last three years. The Government of Quebec has launched a number of technical and financial assistance programs for the province's fishing industry.

But Quebec is more, so much more than simply a producer of natural resources. Quebec's manufacturing sector is mature and becoming increasingly diversified. The processing of natural resources is understandably one of the priorities of the provincial government's industrial strategy, as stated in its 1979 industrial development policy paper, *Bâtir le Québec or Building Quebec*. Whether it be public policy or private initiative, the fact remains that manufacturing has steadily increased its share of the \$70-billion gross provincial product, which currently stands at 23 percent. The value of new investment in manufacturing increased in three consecutive years from 1977 to 1979: the first increase of 4 percent was followed by increases of 8 and 15 percent. In 1979, these investments were valued at \$1.5 billion. Quebec's 30 percent share of manufacturing in Canada is second only to that of Ontario.

One of the most exciting recent developments in that sector is Alcan Aluminum's \$500-million investment in new plants in Grande Baie at a time when

Japanese and European aluminum producers are having trouble keeping their plants running as they labour under the heavy burden of oil-price increases. Alcan's production is based on cheap hydro-electricity which it generates at facilities the company built years ago. In oil equivalent, the cost of the energy used by Alcan is an incomparably cheap \$1 a barrel. This comparative advantage has attracted the interest of foreign aluminum producers and has convinced one firm, Pechiney Ugine Kuhlman, to establish a plant in the province.

Given Quebec's low population density — four inhabitants per square kilometre — transportation and especially transportation equipment has been a significant industry. The leading manufacturer is MLW-Bombardier, which has built upon early successes in snowmobiles to become a major mass transit equipment producer. The firm's LRC train (light, rapid, comfortable) is now being used by Amtrak, the U.S. rail transportation system and the company will be building commuter trains for major cities throughout North America, adding weight to its already impressive export record in locomotives.

While the Bombardier record is impressive, the success story of the 1980s may belong to another Montreal firm: Canadair, one of Canada's three largest aerospace companies, has developed and is producing what promises to be one of the most successful business jets in recent memory, the Challenger. Even before the prototype's certification by Canadian and U.S. transport authorities, Canadair had sold well over 100 copies of the jet. Sales have now passed the \$1 billion mark and successful derivative designs have been developed. While the Challenger rates as the firm's prize product, it continues to market a solid line of water bombers (CL-215) and could draw significant benefit from offset work related to Canada's F-18 fighter aircraft program.

Another highly successful Montreal aerospace firm is Pratt and Whitney, a subsidiary of the U.S. corporate giant United Technologies. Pratt and Whitney is Canada's largest manufacturer of aero-engines. Its engines propel thousands of airplanes of varying types and sizes in over 100 countries. The company recently announced plans to invest tens of millions of dollars in the production of its world famous PT-6 and PT-7 engines. Pratt and Whitney is one of two firms left on the Canadian Government's "short list" for a contract to carry out a major frigate-replacement program for the Canadian navy. Two of Quebec's three shipbuilding yards, which have associated themselves in the contract bidding with Pratt and Whitney, hope the firm will win the contract.

Indeed, Quebec's shipbuilding industry has had problems in recent years. The principal yards have had to adapt to changing circumstances by diversifying

their operations. Two of the three yards have proven themselves to be particularly adept at doing so. Marine Industries Limited has undertaken the production of large turbines and rail cars, and Davie Shipbuilding successfully concentrated on the production of huge floating rigs or platforms used for offshore oil exploration.

Quebec's manufacturing sector comprises a wide variety of high-technology industries. Two examples of companies in this field are Canadian Marconi, a major producer of telecommunications equipment and CAE Industries, which has made itself an international reputation for the design and production of flight simulators. It should be pointed out in passing that government has played an important support role in technological research and development. Programs of both the federal and provincial governments have provided the kind of technical and financial assistance necessary to help firms like CAE Industries and Canadian Marconi remain world-competitive.

The policy of the provincial government, which in principle is the same as that of governments right across the country, is to support the initiative of private industry. Occasionally, state-owned but autonomously-run corporations undertake joint ventures with private firms in major projects, thus furthering development objectives and lightening the risk-burden which such projects represent for private firms. An excellent example of such a joint venture is a consortium called Pétromont, which combined the resources of Gulf Oil, Union Carbide and the Société Générale de Financement (SGF), the industrial development arm of the provincial government. SGF provided the financial input necessary for creating the consortium, which has rationalized Montreal's petrochemical industry, considered a cornerstone by the government for the development of an industrial complex based on petrochemicals. Another joint government-industry venture was in mining, involving Teck Corp. of Vancouver and the Société Québécoise d'Exploitation Minière (SOQUEM). The object of the venture was to develop a rich deposit of columbium. Called Niobec, the joint venture company has been successful and has been one of Teck Corporation's most profitable investments.

Over the years, both the federal and provincial governments have developed a wide variety of technical and financial support programs for industry. Mr. Ladislas Madarasz, Vice-President of the Canadian branch of the Banque Nationale de Paris and a man known as a shrewd analyst of Quebec and Canadian economic realities, had the following to say recently about these programs:

"The Canadian system of industrial programs is one of the most if not the most thorough system in the industrialized world. It involves nearly 100 federal and

provincial plans. . . If it can be said that the abundance of programs makes the system rather complex, it can also be said that the system is extremely advantageous, especially in view of the fiscal environment which is highly favorable to new investment. I could point to several situations where government assistance by means of subsidies, equity participation, loans and so on can cover anywhere from 50 to 80 percent of the costs of investment."

Montreal's Economic Initiatives and Development Commission has established "single-stop" counters to assist investors and businessmen to identify government programs that are relevant to their particular needs.

To describe Quebec's economy solely in terms of large companies or major projects would be to give a very distorted picture indeed, for there is an all important second dimension: the heart of the economy is made up of small- and medium-sized businesses (SMBs). With the exception of Quebec's immense energy projects, much of the character and performance of Quebec's economy is explained by the dramatic rise of SMBs over the last decade or so. While space constraints make a detailed profile of this phenomenon impossible, the following example of an SMB will serve to illustrate the situation. Ivaco, a family business established 10 years ago in the small town of Marieville, 60 kilometres from Montreal, has seen its volume of business grow from \$11 million the first year to over \$500 million in 1980 and the company now runs 35 plants in Canada and the United States.

To grasp the full significance of the SMB phenomenon, one has only to visit one of the many industrial parks situated between Montreal and the U.S. border. Proportionally speaking, Quebec has more SMBs than any other province and their strategic location near the United States is clear evidence of the importance and accessibility of that market. Though the great majority of SMBs are Canadian-owned and controlled, a growing number of foreign-controlled SMBs are establishing themselves in the industrial parks of the Beauce, the Eastern Townships and greater Montreal. In many cases, European firms enter into joint ventures with Quebec firms, the former seeking a foothold in North America and the latter the latest in technology.

Sociological and financial factors account in large part for the rise of the SMB in Quebec: first, French-speaking Québécois have acquired a taste for business and, second, financial institutions have developed whose principal objective is to provide the capital needed for industrial development.

Though the Québécois orientation toward business has only been noticeable over the last decade, the seeds of this trend were sown long before that. Quebec's so-called Quiet Revolution in the

early 1960s did more than change the economic landscape of the province: it created a completely new educational system that had none of the old biases against technical, scientific and business fields. New values were thus inculcated in a generation of Québécois who sought to increase the role they played in the economic destiny of the province. It could be said that few things are respected more today in Quebec than proven business acumen. No one could have foreseen 25 years ago that in 1980 fully one-third of all students in Canada's business schools would be Québécois.

A sign of these changes was the creation of the *Caisses d'entraide*, which are a kind of credit union involving local entrepreneurs who make loans to SMBs on the strength of members' savings. Since 1976, the assets of these credit unions have grown 30 percent a year, a rate unequalled by any other financial institution in Canada. Another element of the financial side of the SMB story was the Government of Quebec's decision in 1978 to encourage the creation of regional economic development corporations or SODEQ by means of income tax deductions. Quebec taxpayers can deduct directly from their income taxes the equivalent of up to 25 percent of their investment in a SODEQ, which makes risk capital available to new businesses. The success of this program is shown by the fact that no less than 12 regional development corporations have been created since 1978.

The province's businesses, be they large or small, can count on a highly-developed transportation infrastructure. An extensive network of highways exists which is interconnected with all major North American systems and businesses have ready access to modern and sophisticated port facilities. The Port of Montreal currently handles 50 percent of all maritime trade in Eastern Canada, up 15 percent in the last 5 years. Furthermore, Montreal is the gateway to the St. Lawrence Seaway, which provides large ocean-going vessels access to the Great Lakes and the heart of industrial North America.

Air transportation services are also highly developed. Mirabel, Montreal's new international airport, is one of the three largest airports in North America. A considerably large area around the airport has been set aside for firms who wish to use aircraft as their principal means of transportation and, unlike most North American airports, Mirabel can operate 24 hours a day.

Though it tends to be overshadowed by Toronto, Montreal is an important financial center. The city is one of North America's major centers for insurance companies. The Montreal Stock Exchange is the oldest and second largest in Canada and all the major banks have either their headquarters or large representative offices there. Three banks — the National Bank, the Mercantile Bank and BNP Can-



Bombardier-MLW's line of subway cars is one of many kinds of product contributing to the growth of Quebec's transportation equipment industry.

ada — are constructing large headquarters in Montreal, as did one of Quebec's most important financial institutions, the *Mouvement Desjardins*, which consists of 1,500 credit unions with total assets valued at more than \$13 billion. Indeed, the construction cranes have reappeared in Montreal's skyline as 12 new skyscrapers are beginning to take shape. IATA, the International Aviation Transport Association, is scheduled to occupy new offices soon and Alcan Aluminum has undertaken the construction of a new tower to house its staff. Alcan's project will blend the old with the new as its tower will stand behind some of Montreal's finest examples of Victorian residential architecture, which will be renovated as part of the project.

The province also has a vigorous tourist industry. Its two major cities, Montreal and Quebec, both offer an interesting blend of European and North American architecture, food and entertainment. New conference facilities were built in Quebec City recently and others are under construction in Montreal between Old Montreal and the business district. Extensive fishing, camping and skiing facilities stretch the province's tourist season year-round and a recent decision by the U.S. Government, to the effect that the same income tax advantages will exist for U.S. businessmen whether they hold their conferences in the United States or Canada, will provide further stimulus to an already busy industry.

Though Quebec's overall economic per-

formance has been impressive in recent years, the province will have to deal with some difficult problems. Some traditional industries (textiles, clothing, furniture and leather) owe their survival to tariff policy. The essential problem these industries have is aging equipment and uncompetitive technology, a problem experienced by their counterparts in other industrialized countries. Representatives of government, business and labour have met regularly in an effort to find solutions and improve the viability of these "soft industries", by trying to identify new products, to intensify research and development, to encourage innovation, to improve industrial relations and to find ways of penetrating new markets. There are a few promising signs of recovery, especially in the furniture industry which is currently running at full capacity. The exchange rate of the Canadian dollar, which was in the 83 to 85 cent U.S. range in 1980, has helped to give their products an extra competitive edge.

Quebec's economy will be increasingly outward-looking in the next few years. Industries such as aerospace, aluminum, telecommunications and transportation equipment all depend on export markets for growth. With the lowering of tariff barriers, the favorable exchange rate of the Canadian dollar and the development of innovative product lines that are, in most cases, world-competitive, the 1980s might be seen a few years hence as the dawn of a new age in the history of Quebec's economy.

# Some practical advice on Canada's foreign investment review process

by J.J. Tennier

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Canada's foreign investment review process was never intended to be and is not a confrontation between foreign investors and the Canadian bureaucracy. It is a screening process whose success depends heavily on effective consultation and cooperation between investors and the officers of the Foreign Investment Review Agency. This article clarifies the review process and presents practical advice to investors, which can help them to avoid unnecessary problems and to lighten their administrative burden.

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All applications are processed the same way no matter where they come from, what their size is, who submits them or what industry they are related to. As soon as a notice outlining an investment proposal is received by the Agency, it is scrutinized by the Compliance Branch to determine whether or not the proposal is reviewable and whether the notice contains the information prescribed by the Foreign Investment Review Regulations. If the proposal is deemed reviewable, it is passed on to the Assessment Bureau for evaluation based on the benefit criteria outlined in the Act. Frequently, during this stage, information additional to that contained in the notice is sought through contacts with the applicant and consultations with appropriate federal departments. The notice is also circulated to the province or provinces significantly affected by the proposal for their views and comments. Once all the necessary information has been assembled, the case is then referred to the Minister, together with an assessment by the Agency of the perceived effects of the investment in terms of the five assessment criteria. If the Minister concludes that the investment is likely to result in significant benefit to Canada, he must make a recommendation to the Governor in Council or Cabinet that the investment be allowed. If not, he must so inform the Agency, which then informs the applicant accordingly. The applicant then has the opportunity to make further representations. When those representations are completed, the case is referred to the Minister a second time for a final decision as to what his recommendation will be.

Over six years experience with the administration of the Act have shown that foreign investors can do a number of things to help themselves avoid unnecessary complications or delays. Some steps should be taken before investors apply and others relate directly to the way in which they prepare their applications and deal with the Foreign Investment Review Agency.

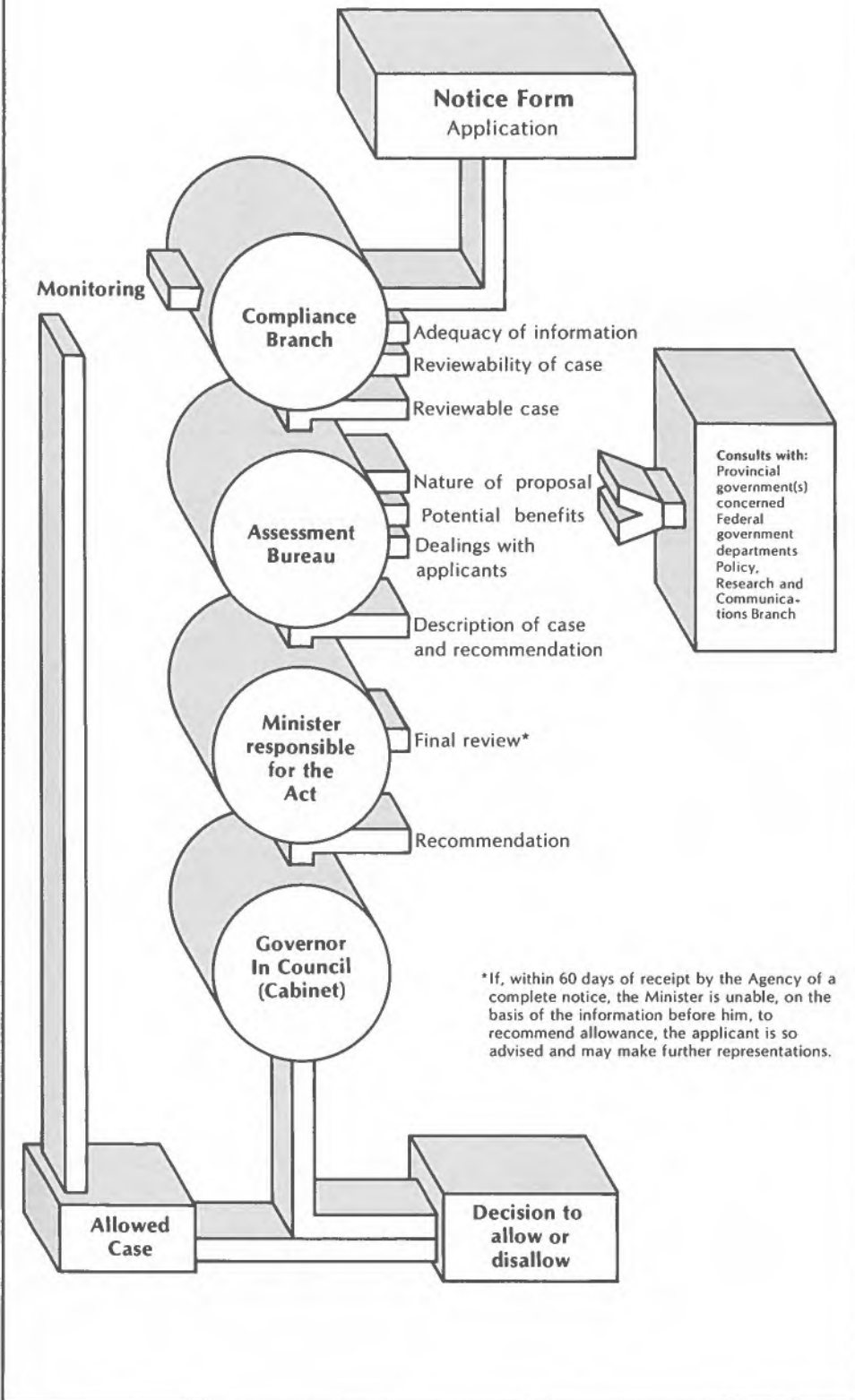
Since no two investment proposals are the same, information given by an agency like FIRA cannot possibly cover all types of investment proposal or investor. That is why FIRA has made frequent public statements to the effect that investors should consult the Agency even before submitting their investment proposals. In doing so, investors can gain a clear understanding of Canada's foreign investment review policy, particularly as it relates to their unique circumstances. They can also receive practical advice on the review process itself, including details such as information requirements of the Act and the best way to describe their investment proposal to meet the assessment criteria and thus pass the test of significant benefit.

Somewhat related to the above and an elementary step before applications are submitted is that investors should inform themselves adequately about the Act and the review process. FIRA has published and makes available documentation and information kits that deal with virtually every aspect of Canada's foreign investment review policy. Once the investor has studied this information and has consulted officers of the Agency, he should be ready to file his application without any worry that the review of his proposal might be delayed by missing information or some other complication.

The application itself is, of course, critically important. The heart of the application is the description of the investment proposal. Given that the assessment criteria are pivotal elements of a proposal's allowance, the description of the investment plan or proposal should be structured directly in relation to the relevant criteria. Accordingly, if the investment can be expected to improve productivity or technological development, the applicant should establish that fact in his investment proposal. In effect, the investor should point out to the Government how he perceives his investment to be beneficial to Canada by referring directly to the criteria specified in the Act.

*The author is Deputy Commissioner of the Agency. He is directly responsible for the Agency's Assessment Bureau and is thus well-placed to give investors practical advice on the review process.*

## Review Process



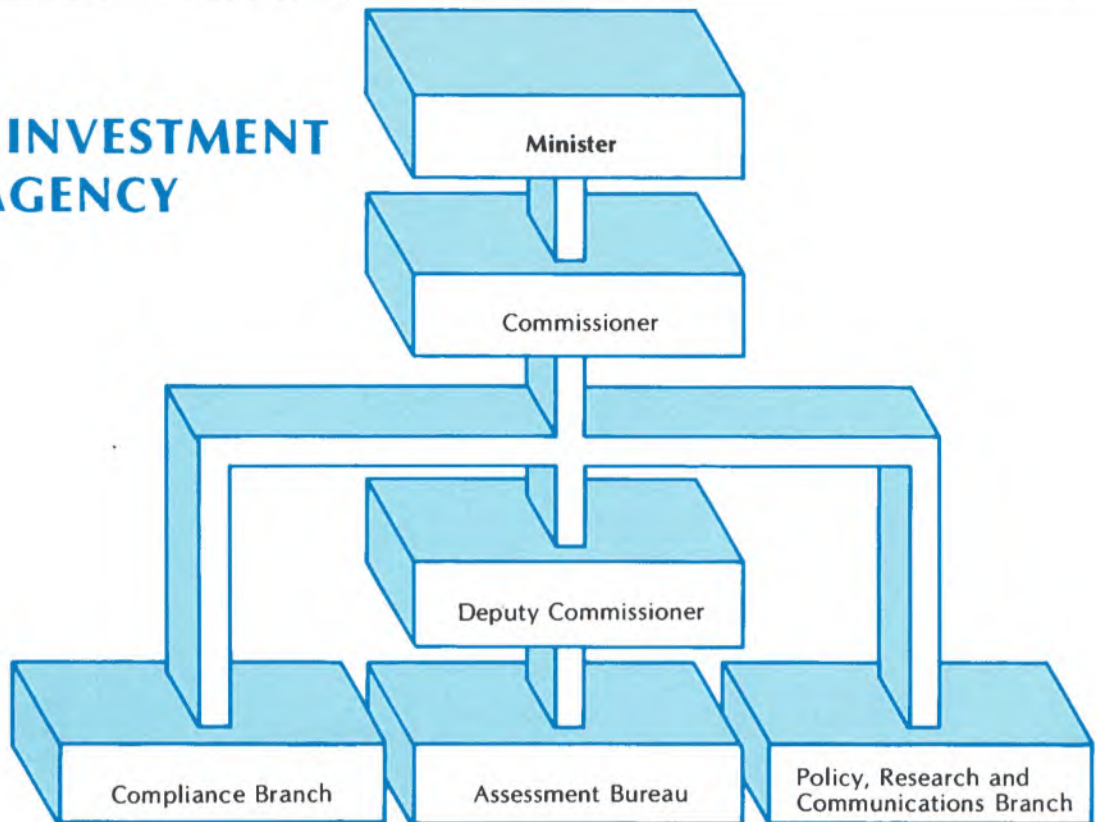
Closely related to the investment plan are commitments or undertakings which investors can give on things such as Canadian participation, research and development, the manufacture of parts in Canada, sourcing of goods and services, exports and so on. It is often easier for an investor to show significant benefit when he agrees to make specific commitments. Investors usually know enough about their initial investment and business intentions to make limited commitments. As for undertakings related to the later conduct of the business, they can be made conditional on the success of the acquired or new business or on specified market expectations.

The Government expects investors to fulfill all commitments because they are taken into account in the determination of likely significant benefit. On the other hand, the Government recognizes that the circumstances in which those undertakings are given can change for many reasons, often beyond the control of the investor, with the result that he cannot fulfill his undertakings. If that does occur, the Government is always willing to renegotiate mutually acceptable alternatives and, indeed, has done so on a number of occasions.

In addition to consulting the Agency, informing himself adequately and effectively structuring his application, the investor can contribute to the smooth functioning of the review process by ensuring that a representative who has decision-making power deals directly with the Agency. Otherwise, when officers of the Agency suggest changes to the proposal, much time-consuming communication must take place between the representative and the decision-makers at head office. When decision-makers deal directly with the Agency, changes can be agreed to on the spot.

Over the years both the Agency and the Government have sought ways of minimizing the costs to applicants associated with the review process and the time taken to obtain decisions. One improvement was the amendment of procedures related to small-business proposals, those involving the acquisition or establishment of a business with gross assets of less than \$2 million and fewer than 100 employees. Early in 1977, the Government introduced an abbreviated form of notice, requiring no more than two or three pages of information, for proposals which are not likely to have a considerable effect on the economy. It was decided that, within 10 days of receipt of the simplified notice and after consultation with appropriate federal departments and provincial governments, the Minister would decide whether or not to recommend allowance. If the Minister was not satisfied that the proposal would likely be of significant benefit on the basis of information at his disposal, he would request that the applicant provide more information by filing a second, more complete notice using the regular forms.

## FOREIGN INVESTMENT REVIEW AGENCY



While this change has streamlined the process for the majority of small-business proposals, it has given rise to the occasional problem, principally because the circumstances surrounding certain small-business proposals necessitate more information than can be provided in the abbreviated notice. Investors are understandably surprised when asked to fill out the standard application forms for what are, for all intents and purposes, small-business proposals. What follow are five reasons for this exceptional procedure.

The first reason is that it is occasionally extremely difficult, if not impossible, to conclude that a given proposal will bring significant benefit to Canada on the basis of the information provided in the abbreviated notice. This is especially true when there is a significant and readily identifiable cost associated with it, such as the loss of Canadian equity participation with no apparent offsetting economic benefits. Frequently, these benefits become clear only after supplementary information is provided by the applicant.

Second, the size of the applicant can change the implications of that kind of proposal, principally because small-business proposals from large businesses can have an impact on the economy which, over time, is proportionally much greater than that of the initial investment. The Agency must analyse that potential thoroughly and, to do so, usually requires more extensive information than is provided in the short form.

Somewhat related to the second reason is the cumulative effect of a series of

small transactions by a large foreign investor. A situation could conceivably develop where an applicant has been allowed two or three acquisitions of small businesses and returns to the Agency for a third or fourth only to discover that the Government is not prepared to allow it within 10 days. The reason could be, for example, the proposed investment's cumulative effect on competition. Or it might be decided that the applicant, because of the growing impact of his investment on the Canadian economy, should be giving commitments as to how will conduct his business in Canada which are in proportion to the size of his cumulative investment.

A fourth reason for requiring that the standard form be filed is the nature of certain industries and the priority which the Government of Canada has placed on them. These are sensitive industries of the economy related to the print and electronic media, energy and certain services such as data processing and other computer-related services. Other areas that have received special attention are insurance, trust, loan and sales finance companies and other financial intermediaries.

The existence of serious alternative Canadian buyers is a fifth reason for requiring that additional information be provided by the applicant so that clear benefit can be established. Though this means extra work for the foreign investor, it is to his advantage because it provides him the opportunity to attain an equal footing with alternative buyers, something that would be impossible if the Government

had to make a decision solely on the information provided in the short form.

Some small-business transactions can fragment an industry sector and result in inefficiency. If such is the initial assessment of the Government, it may want to have more thorough investment plans so that it can carry out a more thorough analysis of potential costs and benefits. And, in the process, the Agency will probably want to suggest to the applicant ways in which his proposal can be improved or modified so as to overcome the concerns.

Whether proposals involve large or small businesses, they must all go through the same review process and must all show likely significant benefit to Canada before the Government can allow them to proceed. The wise investor will obtain all the pertinent information possible and will clear up any questions he may have before submitting his application. He will thus be in a position to structure his investment plan in a way that clearly shows significant benefit to Canada according to the five assessment criteria that are specified in the Foreign Investment Review Act. He will also make sure that the representative he chooses to deal directly with the Agency has the authority necessary to negotiate with officers of FIRA and make the decisions required with a minimum of interruptions for consultation with head office. As was stated at the beginning of this article, the review process is indeed a process of consultation and cooperation between investors and officers of the Foreign Investment Review Agency.

# New opportunities in Canadian banking

by W.T. Mitchell  
and D.L. Derry

A major objective of the new Bank Act, which became law on December 1, is to increase competition in Canadian banking and, at the same time, enable the federal government to exert increased control over banking-related operations of non-Canadian banks. Accordingly non-Canadian banks will be permitted, commencing this year, to incorporate Canadian banking subsidiaries and engage in the same banking activities as Canadian chartered banks. Certain restrictions will prevail; but it is evident that the next few years will witness intense competition as foreign banks establish an increasingly strong presence in Canada, while Canadian banks expand further into areas not previously open to them at home and continue their expansion abroad.

The principal features of the Canadian banking system were established in 1934 with the creation of the Bank of Canada, Canada's central bank, and its nationalization in 1938. Though the members of the Bank's board of directors are all appointed by the Government and the capital stock is owned entirely by the Government, traditionally the Bank has been given a relatively free hand to formulate and carry out monetary policy. This relative independence has been particularly important when monetary policy is designed to combat inflation and can be unpopular. It is clear, however, that the Government, through the Minister of Finance, is ultimately responsible for monetary policy, which means that the course pursued by Canada's central bank must conform with the views of the Government. In cases of disagreement, the Government has the power to issue directives which the Bank must follow.

The Bank of Canada thus manages Canada's monetary policy in consultation with the Minister of Finance. It does so by regulating credit and currency within limits reflecting the Government's economic strategy. In addition to formulating fiscal policy, the Minister of Finance supervises the affairs of Canada's chartered banks; he does this through the office of the Inspector General of Banks.

The chartered banks are the third key element of Canada's banking system. In the recent past, commercial banking in Canada has been carried out by federally chartered banks with broad share ownership, extensive branch networks and assets approaching \$300 billion. The largest of the chartered banks, sometimes referred to as the "big five", account for 90 percent of the assets of banks in Canada and are among the world's largest. The big five include the Royal Bank of Canada, the Canadian Imperial Bank of Commerce, the Bank of Montreal, the Bank of Nova Scotia and the Toronto-Dominion Bank.

## An evolving situation

The right to use the word "bank" as part of the name of an organization was confined to those organizations that had received Canadian Government charters to operate as banks. In recent years, however, Canadian and foreign financial insti-

tutions have been expanding into the fringes of the banking business. As it became evident that the new banking legislation would encourage competition, the number of participants and the size of their operations in this fringe area increased dramatically.

Until now, foreign banks have operated as representative offices, which referred loan business to offices outside Canada, or as financial subsidiaries, which were often provincially incorporated and therefore not subject to federal government control. While these financial subsidiaries have not been permitted to take deposits, they have been able to make loans funded through Canadian short-term paper guaranteed by the parent banks. These operations have grown to the extent where some 90 foreign banks now have offices or operations in Canada and assets exceeding \$9 billion. The largest of these is Citibank with assets of about \$2 billion and offices in several Canadian cities. While most of the foreign bank operations are centered in Toronto, a number can be found in Montreal. The large natural resource development projects and the growth of Western Canada have also drawn several foreign banks to Calgary and Vancouver.

## The new Bank Act

While Canadian operations of foreign banks will henceforth be much more closely supervised, they will have opportunities to compete on an equal footing with Canadian banks. Representative offices will be required to register with the Inspector General of Banks and limit their services to a liaison role between clients of the bank and the bank's other offices. If foreign banks wish to operate more extensively, as most of them will, they must apply for incorporation and licensing as a "Schedule B" bank. Schedule A banks are domestic banks in which no shareholder owns more than 10 percent of voting stock. Following approval of their application by the Governor in Council or Cabinet and the issuing of letters patent, the Minister of Finance issues a licence to the bank to carry on business. The Minister of Finance has sole discretion in renewing banking licences, which, in the first five

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years, are valid for periods of not longer than one year and, after five years, are valid for periods of not longer than three years.

The issuance of letters patent and the licence to foreign banks will depend on three basic considerations. The first is that there must be solid evidence of the financial strength of the new bank or its parent bank. In addition, a "letter of comfort" is required, which states that the parent bank has ultimate responsibility to support the Canadian subsidiary. Second, it is important that foreign banks demonstrate that they will contribute to competitive banking in Canada, including increased price competition and banking services. The third consideration is the treatment that Canadian banks receive in the principal banking jurisdiction of the applicant. Foreign banks will have to produce evidence from their regulatory authorities at home that operating conditions for Canadian banks are equally favourable. Given this consideration, one might expect that the Government may seek to ensure a broad national representation of foreign banks in Canada, which could be accomplished by restricting the number of banks from any one jurisdiction and placing a ceiling on each bank's authorized capital in order to limit their individual size. Also to be considered is the concentration of ownership of the parent: a wide distribution of ownership of the parent is considered more desirable than a narrow concentration of ownership, unless the owner is a government.

The Inspector General of Banks' office has issued "A Guide for Foreign Banks", which describes the procedures required to become a bank. Members of his office have been meeting with foreign bankers to discuss their applications, and any foreign bank considering incorporation in Canada would be well advised to obtain a copy of the guide. Personal meetings with the Inspector's staff are essential and should be arranged before an application is prepared. Such meetings should save the investor time in the application process by ensuring that the documents filed supply appropriate information. It should be noted that foreign bank subsidiaries are to be governed by the Bank Act rather than the Foreign Investment Review Act, which governs foreign direct investment in other areas.

## Requirements for foreign banks

Foreign bank subsidiaries that are licensed to operate in Canada will be treated the same way as domestic banks in the fields in which they compete, including the following: borrowing money, entering into conditional sale contracts, lending with or without security, entering into acceptances and guarantees, acting as a financial agent, issuing credit cards and providing certain limited data processing services. Two areas of activity that are now specifically permitted as a result of

the amendments are factoring and financial leasing. Foreign bank subsidiaries are free to open as many branches as they wish, the only condition being that each branch opening must be approved by the Minister of Finance.

Foreign bank subsidiaries, however, will be subject to certain restrictions. They must be adequately capitalized and conservatively financed to ensure stability, and their growth is to be controlled. For instance, they must have authorized share capital of \$5 million or more, of which at least half must be paid-in. In addition, domestic assets (Canadian dollar and foreign currency loans to Canadian residents) may not exceed 20 times the authorized capital. Foreign bank subsidiaries will be prevented from dominating Canadian banking because the aggregate domestic asset value of all foreign bank subsidiaries is limited to 8 percent of the value of all domestic assets of banks. The 8-percent share is currently valued at \$15 billion, which is \$6 billion greater than the current value of domestic assets of all foreign banks in Canada.

Another restriction is that all banks operating in Canada are generally limited to owning 10 percent of Canadian companies, and for Schedule B banks this restriction is extended to foreign companies. "Grandfather" rules allow foreign banks to continue owning investments in certain companies held before passage of the legislation.

## Outlook

Not all foreign bankers are convinced that the opportunities created by the new Bank Act justify the cost involved. A large number of new banks with greater capitalization than they might desire will be competing for very similar segments of the market. In addition, many of the foreign bank subsidiaries that have been active in Canada over the last decade may find that the new rules, which effect all banks, leave them more restricted than before. For instance, they will now be subject to the same reserve requirements as domestic banks, which will increase their borrowing costs. Furthermore, some foreign banks that have until now been very active in financial leasing will find that they, like all banks, are barred from parts of that market such as automobile fleet leasing.

In spite of these restrictions, it is clear that most foreign banks that are active in Canada intend to incorporate as Schedule B banks. Those organizations already having banking-related operations have little choice: they must either become banks or restrict the funding of these operations since they will not be permitted to issue short-term paper with parent-bank guarantees, the major source of funds at present, unless they are banks.

Foreign banks that have limited their Canadian presence to representative offices do not have as clear an option. While they lack the advantage of an

established operating base, most appear to have concluded that some kind of Canadian presence is important. Many believe that the 8-percent ceiling on foreign banks will be reached fairly quickly and that they may not have another opportunity to enter Canadian banking unless they establish their position. Many have also identified particular parts of the Canadian economy in which they could excel and are developing plans accordingly.

No doubt some foreign banks may be considering simply continuing to operate through the medium of a provincially incorporated finance type company. They should be aware, however, that the Bank Act has a number of provisions that will make it difficult for foreign banks to operate outside the parameters of the Act. Presumably, the Government would have little difficulty restricting future expansion, if it concluded that the Act was being circumvented.

The existing branch networks of Canadian banks and their related high costs make retail banking unattractive to all but a few foreign banks which might open a limited number of branches in the hope of capturing the business of certain highly concentrated ethnic communities. Most, however, are planning to have a limited number of offices and to cater to the lower cost wholesale market, that is corporate loans funded largely through the short-term paper market.

The following are some of the activities that seem to hold the greatest promise for the foreign bank subsidiaries. The first is participation in syndicates to finance resource development. Canada's needs for resource-related capital over the next 10 years are expected to exceed \$250 billion, much of which must come from foreign sources. A second activity would be to improve the servicing of Canadian subsidiaries of customers they have in their home jurisdiction. Some foreign banks will no doubt specialize in financial services to certain industries such as forest products, mining or oil and gas. A fourth activity area is import-export financing or the use of their expertise in financing trade between Canada and their own countries. Foreign banks that are already well established in leasing can be expected to provide strong competition in this area. Not to be forgotten is foreign exchange trading as a means of hedging risks of currency fluctuations and possibly increasing profits.

While many foreign banks appear ready to seize the chance to establish themselves in Canada and develop their portion of the market, it is not clear that all foreign banks now represented in Canada will avail themselves of this opportunity. Everyone agrees, however, that, before the decade is over, banks from Europe and Asia, as well as banks from the United States and South America, will become members of what has hitherto been an exclusively Canadian club.

# A resurgent Canadian aerospace industry

by David Godfrey

Canada's aerospace industry is establishing a solid reputation of increasingly impressive proportions in specialized fields where world markets are growing fast for short take-off and landing airplanes, business jets, small turbine engines and electronic systems. The 1970s were a decade during which the industry gained substantial experience in export markets and it is anticipated confidently that the 1980s will see a significant increase beyond Canada's present 7 percent share of world aerospace trade.

Striking changes have taken place in the Canadian aerospace industry since the trauma of the Canadian Government's cancellation of the Arrow fighter program early in 1959. Abandoning this centerpiece program — which included new engine, missile and electronics systems — threw out of gear and into oblivion a large segment of the industry and thus jeopardized Canada's aspirations of attaining world status as an aircraft producer. Many experienced engineers and production managers were forced to find work in U.S., British and other industries that were only too happy to welcome them. Devastated by the shock of the Arrow cancellation, the industry was dealt a severe blow with Avro Aircraft, Orenda Engines and many supplier companies virtually wiped out. But perspicacity, pertinacity and innovation in other areas of the industry assured continued evolution.

Rather than try to compete with well-established producers of large commercial and military aircraft, Canada's industry concentrated increasingly through the 1960s on the development of specialty-type aerospace products such as short take-off and landing (STOL) utility aircraft, airborne surveillance drone systems, small engines, electro-mechanical aircraft systems and a wide variety of components. During the 1960s the industry evolved from being mainly a supplier of military products to an export-oriented producer of commercial and civil products. By 1966, exports already accounted for the largest part of sales and, by 1970-71, commercial and civil products dominated the industry.

In the 1970s the industry initiated a great number of innovative projects. De

Havilland, a consistent leader in the industry, proceeded in 1972 with the design, development and manufacture of two pre-production DASH 7 50-passenger turboprop commercial STOL transports on the strength of Canadian Government support. The support included an option for the Government to buy de Havilland from its parent company Hawker Siddeley, an option which the Government exercised in June 1974. In January 1976, the Government bought Canadair from General Dynamics, thus further rationalizing the industry and increasing Canadian ownership and control. Three months later, Canadair acquired the rights to develop and build the LearStar 600, a business jet of advanced design which it later renamed Challenger.

The DASH 7 and the Challenger have international recognition as leaders in their class and both have led to successful derivative designs: the DASH 8, a 36-passenger twin-turboprop STOL transport for commuter airlines; and the Challenger "E", an extended version of the Challenger with more powerful engines. Equally important is the development of the new PT7 turboprop for the DASH 8 by Pratt & Whitney Aircraft of Canada, an engine that has also been chosen by foreign manufacturers, as has been the case for the PT6 turboprop and JT15D turbofan engines which Pratt & Whitney produce and which power a wide variety of aircraft in 120 countries.

But the evolution of Canada's aerospace industry in the 1970s reflected much more than the successful development of aircraft and engine manufacturers. Also involved were the design and

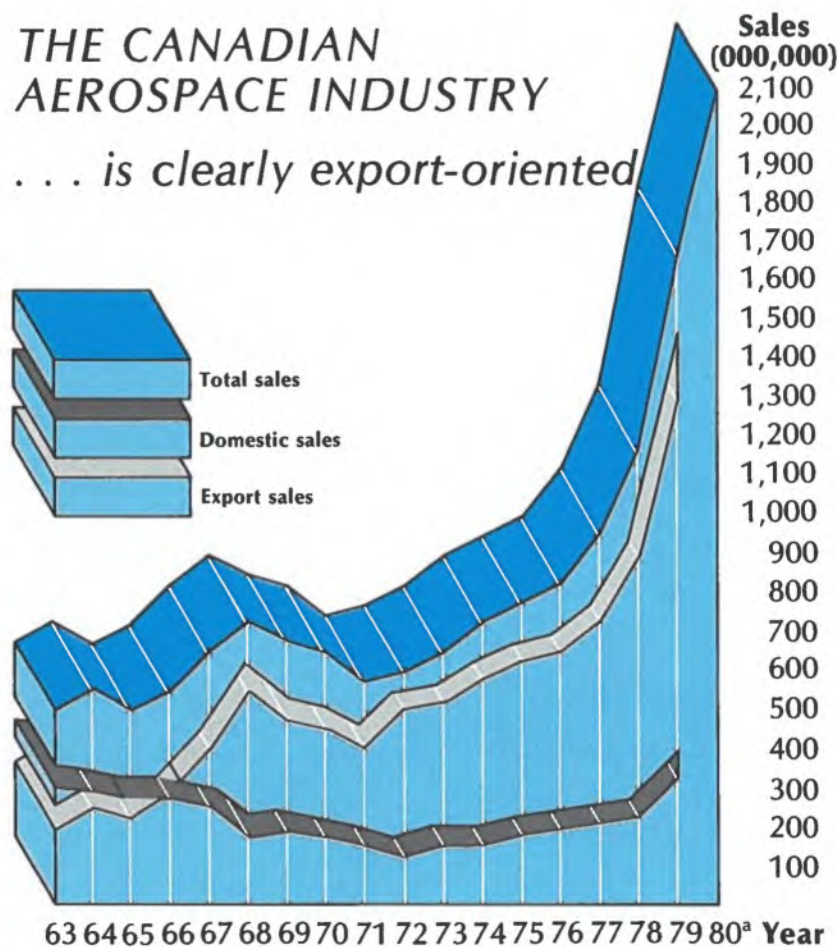
## Canada's major aerospace companies

Activity	Name	Location
Airframes and parts	Canadair	Montreal
	de Havilland Aircraft of Canada	Toronto
	McDonnell Douglas Canada	Toronto
Aero-engines and parts	Pratt & Whitney Aircraft of Canada	Montreal
Space-related products, airframe components, repair and overhaul	SPAR Aerospace	Toronto
	Bristol Aerospace	Winnipeg
Avionics	Litton Systems Canada	Toronto
	Computing Devices	Ottawa
	CAE Electronics	Montreal

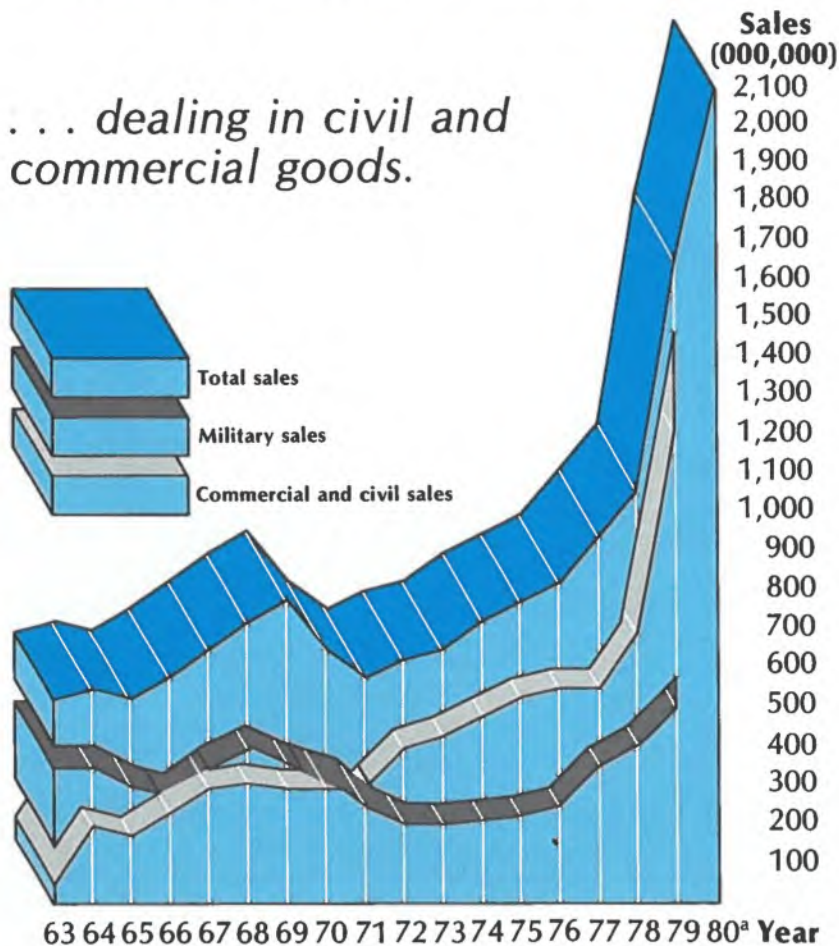
The author, who is a professor at Ryerson Polytechnical Institute, in Toronto, has 30 years experience in the aerospace industry both in Canada and in Great Britain.

# THE CANADIAN AEROSPACE INDUSTRY

... is clearly export-oriented



... dealing in civil and commercial goods.



development of electronic fuel-control systems, flight simulators, magnetic anomaly detectors, reconnaissance drones, satellite navigation systems, mechanical strain recorders, inertial navigation systems, communication satellites, and remote manipulator systems for the U.S. Space Shuttle orbiter vehicle.

It is obvious, therefore, that the Canadian aerospace industry concentrated successfully on special product lines and proved its ability to innovate and market some of the world's most sophisticated technology. This is a far cry from the dog days of 1960 when many predicted, in the wake of the Avro Arrow's demise, that Canada's fate was to be nothing more than an exporter of brains and an importer of technology.

## The structure of the industry

Given the variety of products and the wide range of companies involved, the Canadian aerospace industry is by no means a monolith. A 1978 task force study, prepared by representatives of business, labour and government, describes the industry as having three tiers: the first comprises companies that have an integrated ability to design, develop, manufacture and market complete aircraft and aero-engines; the second, companies that can manufacture aircraft, space and aero-engine sub-systems, including some design and development capability; and the third, manufacturing companies that are generally small businesses providing machining, sheet-metal, casting, heat-treatment, plating and other services, many of which are also engaged in non-aerospace activities.

Though the task force group described the industry in that way, it took great pains to explain that Canadian aerospace business relationships must be seen in a North American perspective, rather than a strictly Canadian one. Although second- and third-tier companies supply first-tier companies, much of their work must be done for U.S. prime contractors if they hope to have viable businesses. One example given by the task force is that of a second-tier Canadian manufacturer of landing gears that may supply a Canadian first-tier aircraft manufacturer, but also must supply prime contractors in the U.S. market to have the volume of business necessary to stay in business, let alone thrive. Thus, the Canadian aerospace industry is an integral part of the North American industry whose success is predicated on its ability to penetrate the U.S. and other markets.

While the Canadian aerospace industry is concentrated in Ontario and Quebec, it is present in every region of the country. In terms of value of production, the latest figures available (1980) show Ontario leading (\$940 million), followed by Quebec (\$939 million), Western Canada (\$131 million) and the Atlantic Provinces (\$9 mil-

SOURCE: Transportation Industries Branch, Department of Industry, Trade and Commerce, Ottawa

<sup>a</sup> Preliminary figures

lion). Of some 42,000 workers employed in the industry, 46 percent are in Ontario, 45 percent in Quebec, 8 percent in Western Canada and 1 percent in the Atlantic Provinces. Major aircraft companies, especially first-tier firms, have been established in large metropolitan areas such as Montreal and Toronto to have ready access to highly-skilled labour and experienced managers and professionals. Their presence in these areas has attracted various supporting industries which receive sub-contracted work from the major firms and also provide specialized technological services. Western Canada and the Atlantic Provinces have second and, mostly, third-tier companies who provide repair and overhaul services as well as limited manufacturing of sub-contracted parts. Of the 97 companies listed as full members of the Air Industries Association of Canada, 23 had sales of \$5 million or more and 9 major companies accounted for well over half of total sales.

### Government-industry relations

The Canadian Government's support of the aerospace industry is, in many ways, governed by the same objectives as those given by other governments to their aero-

space sectors: to ensure the maintenance and development of what is a capital-intensive high-technology industry; to create employment opportunities requiring highly technical and scientific, managerial and production skills; and to support an export-oriented industry that makes a significant contribution to the balance of payments and that provides a considerable domestic market for a variety of supply industries.

Government encouragement to the industry is provided directly through a variety of programs including the Canada/U.S. Defence Production Sharing Agreement (DPSA) and the Defence Industry Productivity (DIP) program, which provides a 50-percent grant on research and development and 100-percent funding of capital investment, half of it repayable over five years without interest. The Enterprise Development Program has also encouraged innovation. In addition, the Export Development Corporation supports foreign purchases of a variety of Canadian products, including aerospace, by means of insurance, loans, guarantees and other services. Government procurement policies are also designed to support the aerospace industry in a way that is consistent with Canada's international obligations

under the General Agreement on Tariffs and Trade. There is also indirect support to the industry in the form of offset benefits that are built into major government purchases such as the Long Range Patrol Aircraft and the New Fighter Aircraft programs.

While the support provided by the Government seems substantial, aerospace industry spokesmen maintain that it falls short of what other countries provide to their aerospace industries. It is, however, very hard to agree or disagree with this claim, given the variety of data available and the difficulties involved in comparing one country's figures with another's. One thing is certain: the dialogue and cooperation between the aerospace industry, through the Air Industries Association of Canada, and the Government, principally through the Department of Supply and Services, the Department of Industry, Trade and Commerce, the Department of National Defence, and the Ministry of State for Science and Technology, will continue because the aerospace industry is one of the foundation blocks for Canada's high-technology future. What is more, according to the Air Industries Association figures, each \$1 of assistance has, on average, resulted in \$24 worth of sales.

Skilled technicians assemble precision gyroscopes that are key elements in Litton inertial navigation systems. Some components are machined to one millionth of an inch.





More and more orders are being received for Canadair's highly successful business jet, the Challenger.

## Foreign ownership

Data are hard to find on the degree of foreign control and ownership in the Canadian aerospace industry because they are usually given on an industry sub-group basis and, even when so given, are not up to date. The common figure used is that the industry is 50-percent foreign owned. The 1978 sector task force study, however, leads one to conclude that 50 percent is a little high. Pratt & Whitney is now the only foreign-controlled company among the three major first-tier firms. The task force estimated that over 50 percent of the second-tier firms were foreign-controlled, whereas most in the third tier were Canadian-controlled.

One interesting feature of the foreign-controlled firms is that many have been given "world product mandates" by their parent companies, making them responsible for the research, development, manufacture and marketing of certain product lines. The fact that most companies in the

industry live or die on the basis of their export performance means that world product mandates are, in most cases, not only desirable but necessary features of foreign-controlled aerospace companies in Canada.

## Outlook

The industry will have to face some serious challenges. Being so heavily dependent on exports, it must continue to meet very tough international competition in a business whose rate of technological change is exponential. To meet international competition, Canada's aerospace industry will have to continue improving its productivity and pouring hundreds of millions of dollars into research and development. There is the ever-present challenge of the financial dangers implicit in the manufacture of high-cost high-risk products that have long pay-back cycles and that are subject to the uncertainty of

government purchasing policies and decisions, tariff and non-tariff barriers, inflation and technological obsolescence.

In spite of all these factors, industry spokesmen seem very optimistic. The Air Industries Association of Canada has forecast that total sales will pass the \$4 billion mark by 1984, approximately \$3.3 billion of which will be exports, and that employment will reach 55,000. The wide range of products, from complete aircraft and engines to miniaturized electronic components, provides the kind of balance necessary for the industry to live through the business cycles of various sub-groups of the industry. Canadian leadership in certain product lines — short take-off and landing craft, business jets, small turbo-prop and turbofan engines, flight simulators, navigation systems, control systems and specialized electronics — indicates firmly that the industry will continue to grow rapidly well into the 1980s, provided that the necessary additional financial commitment is made.

# The Alaska Highway Gas Pipeline: not your everyday shopping list

by Robert Irvine

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Approval by the Government of Canada in July 1980 of the southern Canadian sections of the Alaska Highway Gas Pipeline again focussed public attention on the considerable economic activity that this project will generate in Western Canada. What has perhaps not been as widely recognized are the very substantial benefits that the project will bring to other regions of the country.

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Described as the largest private capital project ever undertaken in the world, the pipeline will transport natural gas from Prudhoe Bay on the North Slope of Alaska to markets in California and the midwestern United States. The system is being constructed to deliver about 2.4 billion cubic feet (bcf) per day to U.S. consumers with the potential for handling an additional 1.2 bcf per day of Canadian Mackenzie Delta gas, which may be injected into the system near Whitehorse, Yukon Territory for delivery to markets in Canada.

The pipeline will involve 4,780 miles of 56, 48, 42 and 36-inch pipe, approximately 2,030 miles in Canada and 2,750 miles in the United States. Construction will account for just part of the estimated \$31.4 billion needed to cover capital costs. Other major costs include a conditioning plant and, of course, pipe, which in itself accounts for 40 percent of the costs. Over \$8 billion will be spent on the Canadian portion and about \$23 billion for the U.S. portions, which will include Alaska (730 miles) and areas south of the 49th parallel (2,020 miles).

The Canadian portion of the line is the responsibility of Foothills Pipe Lines (Yukon) Limited of Calgary. This company is 50 percent owned by Nova, an Alberta Corporation (formerly the Alberta Gas Trunk Line Company Limited) also based in Calgary, and 50 percent owned by Westcoast Transmission Company Limited of Vancouver. Given the complexity and scale of the work to be undertaken, Foothills Pipe Lines (Yukon) has in turn established five subsidiary companies which are wholly responsible for the design, construction and operation of the line in the Yukon Territory, northern British Colum-

bia, southern British Columbia, Alberta and Saskatchewan.

Construction of the southern Canadian portion of the line in southeastern British Columbia, Alberta and southwestern Saskatchewan, involving 530 miles of pipe at a cost of \$662 million, will permit the initial export of some 1.14 bcf a day of Alberta gas to the United States. Within two weeks of the Government's approval, work began on the western leg of the Phase 1 sections with members of the Kootenay Area Indian Council, on contract with Foothills, clearing brush and offloading pipe. The western leg is now completed and it is expected that work on the eastern leg will be finished by the end of this year.

## An immense shopping list

The pipeline builders' requirements for material and labour to complete the project, starting with the first sections, can justifiably be called the ultimate shopping list. A guidebook for prospective suppliers and contractors published by Foothills calls for everything from accounting services and adhesives to winches and wire. In fact, over 200 major types of equipment, material and services are needed. What is most impressive about the list, is the sheer size of the undertaking and the potential benefits which it represents for regions and industrial sectors right across the country.

In May 1980, Foothills awarded contracts for supply of all of the pipe for the Canadian portion to two Canadian companies, Stelco Inc. of Hamilton, Ontario and Interprovincial Steel and Pipe Corporation Limited (Ipsco) of Regina, Saskat-

*Robert Irvine is an Analyst with the Ministry of State for Economic Development. The views expressed are his own and do not necessarily reflect those of the Government of Canada. The assistance of the Northern Pipeline Agency, Foothills Pipe Lines (Yukon) Limited and the supplier companies mentioned is gratefully acknowledged.*

# The Alaska Highway Gas Pipeline Project



chewan, who offered the most competitive bids. The contract involved an initial procurement of 80 percent of Foothills' requirements, holding 20 percent in reserve to be earned by the companies over the life of the project. Of the initial order, 55 percent was allocated to Stelco and 45 percent to Ipsco. These are the largest single contracts ever handled by those companies.

Initially, Stelco is supplying both finished pipe from its two mills at Welland, Ontario, as well as providing skelp, which is a form of steel plate, from its Hilton Works in Hamilton for conversion to pipe at its plant in Camrose, Alberta. For the mainline portions of the project, those following Phase 1, all of Stelco's pipe will be produced at Welland from skelp manufactured at Hamilton or its Lake Erie Works at Nanticoke, Ontario.

Steel coil produced by Ipsco is being used to fabricate large-diameter, spiral-welded pipe in its Regina plant and is also being shipped to Ipsco's mills in Edmonton for pipe manufacture there. Both the federal and Saskatchewan governments supported an earlier capital plant expansion effort by the company in 1978.

The benefits to Stelco and Ipsco of the initial pipe order are not limited simply to the large volume of work generated or indeed the major capital expansion carried out by these companies at least in part in anticipation of successfully bidding on that work. The key benefit is that the Alaska Highway Pipeline breaks new ground in its requirement for substantial quantities of high-strength, Arctic-grade, large-diameter pipe, which has led to the development by the steel-makers of a new family of steels suitable for Arctic applications, new inspection techniques and improved manufacturing processes.

The timing of the project has also been beneficial. Foothills' initial order and, in particular, the 300,000 tons of 36-inch and 42-inch diameter pipe needed for the first sections has stimulated activity in the mills at a time when traditional markets such as the automotive sector are soft.

Turbo-compressor equipment, needed to push the gas through the pipe, is another essential item in Foothills shopping list, which was part of the initial orders. Foothills made a preliminary procurement of four turbine-compressor units. Three of these major pieces of equipment will be provided by Cooper-Rolls Corporation of Mississauga, Ontario. As part of this contract, an affiliate, Rolls-Royce (Canada) Limited will produce three 30,000-horsepower gas turbines — the RB211 — at its Montreal plant. Another affiliated company, Cooper Energy Services Limited will manufacture the compressors and assemble and test the completed units at its plant in Stratford, Ontario.

The potential to become a major supplier of components for the turbine-compressor units to be installed along the Canadian portion of the Alaska Highway

Pipeline was a significant factor in an earlier decision by Rolls-Royce to designate its Montreal plant as the sole supplier of the industrial RB211 turbines for sale around the world. Similarly, the pipeline builders' order has contributed to Cooper-Rolls' plan of developing Stratford as the prime source of supply of its Coberra series of compressor units for markets in Canada and abroad.

The other initial turbine-compressor unit is being supplied by Westinghouse Canada Limited of Hamilton. The model chosen by Foothills, the CW-352, has a history going back to 1973 when Westinghouse Canada successfully proposed to its parent that the Canadian subsidiary be assigned world charter responsibilities for the design, development and manufacture of a new family of two-shaft high-efficiency gas turbines. Development work on the project commenced in November 1973 and is continuing. The first units of the new gas turbine line were delivered to customers in 1979, including two ordered for a Petro-Canada extraction facility which feeds ethane to Alberta Gas Ethylene, another member of the Nova family of companies, for its new gas processing plant at Joffre, Alberta.

The world product mandate of Westinghouse Canada in gas turbines in itself has stimulated a \$39 million investment program since 1976, including a new \$30 million components plant in Renfrew, Ontario, the latter being built with \$6.3 million in assistance from the federal Department of Regional Economic Expansion and \$1.6 million from the Province of Ontario. Perhaps most significant in terms of encouraging exports, Foothills' initial order of the CW-352 represents the first opportunity to install the turbine on a gas pipeline. Westinghouse Canada will thus have a working model of its turbine in a new setting which it can show to other potential Canadian and offshore clients.

Valves and fittings are also needed. All major valves and fittings for the western leg of the prebuild were ordered and delivered last summer at an approximate cost of \$3 million. A good example of a firm outside of Western Canada that has benefitted from the project in this field is Uniracor Limitée of Montreal. In 1978, Uniracor received \$6.5 million in assistance from the federal Department of Regional Economic Expansion to build a \$31 million plant (with 200 jobs) at Bécancour, Quebec. Uniracor has in turn established a world-class facility for the manufacture of pipe fittings. Foothills' procurements of Uniracor products for Phase 1 should help the company to penetrate other markets in the United States, Mexico and the Middle East.

Pipe, turbo-compressor equipment, and valves and fittings are just one part of the plethora of materials and equipment needed by the Foothills group. Building a pipeline will create jobs not just in the manufacture of components, but also

in its actual construction (1,325 person-years of work for the first phase alone), in such areas as computer technology, design engineering, environmental assessment and radiography. Other employment opportunities are being created: management, construction and supply of inputs to the pipeline; work provided in turn to secondary and tertiary sub-suppliers; and spinoffs from the \$16 billion in export gas revenues resulting from the pipeline, a substantial portion of which will accrue to Alberta producers and pipeline companies. Not to be forgotten is the multiplier effect which the project will undoubtedly have on the economy. Although estimates vary as to total employment impact, taking everything into account, about 350,000 person-years of work could be generated by the project in Canada. In peak years, this would represent a contribution of close to 1 percent to the nation's GNP.

## Beyond the pipeline project

Construction of the Alaska Highway Gas Pipeline will benefit the Canadian economy in a number of ways that are not exclusively related to the project itself, such as: encouraging R&D, spurring capital investment, promoting exports, and establishing new Canadian sources of supply. These are in part a function of stipulations respecting Canadian content and other matters set by the Northern Pipeline Agency, the federal regulatory body charged with overseeing the project. What is perhaps even more significant, however, is the enlightened three-point procurement policy developed by Nova, which Foothills has adopted, and which consists of the following: 1) to acquire the required goods and services on time and on generally competitive terms; 2) to establish a secure base for future domestic supply of goods and services; and 3) to increase participation of Canadian-owned and controlled firms in major Canadian capital projects.

But the Alaska Highway Gas Pipeline raises broader considerations on how Canadians and those investing in Canada can make the most of other major energy investments and mega-projects planned in the 1980s and beyond. A study released last year by the Canadian Institute for Economic Policy underlined the importance of those considerations when it estimated that total energy investments required in Canada will amount to \$210 billion, \$67 billion of which will be spent on equipment.

Perhaps the best comment on the implications for Canadian industry of Foothills' procurements is to point out that the old cliché "everything but the kitchen sink" does not apply in the case of the Alaska Highway Gas Pipeline. A quick review of the "Business Opportunities" handbook prepared by Foothills reveals that seven kitchens, including sinks, will be needed for each 500 to 600 man team along the line.

# The Canadianization of Brinco

by Alan Darisse

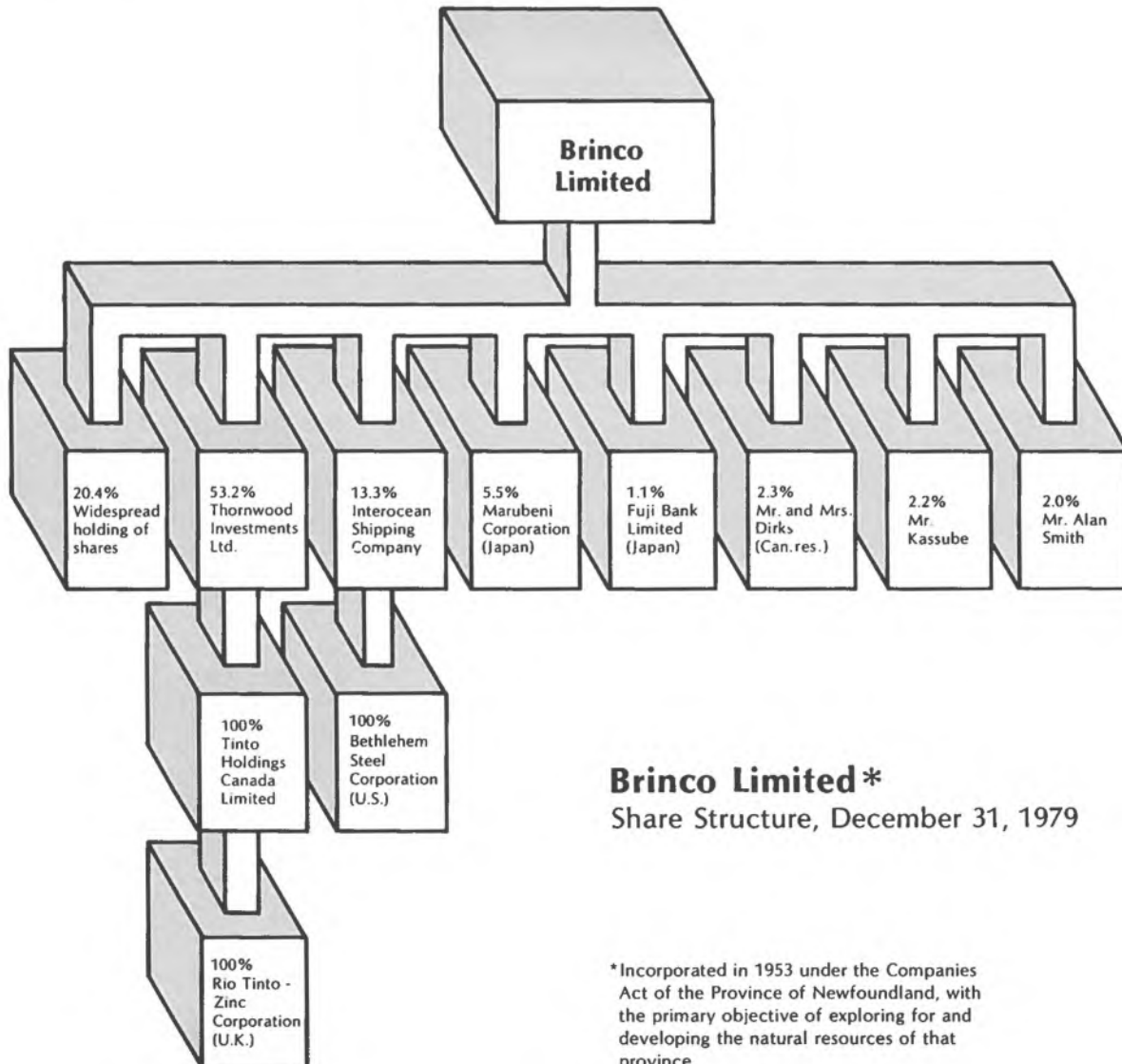
Last November, the Minister responsible for the administration of the Foreign Investment Review Act, the Honourable Herb Gray, announced that he had informed Brinco Limited that, in his opinion, the corporation was no longer a non-eligible person within the meaning of the Act; in other words, that Brinco was now considered a Canadian-controlled company. In the past 10 or 15 years an increasing number of firms have Canadianized themselves, as Brinco did.

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Brinco is by no means the first foreign-controlled company to have Canadianized itself. Several major firms in Canada have taken the steps necessary to ensure that effective control would pass into the hands of Canadians. In fact, it has been estimated that between 1974 and 1979 at least \$2 billion worth of assets were Canadianized in this way which, for the corre-

sponding period, was greater than the value of all assets of Canadian-controlled firms that were allowed to pass into foreign hands.

The Foreign Investment Review Act has been cited in one way or another by many of the firms in question since 1975. According to an internal study carried out by the Foreign Investment Review Agency,



there seem to be two dominant FIRA-related reasons for canadianization. The first is a desire to be exempt from the foreign investment review process in the event that firms wish to acquire control of a Canadian business or establish a new unrelated one in Canada. The second is related to undertakings or commitments given by investors whose proposed investments were allowed, according to which they agree to increase the level of Canadian ownership. Brinco's decision to canadianize itself seems to have involved both reasons.

### Brinco's canadianization

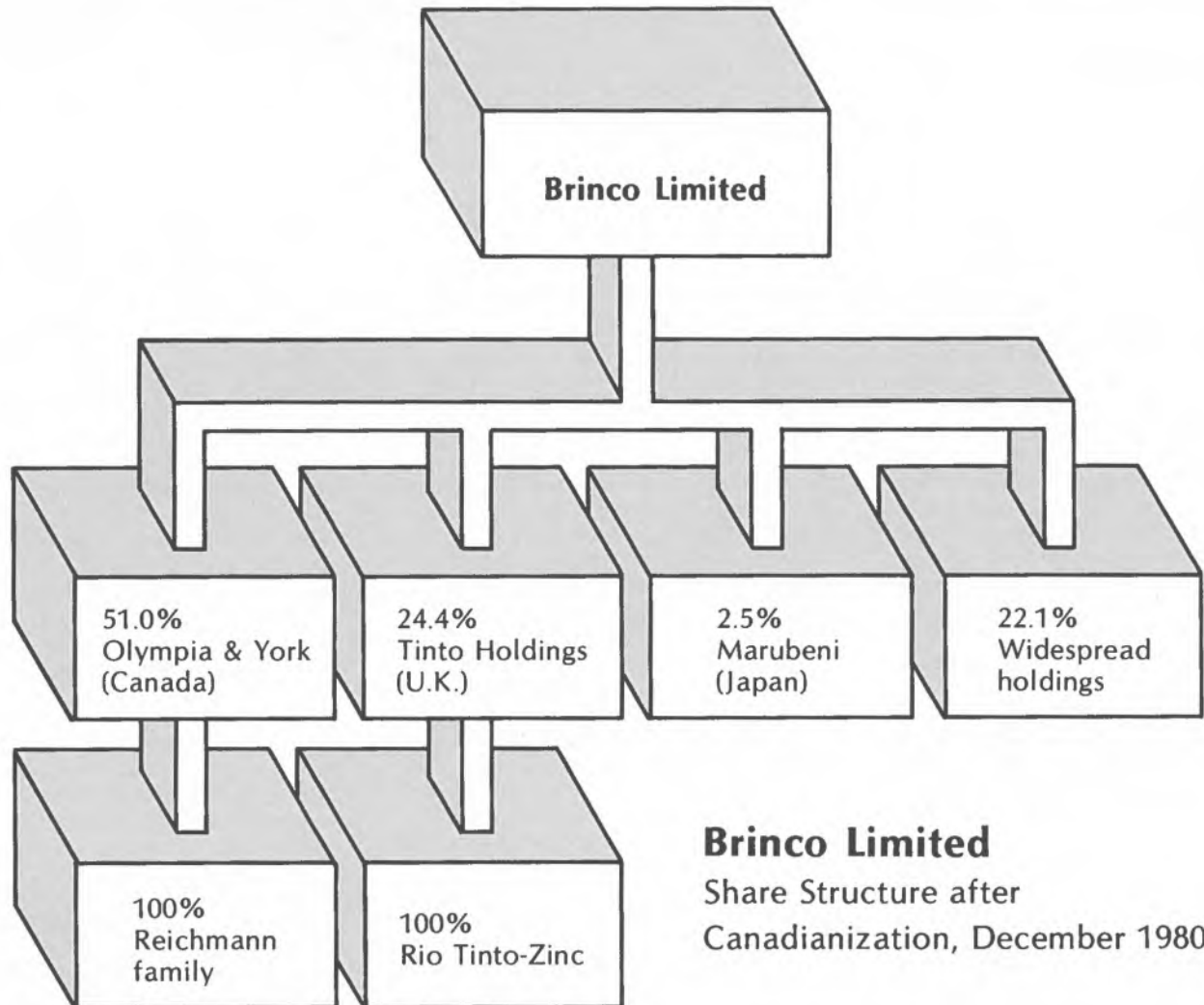
Few firms in Canada can claim to have had as colourful a beginning as Brinco. Some of Canada's and the world's famous personalities were involved in its founding. Among the Canadians were former Premier Joseph Smallwood, Lord Beaver-

brook and Sir William Stephenson, former head of Allied intelligence during the Second World War and subject of the book *A Man Called Intrepid*. Among the internationally famous were Sir Winston Churchill, who was Prime Minister of Britain at the time, and Anthony and Edmund de Rothschild. All these men, especially Mr. Smallwood, played a role in organizing the consortium, known officially until 1971 as the British Newfoundland Corporation Limited, whose primary objective was to develop the natural resources of Newfoundland and Labrador.

From its inception Brinco was clearly a U.K.-controlled corporation which was given almost carte blanche to develop Newfoundland's resources. An agreement with the Province, known as the Principal Agreement, provided the corporation exclusive exploration rights over extensive tracts of land, including water rights. In 1955, Brinco created a subsidiary, British Newfoundland Exploration Limited or

Brinex. That same year an exploration lease granted to Brinco, pursuant to the Principal Agreement and covering vast areas, was assigned to Brinex. Further concessions, covering mineral rights and petroleum, were granted to Brinex in 1957 and 1970 respectively. So extensive were these concessions that in spite of a surrender of considerable portions of the concessions over the years, Brinex still retains rights over approximately 10,400 square kilometres of territory on the island of Newfoundland and in Labrador.

Though Brinco's original objective was mineral exploration and development, its claim to fame was the development, construction and initial operation of the mammoth Churchill Falls hydro-electric power complex in Labrador, which in spite of innumerable political, economic and engineering obstacles was completed within budget and five months ahead of schedule. It has been estimated that 57 million barrels of oil or 22.5 million tonnes of



coal would be required to produce an amount of electricity equivalent to what Churchill Falls produces each year.

In 1974 the Province of Newfoundland acquired Brinco's interest in Churchill Falls and its water rights in the province for \$160 million, a transaction that was particularly significant for its effect on the degree of Canadian ownership in the firm. According to the terms of sale, Brinco was required to offer to repurchase any of its shares from the shareholders. As it turned out, most minority shareholders tendered their shares for repurchase, whereas the major foreign shareholders maintained their interest. Canadian ownership, which had over the years reached 40 percent, consequently plummeted to 8 percent. The implications of this decrease took on even greater importance when in 1974 the Foreign Investment Review Act took effect and the Foreign Investment Review Agency was created.

As was the case with a number of other resource companies in the mid-1970s, Brinco was becoming increasingly interested in the oil and gas industry and began to look for a real foothold in that sector. By 1979 the corporation had only managed to gain a modest entry into the industry by means of a 25-percent non-controlling interest in Coseka Resources Limited. That same year, Brinco finally found the oil and gas investment opportunity it had been looking for. The target was a firm called Conuco Ltd.

As a foreign-controlled enterprise, Brinco had to apply to the Foreign Investment Review Agency for government approval of its proposed acquisition of Conuco. By this time, the level of Canadian ownership was only about 7 percent. The firm calculated that the proposed transaction would increase Canadian equity participation to 17 percent. But, in an undertaking which Brinco's two principal shareholders (see chart) gave to the Government, the firm committed itself to increasing Canadian ownership to 40 percent within two years and to 51 percent within five. What was not clear, however, was whether or not 51 percent Canadian ownership meant Canadian control because Tinto Holdings Canada Limited, by far the major beneficial shareholder in Brinco, could conceivably have increased Canadian ownership to that level without forsaking its controlling interest. At the end of December 1979 Tinto Holdings, which is 100-percent owned by The Rio Tinto-Zinc Corporation Limited of the United Kingdom, still held a 53-percent beneficial interest of Brinco shares. The acquisition of Conuco — later renamed Brinco Oil & Gas Limited — which involved a number of other undertakings, was approved.

The corporation, however, wanted to be in a position to grow by way of further acquisitions in the Canadian resource industry, and its management realized that its share structure would necessitate an-



It has been estimated that it would require 57 million barrels of oil to produce an amount of electricity equivalent to what is produced each year by the Churchill Falls hydro-electric complex, which was developed by Brinco.

other application to FIRA and a new round of negotiations if it decided to make a new acquisition. It was reported in the media that Brinco was indeed contemplating such an acquisition early in 1980 which "... could double the size of the company." In fact, such a move was clearly stated in Brinco's 1979 annual report: "Brinco Oil & Gas will be a net user of capital for some years and a first priority in 1980 ... will be the acquisition of significant cash-flow producing assets in the resource sector to support Brinco Oil and Gas Limited and other development activities." Equally important, the annual report went on to say that "Since the activities of non-Canadian companies in the resource sector in Canada will continue to be constrained, a second and equally important priority is that further Canadianization of Brinco take place."

During the first half of 1980, Brinco sought possibilities of selling a large block of its shares to a suitable Canadian corporation. In so doing, the corporation's chief executive officer expected that the transaction "... would facilitate achievement of (its) objective of eligibility for purposes of the Foreign Investment Review Act and pave the way for Brinco to pursue its plan to acquire further oil and gas interests in Canada." Brinco hoped to make an acquisition after or at about the same time as Rio Tinto-Zinc would transfer its controlling interest to a Canadian investor, thus avoiding the FIRA review process.

In the summer of 1980 Brinco found the suitable Canadian corporation it had been looking for. In August, purchase and subscription agreements were concluded between Brinco's major foreign shareholders — Tinto Holdings, InterOcean, Marubeni and Fuji — and Olympia and York Developments Limited, a corporation wholly-owned and controlled by Canadians. By means of those agreements, Olympia and York would acquire approximately 51 percent of the voting rights attached to all outstanding shares of Brinco. This, combined with the percentage of shares already controlled by Canadians, would result in over 70 percent of Brinco's voting rights being controlled by Canadians, a large increase from the estimated 23-percent Canadian ownership which existed prior to the transaction.

Brinco submitted these plans to FIRA in September, seeking a Ministerial opinion to the effect that, after the transaction, Brinco would no longer be considered a foreign-controlled company. The Agency and the Minister analysed the plans and concluded that, if carried out, it would be possible to give Brinco a favourable opinion. By October the firm was so advised and, by November, the transaction was carried out and the corporation was officially recognized as being Canadian-controlled. Brinco moved immediately to acquire Cassiar Resources Limited, an important asbestos producer in Western Canada, and in the process Canadianized that company.

# Capital investment projects in Canada

## Manufacturing industries

This list shows major capital spending projects in progress or firmly committed in the manufacturing sector. Except for a few small projects of particular interest, only projects costing over \$10 million are included. Information on these projects has been obtained from press reports. Other sectors will be covered in the next issue of the Foreign Investment Review. This report was prepared by the staff of the Foreign Investment Review Agency with the assistance of the Economics Department of the Bank of Nova Scotia.

Company and project description	Completion date	Cost (\$ million)	Location
<b>British Columbia</b>			
Alcan Smelters and Chemicals Ltd. New carbon paste plant	1982	46	Kitimat
British Columbia Forest Products Ltd. Third newsprint machine	1982	150	Crofton
Sawmill	1981	35	Hammond
Canadian Cellulose Co. Ltd. Pulp mill expansion	1984	250-360	Castlegar
Canadian Forest Products Ltd. Kraft pulp mill modernization	1981	14	Port Mellon
Sawmill modernization	1981	10	Chetwynd
Canadian Occidental Petroleum Ltd. Dome Petroleum Ltd., Westcoast Transmission Co. Ltd. and Mitsubishi Petrochemical complex	1985	2,000	undecided
Cariboo Pulp & Paper Co. Ltd. Pulp mill expansion	1983	19	Quesnel
Crown Zellerbach Canada Ltd. New sawmill	1981	61	Coquitlam
Pulp and paper mill expansion	1982	172	Campbell River
Evans Products Co. Ltd. Expansion, forest products	1986	10	Lillooet
Finlay Forest Industries Ltd. Expansion, pulp mill, new sawmill	n.a.	32	MacKenzie
MacMillan Bloedel Ltd. Newsprint expansion	1981	163	Powell River
Modernize kraft pulp bleaching	n.a.	19	Harmac
New sawmill	1982	60	Chemainus
Paper mill expansion	1982	57	New Westminster
Pulp mill expansion	n.a.	75-220	Nanaimo
Northwood Pulp and Timber Ltd. Pulp mill	1982	300	Prince George
Ocean Falls Corp. Mill adaptations	1981	11	Ocean Falls
Ocelot Industries Ltd. New methanol plant	1982	150	Kitimat
Prince George Pulp & Paper Ltd. and Intercontinental Pulp Co. Ltd. Expansion, under study	n.a.	150-250	Prince George
Quesnel River Pulp Co. Ltd. New pulp mill	1981	80	Quesnel
West Fraser Mills Ltd. Planer mill/sawmill complex	n.a.	20	Chetwynd
West Fraser Timber Co. Ltd. and Daishowa Canada Ltd. New thermo-mechanical pulp mill	1981	70	Quesnel
Western Forest Products Ltd. Plant modernization	1985	300	Port Alice and Woodfibre

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## Alberta

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Alberta Energy Co. Ltd. and Imperial Oil Ltd. Ethylbenzene-styrene plant	1984	300	near Edmonton
Alberta Gas Chemicals Ltd. Methanol plant expansion	1982	140	Medicine Hat
Alberta Gas Ethylene Company Ltd. Second ethylene plant	1984	375	near Joffre
AMF Tuboscope Inc. Coating plant	1981	11	Edmonton
Aquitaine Co. of Canada Ltd. Sulphur prilling facility	1981	10	Ram River
British Columbia Forest Products Ltd. Lumber mill	1981	21	Grande Cache
Sawmill	1982	23	Fox Creek
Newsprint complex	1985	165	Hurdy
Celanese Canada Inc. Methanol plant	1982	250-300	near Edmonton
C-I-L Inc. Polyethylene plant expansion	1981	55	Edmonton
Dow Chemical of Canada Ltd. Polyethylene plant	1984	75	Fort Saskatchewan
Eso Chemical Canada Sulphuric acid plant	1981	15	north of Edmonton
Gainers Ltd. Meat processing plant	n.a.	25-30	Edmonton
Imperial Oil Ltd. Ammonia and urea fertilizer plant	1983	250	Edmonton
Phosphate fertilizer plant	1982	45	near Edmonton
Interprovincial Steel & Pipe Corp. Ltd. New spiral pipe mill	1981	12	Edmonton
New plant	1982	50	Calgary
Makin Project Initiators Ltd. Pulp and paper mill	n.a.	160	south of Edmonton
Molson Companies Ltd. Brewery expansion	1983	24	Edmonton
Nova and Shell Canada Ltd. Styrene plant	1984	300	near Edmonton
Petrochemicals Alberta Project Benzene plant	n.a.	225	Fort Saskatchewan
Ethylbenzene styrene plant	1984	300	north of Edmonton
Sabre Petroleum Ltd. Nitrogen plant	1981	13-15	south of Edmonton
Sherritt Gordon Mines Ltd. Nitrogen fertilizer plant	1983	320	Fort Saskatchewan
Union Carbide Canada Ltd. Ethylene plant	1984	300	Central Alberta
Air-separation plant expansion	1982	12	Fort Saskatchewan
Western Co-operative Fertilizers Ltd. Sulphuric acid plant	1981	20	Medicine Hat

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## Manitoba - Saskatchewan

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CSP Foods Ltd. Oilseed processing plant	1982	40	Harrowby, Man.
Dominion Bridge Co. Ltd. (Manitoba Rolling Mills) Expansion, steel rolling mill	n.a.	6	Selkirk, Man.
Interprovincial Steel & Pipe Corp. Ltd. Expansion - 2nd phase	1981	41	Regina, Sask.
Northern Telecom Canada Ltd. Fibre optics plant	1981	11	Saskatoon, Sask.
Prince Albert Pulp Co. Ltd. Pulp mill improvement	1981	18	Prince Albert, Sask.
Sodium chlorate plant	1982	12	Prince Albert, Sask.

Simplot Chemical Ltd. Nitrogen fertilizer plant expansion	n.a.	35	Brandon, Man.
Versatile Cornat Corporation Expansion, tractor assembly	1981	26	Winnipeg, Man.

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### Ontario

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Abitibi-Prince Inc. Newsprint mill improvement	1982 n.a. n.a.	111 66 15	Iroquois Falls Thunder Bay Smooth Rock Falls
Air Products and Chemicals (Canada) Ltd. Liquid hydrogen plant	1981	n.a.	Sarnia
Algoma Steel Corp., Ltd. Heat treating line, plate mill	1981	24	Sault Ste. Marie
New seamless tube mill	1984	300	Sault Ste. Marie
Upgrade and expand rail and structural mill	1981	15	Sault Ste. Marie
Upgrade hot strip mill	1982	49	Sault Ste. Marie
American Can of Canada Ltd. Pollution abatement and modernization	1981	60	Marathon
Atlas Steels Plant expansion	1981-82	11	Welland
Boise Cascade Newsprint mill improvement	1981-84	80	Kenora
CAE Industries Auto part plant expansion	1981	17	St. Catharines
Canada Packers Inc. Beef packing plant	1982	16	Toronto
Canada Starch Co. Ltd. Corn wet-milling plant	1982	17	Cardinal
Liquid corn sweetener plant	n.a.	50	Port Colborne
Canadian International Paper Co. Ltd. Expansion, tissue plant	1981	36	Toronto
Chrysler Canada Ltd. Truck plant conversion and expansion	1983-84	413	Windsor
Car plant conversion and modernization		250	Windsor
Casting plant conversion		89	Etobicoke
Car assembly plant improvement		57	Windsor
New research and development facility	n.a.	20	Windsor
C-I-L Inc. Ammonia plant expansion	1984	150	Courtright
Cyanamid Canada Inc. Calcium carbide plant	1981	22	Niagara Falls
De Havilland Aircraft of Canada Ltd. Expansion	1982	24	Toronto
Dominion Foundries and Steel Ltd. Second hot strip mill	1983	450	Hamilton
Galvanizing line	1981	49	Hamilton
Domtar Inc. Linerboard and newsprint plant modernization	1982	62	Red Rock
Plant modernization	n.a.	43	Cornwall
Dow Chemical of Canada Ltd. Expansion, polypropylene glycol plant	1981	11	Sarnia
Du Pont Canada Inc. Polyethylene plant expansion, under study	1983	n.a.	Sarnia
E.B. Eddy Forest Products Ltd. Pulp and bleach facilities, specialty paper machines and other projects	n.a.	225	Espanola
Erco Industries Ltd. Sodium chlorate plant	1981	13	Thunder Bay
Euclid Canada Ltd. Expansion	1981	12	Guelph
Firestone Canada Ltd. Expansion, steel products plant	1981	20	London
Ford Motor Company of Canada Ltd. New engine plant	1981	535	Windsor
Assembly plant conversion	1981	73	St. Thomas

General Motors of Canada Ltd.			
Expansion, transmission plant	1981	2,000	Windsor
Conversion and expansion	1982	680	St. Catharines
Axle plant conversion	1982	250	Oshawa
Fabrication plant expansion	1981	71	Oshawa
Auto assembly plant	1982	100	Oshawa
B.F. Goodrich of Canada Ltd.			
Radial tire plant	1981	11	Kitchener
Grant & Wilson Ltd. and Partners			
Lumber mill	1982	24	Englehard
Great Lakes Forest Products Ltd.			
Modernization, paper plant	1983-84	250	Dryden
Hayes-Dana Ltd.			
Expansion, axle plant	1981	25	Barrie
Imperial Oil Ltd.			
Polyethylene plant	1983	100	Sarnia
Jannock Corp. Ltd.			
Steel tube mill	1981	19	Toronto
Kellogg Salada Canada Inc.			
Cereal plant	n.a.	10	London
Miracle Mart Ltd.			
Meat processing plant	n.a.	20	Toronto
Mitel Corp.			
New plant	1981	12	Kanata
Mobil Chemical Canada Ltd.			
Polypropylene fibre plant	1981	30	Belleville
William Neilson Co. Ltd.			
Confectionery plant renovation	1981	11	Toronto
The Ontario Paper Co. Ltd.			
Newsprint plant modernization and expansion	1983	260	Thorold
Pirelli Cables Inc.			
Power cable plant	1981	13	Prescott
Polysar Ltd.			
Butyl rubber and isobutylene plant	1982	180	Sarnia
Spruce Falls Power & Paper Co. Ltd.			
Modernization, new thermo-mechanical pulp mill, pollution control	1982	88	Kapuskasing
St. Lawrence Cement Co. Ltd.			
Expansion	n.a.	21	Mississauga
The Steel Company of Canada Ltd.			
New steel plant	1982	1,250	Nanticoke
Expansion program	n.a.	365	Nanticoke, Hamilton
Union Carbide Canada Ltd.			
Polyethylene plant expansion	1981	40	near Sarnia
Uniroyal Inc.			
Increased capacity, tire plant	1982	23	Kitchener
Waferboard Corp. Ltd.			
Plant expansion	1982	13	Timmins

### Quebec

Alcan Aluminum Ltd.			
New smelter - 1st phase	1981	200	Grande Baie
- 2nd phase	1981	90	Grande Baie
- 3rd phase	1982	150	Grande Baie
Upgrade alumina plant	1982	42	Vaudreuil
Pollution abatement	1982	13	Beauharnois
Alumina plant upgrading	1981	25	Jonquière
Bombardier-MLW Ltd.			
Plant modernization	n.a.	16	Montreal
Plant expansion	n.a.	14	Valcourt
Plant expansion	n.a.	12	La Pocatière
Canada Wire and Cable Ltd.			
Copper rod mill	1982	25	Montreal
Canadair Ltd.			
Assembly plant	1981	25	Dorval
Canadian General Electric Co. Ltd.			
New plant (reported)	n.a.	60	Eastern Townships

Canadian International Paper Co. Ltd. Energy conservation and newsprint development program	1981	23	Gatineau
Environmental controls and plant improvements	1981	16	La Tuque
Celanese Canada Inc. Weaving plant modernization	1981	12	Drummondville
Consolidated-Bathurst Ltd. New pulp mill	1981	25	Grand'mère
Newsprint plant improvement	1982	32	Shawinigan
Plant improvement	1982	61	Trois-Rivières
Plant modernization	1984	85	Port Alfred
Dominion Bridge-Sulzer Inc. Plant expansion	1984-85	28	Lachine
Donohue-Normick Inc. Newsprint mill	1982	190	Amos
Finachem Canada Inc. Polystyrene plant	1981	15	Pointe-aux-Trembles
Forex Lerroy Inc. Waferboard plant	1981	25	Val d'Or
W.R. Grace and Co. Zeolite plant	1981	11	Valleyfield
Kruger Pulp & Paper Ltd. Modernization, newsprint mill	1981	35	Bromptonville
Newsprint mill expansion, improvement and modernization	1981	56	Trois-Rivières
Marine Industries Ltd. Plant expansion and modernization	n.a.	17	Tracy
Noranda Mines Ltd. Smelting plant improvement	1982	35	Noranda
Normick-Perron Inc. Newsprint mill	1982	190	Amos
PPG Industries Canada Ltd. Sodium chlorate plant expansion	1981	20	Beauharnois
Pratt & Whitney Aircraft of Canada Ltd. Plant expansion and re-equipment	1984	69	Longueuil and St-Hubert
Raffinerie du Sucre du Québec Plant expansion	n.a.	30	Mont St-Hilaire
Rolland Inc. Paper machine rebuild	n.a.	12	Mont-Rolland
Expansion, fine paper	n.a.	14	St-Jerome
Tembec Inc. Sulphite pulp mill expansion and modernization	1984-85	70	Temiscaming

#### Atlantic Provinces

Abitibi-Price Inc. Conversion to newsprint production	1981	82	Stephenville, Nfld.
Acadia Forest Products Ltd. Plant modernization	1985	48	Nelson-Miramichi, N.B.
Bowater Newfoundland Ltd. Pulp plant	n.a.	17	Corner Brook, Nfld.
MacMillan Rothesay Ltd. Improvements, newsprint mill	1981	11	Saint John, N.B.
Michelin Tires (Canada) Ltd. Plant	n.a.		Waterville, N.S.
Plant expansion	n.a.	400	Granton, N.S.
Plant expansion	n.a.		Bridgewater, N.S.
New Brunswick International Paper Co. Expansion, newsprint mill	1982	158	Dalhousie, N.B.
Nova Scotia Forest Industries Plant improvement	n.a.	20	Port Hawkesbury, N.S.
St. Anne — Nackawic Pulp & Paper Co. Ltd. Pollution abatement, energy conservation and modernization	n.a.	13	Nackawic, N.B.
Sydney Steel Corp. Plant modernization (planned)	1990	351	Sydney, N.S.

# Industrial incentives

## Federal incentives

Over the years the federal government has developed a system of incentives that generally foster a number of economic objectives such as regional development, industrial expansion, international competitiveness, and research and development. These incentives are also designed to stimulate business capital spending and investor confidence. Below is a brief outline of those programs.

### Income Tax Incentives

#### Investment tax credit

An investment tax credit, which varies regionally from 7 percent to 20 percent, is available as a direct reduction from federal tax payable. This credit reduces the cost of new buildings, machinery and equipment principally used in Canada in prescribed activities such as farming, logging, manufacturing and processing. In 1978 it was extended to expenditures on scientific research and development at rates of 10 percent to 20 percent and to investment in equipment for rail, air, water and long-haul transport used principally for the purposes of transportation within or to and from Canada at a rate of 7 percent. The credit is limited in any one year to \$15,000 plus one half the federal tax payable in excess of \$15,000, but any unused credits may be carried forward for 5 years, subject to the same annual limits. In 1978, this tax credit was extended indefinitely beyond its scheduled expiry date.

The budget of October 28, 1980 introduced a new program to counter regional inequalities through a 50 percent tax credit for certain new capital investments made in specially designated areas to the end of 1985.

#### Research and development incentives

The investment tax credit for R&D expenditures is 20 percent in the Atlantic Provinces and 10 percent in the rest of Canada, while small businesses are allowed a special R&D tax credit of 25 percent. In addition to writing off 100 percent of current and capital expenditures for R&D, taxpayers can deduct from their income a further 50 percent of any increase in such expenditure over the average level of the previous three years.

#### Accelerated capital cost allowance for manufacturing and processing industries

Taxpayers may charge 50 percent straight-line depreciation on most new machinery and equipment for use in manufacturing and processing in Canada (including heavy-oil upgrading), thus writing off such assets in two years.

#### Inventory allowance

In recognition of the distortion of business income from inventory inflation, three percent of the opening cost of inventories (except real property and goods not for resale) can be deducted in calculating business income.

#### Special rate for corporate manufacturing and processing profits

A special rate of tax on manufacturing and processing activities carried on in Canada (including heavy-oil upgrading) reduces the general rate on corporate profits from 36 percent to 30 percent. Provincial corporate tax rates ranging from 10 percent to 15 percent are levied in addition to the applicable federal rate.

#### Special tax rates for incorporated small businesses

Small Canadian-controlled private corporations are accorded lower income tax rates on active business income derived from activities carried on in Canada. The federal rate is 10 percent in manufacturing and processing industries and 15 percent in other activities. Provincial corporate tax rates ranging from 5 percent to 12 percent

of income are levied in addition to the applicable federal rate.

## Employment tax credit

Employers hiring workers to fill newly-created jobs which are additional to their normal work force may be entitled to a tax credit which varies regionally.

## Department of Regional Economic Expansion

### Regional Development Incentives for designated regions

The Department offers cash incentives to firms that establish, expand or modernize facilities in designated regions. These regions include Newfoundland, Nova Scotia, New Brunswick, Prince Edward Island, Manitoba, Saskatchewan, Yukon Territories, the Northwest Territories, Quebec (except the Montreal Special Area referred to hereafter), and the more northern parts of Ontario, Alberta, and British Columbia.

Most manufacturing and processing industries are eligible for the development incentives and loan guarantees. Facilities for primary processing — petroleum refining and pulp and newsprint activities — and commercial facilities are not eligible. However, loan guarantees may be offered for new business offices, warehousing and freight handling facilities, shopping centres, convention facilities, hotels and motels, recreation centres and research establishments.

Development incentives, usually, in the form of outright grants are available in amounts up to (a) 25 percent of approved capital costs plus \$5,000 per job, or (b) \$30,000 per direct job for new facilities or expansions of existing facilities to produce new products. Volume expansions of existing facilities or modernization can qualify for 20 percent of approved capital costs. Projects in these regions are eligible for higher rates of investment tax credits of either 10 percent or 20 percent (see Investment Tax Credit). The Department guarantees loans made to firms in order to help them obtain favourable financing terms. **Contact:** Industrial Incentives Branch, Department of Regional Economic Expansion, Ottawa, Ontario, Canada K1A 0M4.

### Montreal Special Area

The Department of Regional Economic Expansion also has an incentive program for business wanting to establish, expand or modernize in the Montreal Special Area. Incentives are based on approved

capital costs with the amount determined according to the nature of the project and location. The maximum level of incentives is 25 percent of approved capital cost.

Area No. 1 which includes the City of Montreal and its immediate environs, applies only to the following industries: food industries dealing in prepared and quick frozen food; plastic products; primary metals; metal fabricating; machinery; transportation and equipment; electrical products; chemicals and chemical products; select scientific and professional equipment; certain miscellaneous manufacturing; and, activities related to research and development including research centres. A minimum capital cost of \$200,000 is required.

Area No. 2 applies outside of Area No. 1 and extends to Hull on the west and on the east beyond Granby. The incentives apply to manufacturing and processing industries as well as the aforementioned research and development activities. A minimum capital cost of \$100,000 is required. **Contact:** Department of Regional Economic Expansion, Tour de la Bourse, 300 Place Victoria, P.O. Box 247, Montreal, Quebec, Canada H4Z 1E8.

### Special investment tax credit for areas of greatest disparity

This program under the direction of DREE was actually introduced by the Minister of Finance in the October 28, 1980 budget. The program is aimed at the areas of greatest disparity and covers 5 percent of the population of Canada.

The tax credit is 50 percent of the eligible capital cost of assets acquired primarily to manufacture and process products. No prior approval is required but information on the eligibility of manufacturing and processing and of assets may be obtained from DREE as identified below. No minimum or maximum apply. Information on the program is available from DREE. **Contact:** Industrial Incentives Branch, Department of Regional Economic Expansion, Ottawa, Ontario, Canada K1A 0M4.

## Department of Industry, Trade and Commerce

### Enterprise Development Program (EDP)

This program assists small- and medium-sized manufacturing and processing businesses to become more viable and internationally competitive. Introduced in 1977, the program is expected to provide over \$1 billion to Canadian business over the next five years.

In order to receive assistance, the applicant must prepare and submit a plan that shows how the project will affect the firm's viability. EDP officers analyse the firm's resources (human, financial, physical and technological), the potential and limits of the market, and the plans for deploying the resources and penetrating the Canadian and foreign markets. The results of the analysis are submitted for approval to the Enterprise Development Board, which is composed of businessmen and public servants.

The two main forms of assistance are cost-sharing and loan insurance. Cost-sharing is available for marketing and productivity studies, and innovation and design projects. Loan insurance is generally used for the expansion or modernization of facilities, working capital, mergers and acquisitions.

The eligibility criteria focus on the viability of the firm and project on the firm's ability to finance its projects. As for cost-sharing, the activities must represent a heavy financial burden for the firm when compared with its resources. Loan insurance is provided on a last-resort basis to firms unable to obtain debt capital on reasonable terms and conditions. Firms seeking loan insurance must have called upon other institutions such as the Federal Business Development Bank before applying to the Department.

Manufacturing and processing firms are generally eligible for all forms of assistance offered by the program. Firms in the service sector can obtain loan insurance if they can demonstrate that their services will produce a direct, tangible and substantial benefit for manufacturing and processing firms.

### Special assistance to general and special trade contractors

The program provides an extension of EDP loan insurance and other benefits to general and special trade contractors, especially those who want to improve their position on the international market and who are interested in constructing turn-key operations. It is designed to help Canadian firms to modernize facilities, re-equip themselves and even merge with other firms in order to bid competitively for large foreign capital projects. **Contact:** Enterprise Development Board, Department of Industry, Trade and Commerce, 235 Queen Street, Ottawa, Ontario, Canada K1A 0H5.

### Program for Export Market Development (PEMD)

The purpose of the program is to help Canadian suppliers penetrate new export markets or increase their exports. Financial

assistance is provided in the form of a repayable loan (in the event of success) for eligible expenses: 1) when a firm presents bids involving unusually large and complex capital expenditures; 2) in cases of exceptional international competition; and 3) for establishing a consortium to respond to demand in foreign markets.

The program has five sections offering a wide range of assistance designed to meet the needs of industry. The program encourages participation in major projects abroad, export market identification or adjustment, trade fairs abroad, trips to Canada by potential buyers and the formation of export consortia. About 2,000 firms use this assistance program each year. **Contact:** Program for Export Market Development, Department of Industry, Trade and Commerce, 235 Queen Street, Ottawa, Ontario, Canada K1A 0H5.

### Small Business Loans Act

The Department of Industry, Trade and Commerce guarantees loans made to small businesses whose gross annual income does not exceed \$1.5 million during the year in which the loan is made or, in the case of a new firm, if the estimated income in the first financial period — at least 55 weeks — does not exceed \$1.5 million.

All chartered banks, Alberta Treasury Branches and designated financial institutions — credit unions, trust, loan, insurance and finance companies — are authorized to make loans under the provisions of the Act.

Loans may be authorized to finance the cost of stationary and transportation equipment, of buildings and land necessary for operating a commercial venture and construction, installation, renovation, improvement or modernization of facilities.

The maximum rate of interest payable on SBLA loans is one percent over the prime lending rates of the chartered banks. The repayment period may not exceed 10 years. The terms of the loan are settled between the lender and the applicant without prior reference to the government. The amount to be repaid may not exceed \$100,000 and the applicants must invest a reasonable portion of the purchasing cost out of their own resources. **Contact:** Bank manager or the Department of Industry, Trade and Commerce, 235 Queen Street, Ottawa, Ontario, Canada K1A 0H5.

### Machinery Program

This program provides for the remission of custom duties on imports of machinery not manufactured in Canada but of vital importance to the firm. **Contact:** Machinery and Equipment Advisory Board, Department of Industry, Trade and Commerce,

235 Queen Street, Ottawa, Ontario, Canada K1A 0H5.

### Other programs

Other programs have been developed for shipbuilding, trade fairs and missions, defence export sales, footwear and tanning, fashion, the electronics industry, and export market development. **Contact:** Department of Industry, Trade and Commerce, 235 Queen Street, Ottawa, Ontario, Canada K1A 0H5.

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### Export Development Corporation (EDC)

The Corporation provides financial assistance to Canadian exporters by means of insurance, loans, guarantees and other services.

The EDC has extensive powers for helping all firms in Canada, regardless of size, insuring them against non-payment by foreign buyers of Canadian goods and services in almost all export sectors.

Through its "Risk Protection" insurance, the EDC can insure financial institutions against calls on surety instruments provided on behalf of Canadian exporters and can insure consortium members against the possibility of non-performance by another member of the consortium. The EDC also extends long-term loans, or guaranteed loans, to foreign buyers of Canadian goods and services. These loans are arranged in the private sector with interest rates which are the most competitive possible in the international market. The EDC offers this service when the foreign buyer needs long-term (5 years or more) credit but cannot obtain it from private sources.

The EDC can insure Canadian firms investing abroad against political risks, including losses or damages resulting from expropriation, insurrection, war or the impossibility of converting profits or capital. Almost any interest an individual or firm can have in a business concern abroad is insurable, including shares, loans, contracts for administrative or technical services, royalties and licensing agreements. However, only new investments in developing countries are eligible for insurance at the present time, the main condition being that the investor maximize the benefits to be derived by Canada and the host country. **Contact:** Export Development Corporation, 110 O'Connor Street, Ottawa, Ontario, Canada K1P 5T9

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### Federal Business Development Bank

The Federal Business Development Bank, a Crown corporation, offers financial assistance to businesses who cannot find it elsewhere on reasonable terms and conditions. The Bank is directed to give

particular consideration to the needs of small businesses.

The Bank's assistance may take the form of loans, loan guarantees, share capital or a combination of these, according to what best suits the special needs of the firm. The loans, normally guaranteed against fixed assets, are extended at market rates. As for the share-capital program, the Bank usually takes a minority position and agrees to have its shares bought back on suitable terms.

Most of the Bank's customers spend the money they obtain in purchasing land, buildings or equipment. Others use it to augment their firm's working capital, to start up new firms or for other purposes.

In addition to financial assistance, the Federal Business Development Bank offers a management consulting, management training and information service to small businesses. **Contact:** Federal Business Development Bank, 901 Victoria Square, Montreal, Quebec, Canada H3C 3C3.

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### Canadian Commercial Corporation (CCC)

Each year, the CCC helps more than 400 Canadian firms make transactions abroad involving a wide range of products from advanced electronics systems to commercial supplies of every description. A great deal of these sales are related to the foreign aid programs of the Canadian International Development Agency (CIDA).

In many cases, the CCC is able to link Canadian suppliers with the purchasing services of foreign governments and international agencies, which are significant markets for Canadian firms. Thousands of bids can be submitted in this way each year. **Contact:** Canadian Commercial Corporation, 110 O'Connor Street, Ottawa, Ontario, Canada K1A 0S6.

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### National Research Council (NRC)

#### Industrial Research Assistance Program (IRAP)

Through this program the National Research Council analyses research projects submitted by industry and shares the cost of selected research projects. **Contact:** National Research Council, Montreal Road, Ottawa, Ontario, Canada K1A 0R6.

#### Pilot Industry/Laboratory Program (PILP)

This is a shared-cost program between NRC laboratories and industrial firms. **Contact:** National Research Council, Montreal Road, Ottawa, Ontario, Canada K1A 0R6.

# Statistical tables

## REVIEWABLE ACQUISITION CASES\*

Table 1 — Outcome or status

	1977	1978	1979	1980
Reviewable new cases	261	360	380	338
Carryover from previous period	65	73	106	114
Total of above	326	433	486	452
Total resolved	253	327	372	327
Allowed	231	282	320	249
Disallowed	12	28	24	37
Withdrawn	10	17	28	41
Carried over to next period	73	106	114	125
Allowed cases as percent of resolved (%)	91	86	86	76
Value of assets, all cases (\$000,000)	1,145	4,489 <sup>f</sup>	4,049	4,043

Table 2 — Country of control

	1977	1978	1979	1980
Total	261	360	380	338
United States	171	243	248	198
United Kingdom	40	47	52	53
Other Europe	41	52	68	65
Austria	-	-	1	-
Belgium	2	1	2	1
Denmark	2	1	1	1
Finland	-	-	2	3
France	6	5	9	12
Germany, West	15	17	22	19
Greece	-	-	1	-
Italy	3	1	2	3
Liechtenstein	-	1	1	2
Luxembourg	-	1	-	-
Netherlands	4	8	6	7
Norway	-	1	-	1
Spain	-	-	1	-
Sweden	2	7	13	6
Switzerland	7	9	7	10
All other	9	18	12	22
Australia	1	-	3	4
Bermuda	-	-	1	1
Japan	3	7	2	2
Others	5	11	6	15
Allowed cases as percent of resolved	%	%	%	%
United States	91	87	85	75
United Kingdom	95	78	87	79
Other Europe	90	89	88	78
All other	80	80	93	76

Table 3 — Industrial sector

	1977	1978	1979	1980
Total	261	360	380	338
Primary	20	30	29	17
Agriculture, fishing and trapping	4	5	4	1
Forestry	1	1	-	2
Mines, quarries, oil wells	15	24	25	14
Manufacturing	108	162	178	142
Food, beverage and tobacco	15	15	14	14
Rubber, plastic and leather	6	12	5	6
Textiles, knitting and clothing	5	4	14	7
Wood, furniture and paper	12	14	10	8
Printing, publishing, and allied	2	4	5	4
Primary metal and metal fabrication	12	20	34	24
Machinery and transport equipment	14	28	43	24
Electrical products	12	16	20	17
Non metallic mineral products	5	8	4	6
Petroleum and coal products	1	1	1	-
Chemical	10	22	17	12
Miscellaneous	14	18	11	20
Construction and services	133	168	173	179
Construction	3	1	6	6
Transportation, communication, utilities	10	10	9	9
Trade	72	101	93	93
Finance, insurance, real estate	15	19	12	27
Community, business, personal services	33	37	53	44

\* Provision for review of acquisitions came into force April 9, 1974.

## REVIEWABLE NEW BUSINESS CASES\*

Table 4 — Outcome or status

	1977	1978	1979	1980
Reviewable new cases	328	331	379	399
Carryover from previous period	58	52	64	70
Total of above	386	383	443	469
Total resolved	334	319	373	339
Allowed	297	273	323	287
Disallowed	12	21	22	27
Withdrawn	25	25	28	25
Carried over to next period	52	64	70	130
Allowed cases as percent of resolved (%)	89	86	87	85
Planned investment, all cases (\$000,000)	803	323	202	1,005

Table 5 — Country of control

	1977	1978	1979	1980
Total	328	331	379	399
United States	184	192	205	224
United Kingdom	30	26	45	37
Other Europe	85	80	82	111
Austria	-	3	-	3
Belgium	-	1	5	1
Denmark	6	4	2	7
Finland	1	1	7	1
France	17	16	15	23
Germany, West	26	18	19	25
Gibraltar	-	-	-	1
Greece	1	1	-	1
Ireland	-	1	1	-
Italy	10	10	6	14
Liechtenstein	-	-	-	1
Luxembourg	-	1	-	1
Monaco	1	-	-	-
Netherlands	3	1	4	12
Norway	3	3	1	3
Portugal	-	1	-	-
Spain	-	2	1	2
Sweden	9	5	6	9
Switzerland	8	12	15	7
All other	29	33	47	27
Australia	3	3	2	3
Hong Kong	3	3	4	5
India	1	1	1	-
Japan	10	6	17	3
Others	12	20 <sup>r</sup>	23	16
Allowed cases as percent of resolved	%	%	%	%
United States	88	86	86	84
United Kingdom	82	85	92	83
Other Europe	95	87	88	89
All other	81	79	83	75

Table 6 — Industrial sector

	1977	1978	1979	1980
Total	328	331	379	399
Primary	22	27	16	42
Agriculture, fishing and trapping	6	2	-	7
Forestry	2	2	1	2
Mines, quarries, oil wells	14	23	15	33
Manufacturing	94	99	100	126
Food, beverage and tobacco	7	6	11	11
Rubber, plastic and leather	5	5	9	11
Textiles, knitting and clothing	9	5	8	6
Wood, furniture and paper	5	6	9	14
Printing, publishing, and allied	-	4	5	4
Primary metal and metal fabrication	19	12	13	24
Machinery and transport equipment	19	19	20	17
Electrical products	5	7	8	13
Non metallic mineral products	5	6	1	5
Petroleum and coal products	-	-	-	1
Chemical	3	6	7	10
Miscellaneous	17	23	9	10
Construction and services	212	205	263	231
Construction	4	14	12	12
Transportation, communications, utilities	5	11	11	7
Trade	133	103	156	129
Finance, insurance, real estate	16	11	14	7
Community, business, personal services	54	66	70	76

\* Provisions for review of new businesses came into force October 15, 1975

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  - FIRA procedures: clarifying some legal issues
  - Banking in Canada: the chartered banks
  - The short-term money market in Canada
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