



5. Federal and Provincial Incentives to Industry

Introduction

This chapter is intended to highlight the major incentive programs available to industry at the federal and provincial levels.

Canada has undergone a modern industrial revolution in which advanced technology, modern transportation facilities, and a highly skilled and flexible labour force are combined in an expanding market with a factory based system of specialized production to serve it. These basic changes have decisively committed the Canadian economy to a high technology industrial future.

Canadian governments, both federal and provincial, are aware that an attractive investment climate must be complemented by positive incentive measures geared to the needs of industry and the country's requirement for a maximum growth rate based on available resources. For this reason, both federal and provincial governments offer a wide range of incentives.

The federal government's multi-billion dollar economic and industrial development programs provide grants, loans, loan guarantees, and insurance. Certain types of activity such as research and development, manufacturing or processing are also promoted through grants or tax concessions.

Provincial government incentives usually consist of loans, grants, and occasionally equity participation.

The various levels of government also offer counselling services, product purchase programs, or programs related to specific industries such as mining, forestry, farming, telecommunications and other sectors.

Federal Incentives and Programs

Federal government programs are designed to cover the following areas of economic activity:

- Establishment, modernization or expansion of plant and facilities. Programs generally apply to specified parts of Canada or to areas where small to medium sized manufacturing or processing is being restructured or rationalized.
- Product improvement or productivity and design involving new products or processes, or improvements to existing products.
- Research and development.
- Projects designed to increase the level of employment or to re-educate and increase the skills of employees through training.
- The development of certain industries such as textile, footwear, fashion design, or defence industries.
- Advancement of high technology industries.
- Expansion of export markets and the replacement of imports which will improve Canada's balance of payments.

Industrial and Regional Development Program

The federal Department of Regional Industrial Expansion (DRIE) has the specific mandate to:

- stimulate national economic growth
- reduce regional disparities through leverage of investment; and,
- promote industrial development and trade.

Joining two former government departments allowed for an extensive review of the financial assistance programs that were previously managed separately. Of major importance has been the creation of the Industrial and Regional Development Program (IRDP) which takes the best features of seven former programs, adds a number of new elements and has greater flexibility. Although it is a national program, it is especially sensitive to the more economically disadvantaged regions of Canada.

This key instrument, the IRDP, is the government's principal means to deliver direct federal aid to industry.

Manufacturers, processors, certain tourism operators and selected services in all of Canada are eligible. Four tiers of assistance are offered on a progressively increasing basis with the greatest support available in the most economically disadvantaged areas of the country.

IRDP has a streamlined delivery mechanism and has decentralized decision-making in the case of smaller projects. This will increase the availability and usefulness of the program for small and medium-sized businesses. The elements of the program can be applied to reflect local opportunities in each region.

Intended to support private sector initiatives, IRDP is aimed at projects, industries and technologies with the greatest potential for economic return, sustained growth and international competitiveness.

IRDP responds particularly to the needs of small and medium-sized businesses and complements other federal programs and the Federal Business Development Bank. IRDP features of particular interest to such firms include:

- A simpler, more flexible program structure;
- Regionalized decision-making and program delivery for many projects;
- Eligibility for assistance by unincorporated entities;
- Broader support for consultants' studies and venture capital searches;
- Access, for small businesses, to innovation assistance for projects involving new products but not substantial risk;
- Support for marketing initiatives;
- Support for selected service sector operations related to manufacturing, processing or tourism.

The Program Elements

Many worthwhile projects fail because assistance is not available at a specific stage in their growth. IRDP addresses this problem by providing a range of financial support including grants, contributions, repayable contributions, participation loans and loan guarantees