

Aerospace Review

**Policies and Programs of Canadian Provinces and Territories**

Mechanisms to Support SMEs and Established Aerospace Firms

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## **Executive Summary**

There are common themes across much of the provincial/territorial programming assembled in this inventory. At the outset, many if not most, programs are oriented towards entrepreneurs, start ups and established small and medium sized enterprises (SMEs). In the design of these programs, provinces and territories appear to be addressing many of the challenges and opportunities unique to their particular circumstances. In doing so, programming frequently is skewed to encourage and support higher value added undertakings and enterprises. All programs have eligibility requirements and the individual strengths and opportunities of each jurisdiction are reflected in these eligibility requirements.

Many of the provinces and territories provide support under specified circumstances for a range of somewhat generic activities including research and development, concept development, product design, commercialization, working capital assistance, fixed asset assistance, skills training, export marketing, and others. In that these are generic business activities, aerospace companies will find them supportive.

Some provinces and territories identify sectors as being priorities or even prerequisites for eligibility. However, aerospace is not always among the priority sectors. Given the breadth of activity in the aerospace sector in Canada, many companies have projects which can (and do) qualify as being in one of these priority sectors such as information and communications technologies (ICT), environmental technologies, clean technologies or advanced manufacturing.

Some provinces and territories have developed programs to respond to their challenges of lesser developed regions. While not the first place a firm might look to for assistance, there are indeed reasonable conditions for support through some of these programs as well. For example, Ontario's Eastern Development Fund (EODF) has provided support for the expansion of established aerospace firms.

There are common mechanisms or tools used to provide support across many of the provinces and territories. The more common tools include loans, loan guarantees, lines of credit, repayable grants and contributions and even some non-repayable grants and contributions. Although it is notable that British Columbia and Saskatchewan appear not to employ these mechanisms, preferring to use tax policy to achieve their policy objectives.

Indeed, there is wide spread use of tax policy to incent companies through tax credits, (some refundable), and tax deductions. Many provinces and territories parallel the federal SR&ED tax credit with a similar credit which in some cases is an even richer benefit than the federal tax credit. Quebec even offers a regional skewing of Investment Tax Credits from 5% up to 40%

depending upon the region of Quebec in which the investment is made. Tax credits to investors, rather than directly to companies, are promoted in New Brunswick (Small Business Investor Tax Credit Program), the Yukon (Small business Investment Tax Credit) and British Columbia (Eligible Business Corporation) for individual investors who make qualifying investments.

A few provinces also have initiatives that seek to create indigenous pools of capital for their companies to access. Manitoba partners with private sector capital funds through its Private Placement Capital Funds to develop financial capacity for their industry to access. Alberta has created ATB Financial as a provincial crown corporation to provide support specifically to Albertans. Alberta has even established Alberta Enterprise as an independent corporation to promote and invest in Alberta's venture capital industry.

The challenge of creating synergies and deriving benefits from industry, university and public research institution capabilities has bedeviled governments for years. However, there are some innovative and noteworthy activities and programs designed to address this challenge.

Nova Scotia has developed a voucher or credit note approach (Productivity and Innovation Voucher Program) which enables companies to acquire direct assistance from a university. Quebec on the other hand, began in 2002 providing support to the Consortium for Research and Innovation in Aerospace in Quebec (CRIAQ). CRIAQ, a non-profit organization, began with six companies, six universities and one research center and now includes support from NSERC and others. It continues to provide an impressive array research in collaboration with the industry and to continually enrich the aerospace research community with its international collaboration and its training activities. The establishment of this level of collaboration among these organizations has enabled focused and funded (\$150M) initiatives like the SA<sup>2</sup>GE Project (Systèmes Aéronautiques d'avant-Garde pour l'Environnement) which are developing environmentally-friendly aerospace parts.

Ontario has revitalized its approach to networking provincial capacity with its Ontario Network of Excellence (ONE) which brings together 14 regional Innovation Centres and the Ontario Centers of Excellence who among other things coordinate Industry-Academic collaboration programs.

Alberta, with its r&D Associates Program, tries to incent companies with salary and research stipends to take on recent PhD and masters graduates to conduct research. The NWT and Nunavut have developed, together with aviation firms operating in the Territories, an Aviation Career Development Program to assist students in their aviation related studies.

## Background

The Government of Canada launched an arms-length Aerospace Review in February 2012, with the Honourable David Emerson as its Head. The Advisory Council includes Sandra Pupatello, Jim Quick and Jacques Roy. The Review is to produce “concrete, fiscally-neutral recommendations on how federal policies and programs can help maximize the competitiveness of Canada's aerospace and space sectors”<sup>1</sup>.

In support of their work the Secretariat has invited research on a variety of subjects. This report inventories current provincial and territorial mechanisms that could support the sector. Provinces and territories have programs and policies that cover a broad spectrum of business activity and the Secretariat asked that this wide variety be considered including initiatives to support research, encourage supply chain development, help firms access foreign markets, support training and skills development and foster the growth of small firms.

This report inventories much of the information publically available on line as to the mechanisms provided by provinces and territories to support industry some of which currently support the Space and Aerospace industry. Key elements of the inventory are included in program descriptions at Annex I and at Annex II in the spreadsheet provided by the Secretariat. Readers considering these programs are urged to contact provincial and territorial officials and to read original documents for complete information.

This report confirms that provincial and territorial governments have indeed a wide spectrum of measures designed to address their respective needs and opportunities. The preponderance of their programming focuses upon the SME requirements within their respective jurisdictions. Indeed, many of the larger more established Canadian aerospace firms would find only a few of these programs to be of interest. While this report captures most of the mechanisms that could be used by the aerospace industry, there are no doubt others. Nonetheless, sufficient information has been gathered to provide an understanding of the nature of the support provided by this level of government.

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<sup>1</sup> [http://aerospacereview.ca/eic/site/060.nsf/eng/h\\_00008.html](http://aerospacereview.ca/eic/site/060.nsf/eng/h_00008.html)

# **Part I: Inventory of Provincial and Territorial Support Mechanisms**

## ***Introduction/observation***

To assemble this inventory where possible publically available information has been used, clarified in some instances through discussions with provincial or territorial government officials.

While this is an inventory of the main provincial and territorial mechanisms that could be used to support the aerospace sector, for the most part the programs are not uniquely designed for the sole use of the aerospace sector. As a result, the programs listed cover a variety of initiatives that have been or could be used to support the sector. These programs and policies provide support over a range of activities from research through to encouragement of supply chain development, access to foreign markets and skills development.

The following section provides summary program observations by Province and Territory.

Annex I provides the abbreviated descriptions each mechanism together with a summary of their objectives and eligibility considerations. When available, key financial details have been included in these descriptions as well.

Annex II arrays on the Secretariat's spreadsheets, a series of factors for each mechanism including eligible recipients and where on the scale of Technology Readiness Levels (TRL) a program might provide support. In the program literature reviewed, TRL levels are not cited as specific objectives although some align quite nicely while others are virtually unrelated. Surprisingly, unlike similar arrays of federal support for technology, provincial and territorial program duration and funding levels were rarely available.

## **1.2 Provincial and Territorial Program Observations**

### **1.2.1 British Columbia**

From the programs reviewed, the government of British Columbia has no direct funded grants or contribution programs or loan mechanisms to support British Columbia businesses in general and no specific programs in place to provide direct funding support to the aerospace and space sector.

The government of British Columbia uses research and development tax credits and specific tax measures to reduce or eliminate tariffs and duties and straight line depreciation on manufacturing and processing equipment as industrial support mechanisms. The province also provides input tax credits to recover the harmonized sales tax paid on purchases such as raw materials, energy and capital items. In addition, the *Small Business Venture Capital Act* has been put in place to allow for venture capital corporations to invest their funds in start-up, emerging and expanding eligible small businesses.

### **1.2.2 Alberta**

The government of Alberta uses a number of funded, tax expenditure and other mechanisms to assist Alberta businesses. Government funding assistance is targeted at attracting business professionals and research expertise to Alberta businesses by providing annual stipends or research allowances to help offset salaries and other related expenses. In addition, the government has put in place a program to leverage federal government funding support from the Canadian Foundation for Innovation to build capacity in Alberta universities in support of Alberta business innovation. A voucher program is also in place to provide funding to small businesses for business or technology development activities. A Crown Corporation, ATB Financial, has been created with the sole purpose of providing loan-related financial instruments (term loans, Government guaranteed loans etc.) to Albertans.

For investment funding, AVAC, a not-for-profit company is in place. AVAC has received funding from the Alberta and federal government to provide venture capital support for start-ups or existing companies requiring investment for pre-commercialization activities. In addition, Alberta Enterprise, an independent corporation was created in 2008 to invest in the venture capital funds industry that has a commitment to support early stage Alberta technology companies.

The province also provides an Alberta Scientific Research and Experimental Development Tax credit that is fully refundable.

The above initiatives support all Alberta businesses either directly or indirectly but are not specific to aerospace and space companies.

However, the Aerospace & Defence Productivity and Competitiveness Program, an initiative of Productivity Alberta was started in May 2012 to help small and medium-size Alberta enterprises access the global aerospace and defence supply chain. Companies participating in the pilot phase are required to pay a program fee of \$3,000 (plus GST) with up to \$1,500 reimbursable upon the successful adoption of the improvement prescriptions. There does not appear to be any direct government of Alberta funding involved with this initiative.

### **1.2.3 Saskatchewan**

Similar to the province of British Columbia, the government of Saskatchewan has no direct funded grants, contribution programs or loan mechanisms to support Saskatchewan businesses in general and no specific programs in place to provide direct financial support to the aerospace and space sector.

Rather Saskatchewan uses tax expenditure programs including tax credits for eligible research and development and manufacturing and processing expenses along with a profits tax reduction for all Saskatchewan businesses.

Enterprise Saskatchewan has the Invest in Saskatchewan Program that provides a 20% tax credit for Saskatchewan residents that invest in small and medium-sized Saskatchewan-based businesses through Labour-sponsored Venture Capital Corporations. In addition, Enterprise Saskatchewan also has in place the Small Business Loans Association that makes funds available to entrepreneurs through community-run associations.

### **1.2.4 Manitoba**

Like Alberta, the government of Manitoba uses a variety of financial mechanisms including tax credits, loan programs, contribution programs and labour-sponsored investment funds to support industrial development in the province. There is a Small Business Venture Capital Tax Credit Program where eligible investors are able to earn a 30% non-refundable provincial tax credit (conditions apply) for investments in eligible businesses. In addition, a Community Enterprise Development Tax Credit Program is in

place for Manitobans that invest in enterprises (conditions apply) in their own communities.

There is also a loan guarantee program for business start-ups and a loan and loan guarantee program for major investments along with a separate loan guarantee program for rural small business start-ups. Like Saskatchewan, there is a Labour-Sponsored Investment Fund that provides Manitoba residents who purchase shares with a 15% provincial tax credit (conditions apply).

The contribution program is called the Commercialization Support for Business Program and provides up to 50% financial support to Manitoba-based businesses involved with product and process commercialization at all stages of the business cycle including those identified with the technology readiness levels (as identified in Annex "II").

However, no specific programs have been identified for the aerospace and space sector.

### **1.2.5 Ontario**

As with Alberta and Manitoba, Ontario has many funded programs and mechanisms in place including provincial tax credits to assist Ontario-based businesses. From the review of the programs available, the government of Ontario has also aligned a number of their provincial industrial and regional development programs along with their research and development funding to coordinate with specific federal government activities.

The province has linked certain strategic sectors and technologies to a number of direct funding programs available to Ontario businesses. Generally, for the businesses to be eligible for financial support for these research and development and export-related programs, the projects must be in the priority sectors or the technologies areas. Among the priority sectors and technologies supported for direct funding support are those related to the environment, alternative and renewable energy, hydrogen, life sciences and bio-products and aerospace.

Ontario also has a strategic investment approach for the programs that provide investments to innovative businesses that are part of an industrial or technology cluster. The province has targeted the clean/green technologies, financial services, information and communication technologies and life sciences as priority investment sectors.

On a broader level, Ontario provides provincial tax credits for all Ontario-based businesses involved in company driven research and development and also for businesses that have contracted out research and development to eligible Ontario-

based research institutes. An Ontario Innovation tax credit is also available to all Ontario businesses.

From the regional development perspective, the four year \$80 million Eastern Ontario Economic Development Fund (EODF) that provides grants to eligible businesses and not-for-profit organizations currently in place until March 31, 2013, is in the process of being made on-going through Bill 11, *“Attracting Investment and Creating Jobs Act”*. Bill 11 is in its third reading (as of July 9, 2012). The Act also proposes to create a new fund entitled the Southwestern Ontario Development Fund (SODF) that will have similar programs to EODF.

The EODF supports projects that will create and retain jobs, encourage the introduction of new technologies, pursue growth in new markets and diversify eastern Ontario’s economy. At least one aerospace project has been supported through EODF.

The EODF and the proposed SODF would appear to be complementary to the Ontario-based federal regional development organizations.

From the industrial development perspective, the Ontario government uses a number of direct and indirect funding programs and coordination activities some of which align with similar federal initiatives and programs.

The Ontario Network of Excellence (ONE) aligns all of Ontario’s innovation programs into a single network to support innovators.

In addition to ONE, there is also the Ontario Centres of Excellence (OCE)-Collaborative Commercialization Initiative that offers a range of programs to take research from the laboratory to the marketplace. This initiative supports the Industry-Academic Collaboration Program (IACP) on the commercialization of innovative ideas through technical problem solving, collaborative research and market readiness. IACP’s commercialization activities are complemented by the Special Energy Fund and OCE’s federally funded Center for Commercialization of Research (CCR).

The Ontario Research Fund (ORF) is providing \$730 million in direct, indirect and capital costs over 4 years support to Ontario’s publically funded institutions and their researchers. The Fund has been identified as the government’s plan to support scientific excellence in leading-edge areas that will result in innovative goods and services and boost Ontario’s economy. The ORF also provides funds to leverage support from the federal government’s Canadian Foundation for Innovation. Ontario businesses are only indirectly supported by the ORF.

The Ontario Exporters Fund (OEF) is a program that provides direct funding support to eligible small and medium-sized Ontario businesses in the form of a 50% grant up to \$80,000 for hiring an experienced export manager. The OEF is a component of the Global Growth Fund and is administered by the Ontario Chamber of Commerce.

To obtain OEF support, the business must be in one of the following priority sectors: aerospace; advanced manufacturing; building products and construction; clean technology; exportable professional services; Information and Communications Technology; or, life sciences.

The Next Generation Jobs Fund, a five year program, started in 2008 supports a range of “new economy” investment projects and/or technologies including: green auto research, parts production and assembly; clean fuels research, development and commercialization; environmental technologies, clean industries and bio-economy; advanced health technologies; digital media and information and communications technology; pharmaceutical research and manufacturing; financial services; anchor investments to support cluster development; and investments uniquely advantageous to Ontario.

While Ontario has identified aerospace as a strategic sector, there appears to be no specific funding for aerospace and space programs.

### **1.2.6 Quebec**

The government of Quebec has at least 18 programs in place to assist Quebec-based businesses. Like a number of the other provinces, Quebec uses direct and indirect program funding for investments, innovation and research and development activities, provincial tax credits, loans, loan guarantees, equity and quasi-equity financial instruments, pre-commercialization funding for consortiums and a unique government-aerospace funded program entitled “Coalition for Greener Aircraft”.

Through Investissement Quebec, the UNIQ Program provides term loans, loan guarantees and quasi-equity financing for capital acquisitions to most Quebec-based manufacturing sectors. UNIQ also provides similar financing instruments for working capital and can provide financing for refundable tax credits. The loans are offered at competitive market rates and in the case of aerospace, seem to target smaller projects.

In the area of tax expenditures, Quebec has in place refundable tax credits for: export businesses; pre-competitive research consortiums; and, investments related to

purchases of manufacturing and processing equipment along with tax holidays for foreign researchers and experts.

For regional development initiatives and activities, Quebec has at least two programs; the Regional Economic Development Intervention Fund (FIER), and the Program to Support the Recovery and Retention of Strategic Enterprises and Territories in Difficulty. FIER is funded by the government of Quebec and other sources and has an initial capitalization of \$408 million. Private investments are expected to increase the fund to a total of \$682 million.

The recovery and retention program provides non-repayable contributions for feasibility studies and capital projects for recovery, modernization or expansion of a business.

For major investment support in strategic sectors and organizations, Quebec has in place the ESSOR program. ESSOR is a program of Quebec's Ministry of Economic Development, Innovation and Export Trade administered in partnership with Investissement Québec. The program supports major investments by providing non-repayable contributions, loans, interest free loans and loan guarantees to for-profit businesses, cooperatives and social economy enterprises in the following sectors and areas including: manufacturing; software publishing; private research centers; and environmental services.

For innovation funding activities, the government of Quebec through the Ministry of Economic Development, Innovation and Export Trade has the "Program to Support Innovation". Non-repayable contributions are used to support technology businesses in the incubation and start-up phases. Support can also be provided to businesses in developing and marketing new products or innovative processes using advanced technology.

Research funding is provided through the "Program to Support Research" and is restricted to: non-profit organizations; research institutions and networks of health and education; public research institutions and businesses (less than 250 employees and assets less than \$50 million) participating in strategic alliances or international consortia of research and innovation. The research infrastructure component is used to leverage support in the form of funding from the Canada Foundation for Innovation and private sector partners.

With respect to direct business support, there is an Export Program through the Ministry of Economic Development, Innovation and Export Trade that provides grants

up to 40% of a maximum of \$100,000 for market studies, business planning, prospecting missions, trade shows and other export-related activities.

For specific aerospace support, the government of Quebec has provided funding to the Consortium for Research and Innovation in Aerospace in Quebec (CRIAQ). CRIAQs mission is to increase the competitiveness of the knowledge base in aerospace through education and the training of students. CRIAQ also provides strategic advice to the government and recommended the creation of the “Coalition for Greener Aircraft”. The result is the SA<sup>2</sup>GE Project: a \$150 million Quebec government- industry cost shared program (\$70 million for the government and \$80 million from the industry). The purpose of the SA<sup>2</sup>GE project has the common goal to design environmentally –friendly parts and systems for the aviation industry. The projects involve business, research centers and universities and are led by the industry leaders and the users.

### **1.2.7 New Brunswick**

New Brunswick has focused on funded programs for businesses and tax credits for small business as a way of supporting industrial development in the province. For New Brunswick businesses, the Financial Assistance to Industry Program (FIAP) is in place. FIAP provides start up or ongoing eligible businesses can be provided loans or loan guarantees for capital expenditures and working capital. There is also a Trade Assistance Program that provides support based on 50% of eligible costs up to \$5000 for market reconnaissance, trade shows, and other activities associated with developing export markets outside the Maritime Provinces (New Brunswick, Nova Scotia and Prince Edward Island).

The Technology Adoption and Commercialization Program, the NB Growth Program and the Small and Medium Industrial Program provides non-repayable contributions and other incentives to selected sectors and technologies including: manufacturing and processing; information and communication technology; bio-science; tourism; certain cultural enterprises; export oriented commercial service businesses; or small and medium-sized businesses that implement energy efficiency improvements.

The New Brunswick Small Business Investor Tax Credit Program provides a 30% non-refundable personal income tax credit of up to \$75,000 per year to a maximum of \$250,000 investment to eligible investors who invest in small businesses in the province.

New Brunswick appears to have no specific aerospace and space programs.

### **1.2.8 Nova Scotia**

Nova Scotia has a number of small and medium-sized enterprises (SMEs) funded programs along with a Small Business tax deduction program. The Nova Scotia Small Business Financing Program (a partnership with the provincial government and the Nova Scotia Cooperative Council) provides loans, and loan guarantees through the Nova Scotia credit unions. There is a Productivity and Innovation Voucher Program that provides SMEs with a credit note (the voucher) to acquire direct assistance from Nova Scotia universities and colleges to make their businesses more innovative and productive. The ExportAbility Program provides SMEs with funding for courses or training programs related to exporting and international trade. SMEs also have access to the Go-Ahead Program to cover up to 50% of the costs, up to \$5,000, for follow-up marketing visits arising from government sanctioned trade missions, shows or conferences. The Nova Scotia Business Development Program provides up to 50% support up to a maximum of \$10,000 to small businesses for consulting support activities related to increasing productivity, exploring product innovation and other business improvement activities.

With respect to tax expenditures, the province provides a new small business tax deduction that effectively eliminates the Nova Scotia corporate income tax for the first three years of business. The research and development tax credit based on a 15% rate for corporations that incur scientific research and experimental development in Nova Scotia regardless of size.

Nova Scotia also has programs targeted at specific sectors. Nova Scotia Business Inc. (NSBI) is Nova Scotia's business development agency. NSBI provides assistance to service exporters through the Service Export Program. This program can provide service exporters ready to finalize an export sale with up to 50% of eligible costs associated with closing the deal. NSBI can also provide loans and loan guarantees to local businesses that want to grow in Nova Scotia and for international companies interested in investing in Nova Scotia. Aerospace, defence and security has been identified as one of Nova Scotia's fastest growing industries.

In addition to NSBI, as part of the Productivity Investment Program, the Capital Investment Initiative (CII) can provide support for up to 20% of the cost of technologically-advanced machinery and clean technology equipment, software and hardware. The CII is limited to businesses in the following sectors and technology areas: aerospace and defence; advanced manufacturing and processing; alternative (non-

traditional) energy; life-sciences; information and communications technology; ocean technology; and certain scientific and technical services.

The province also provides support to the aerospace and defence sector through the Aerospace and Defence Loan Program through the Industrial Expansion Fund. The one-time allocation of funds is to provide support to Nova Scotia aerospace and defence businesses in the form of repayable interest bearing loans associated with attracting new contracts.

### **1.2.9 Prince Edward Island**

The government of Prince Edward Island (PEI) has at least 12 programs in place to support business development.

PEI has an Entrepreneur Loan Program delivered through Prince Edward Island Business Development. The loan program provides entrepreneurs with up to \$50,000 for use as an investment in eligible new or expanding businesses with the loans sourced through certain financial institutions and guaranteed by Prince Edward Island Business Development. Interest is charged and the loans are guaranteed for up to five years. Working capital/cash flow loans up to \$25,000 are also available.

The Export Help! Program, part of Trade Team PEI, can provide non-repayable contributions up to \$5,000 to hire a consultant to assist PEI registered businesses with export-related needs. The program was developed as part of Trade Team PEI and includes the Atlantic Canada Opportunities Agency and other federal departments.

However, the majority of the business support programs fall under the direction of Innovation PEI and are based using non-repayable contributions to assist PEI businesses increase productivity, profitability, competitiveness and to pursue trade and export opportunities.

Innovation PEI has targeted manufacturers, processors and providers of exportable services in several sectors including: food development; information and communications technology; bioscience; manufacturing; and first of its kind exportable services in other sectors for program support.

The contribution programs available to the targeted businesses and sectors through Innovation PEI include: Quality Improvement Support; Productivity Improvement; Marketing Support; Information Technology Planning; Information Technology Implementation; Human Resource Planning; Capital Acquisition; Professional Services Assistance; and an Innovation & Development Labour Rebate.

Innovation PEI also delivers a sector specific activity; the Aerospace Tax Holiday. The 20 year tax rebate incentive program started in 1993 applies to eligible aviation or aerospace-related businesses that establish operations at Slemon Park PEI. A full rebate is provided annually on all corporate income tax paid to the province for operations conducted in PEI. A full rebate is also available annually for all sales tax paid to the government attributed to the purchase of goods and services. In addition, an annual full rebate is available to all real property tax based on ownership or rental of facilities in PEI.

### **1.2.10 Newfoundland and Labrador**

The government of Newfoundland and Labrador (NL) has at least 13 programs in place to support business development.

Newfoundland and Labrador uses a suite of financial instruments including non-repayable and conditionally repayable contributions, loans, advances, investments, tax rebates and tax credits.

Regional development and diversification, new entrepreneurs and small businesses, activities aimed at productivity improvement, increased competitiveness, innovation along with one specific sector initiative (aerospace and defence) are the areas targeted for NL business support.

Many of the business-oriented non-repayable contribution and loans programs are delivered by the NL Department of Innovation, Business and Rural Development (IBRD) including: the Small and Medium-sized Enterprise Fund; the Business Networks Program; The Workplace Skills Enhancement Program; the Business and Market Development Program; the Commercialization Program; the Technology Utilization Program; and the Innovate and Demonstrate Program.

Addressing regional and sectoral development financial support, IBRD provides assistance in the form of non-repayable contributions up to 25% of eligible costs for economic initiatives under the Regional/Sectoral Diversification Fund. IBRD is also responsible for encouraging new business investment in NL through the Economic Diversification and Growth Enterprises (EDGE). EDGE approved businesses are eligible for municipal, provincial, federal and other tax rebates for up to 10 or 15 years with an additional five year phase-out period depending on where the business is located in NL. The Business Attraction Fund is identified with having \$25 million available for loans, advances or investments as well as \$4 million for non-repayable contributions. The Fund

is available for attracting large-scale strategic business ventures and infrastructure to Newfoundland and Labrador.

Newfoundland and Labrador also provide the Small Business Tax Credit and the Manufacturing and Processing Profits Tax Credits to permanent establishments located in NL.

The NL sector specific initiative is the Aerospace and Defence Development Fund. This Fund was established in fiscal year 2009/10 with \$2 million and with eligibility requirements that limited the Fund to NL-based aerospace and defence businesses. Delivery of the Fund was by IBRD with financing to be provided through non-repayable contributions for projects with investments of at least \$1 million generating incremental local employment benefits and revenues.

### **1.2.11 Nunavut**

Nunavut has three programs aimed at new and expanding businesses located in Nunavut.

First, the Small Business Opportunities Fund provides assistance to businesses located in Nunavut that have at least 51% ownership by Nunavut residents. The Fund can provide working capital support to new and expanding businesses and contribution funding for business planning activities, pilot projects, market development including trade show participation and professional services to develop recovery plans.

Second, the Nunavut Equity Investments Fund (NEIF) encourages private investment in new or expanding Nunavut businesses. The Fund can provide a minimum of a \$100,000 to be matched by the applicant.

Third, the Nunavut Business Credit Corporation (NBCC) provides loans to small and medium-sized Nunavut businesses.

These programs are intended to support all business sectors in Nunavut. For the aviation sector, the Nunavut Department of Economic Development has a scholarship program that provides up to 4 scholarships valued at \$5,000 each, to be awarded to people pursuing an aviation-related career. Studies supported are related to airline or airport operations or management, aircraft maintenance and pilot training.

The program has a total of 15 scholarships and is shared with the government of the Northwest Territories and five airlines.

### **1.2.12 Northwest Territories**

The Northwest Territories (NWT) has one business-related program, one independent Crown Corporation that focuses on supporting NWT business and the Aviation Career Development Program as outlined for Nunavut.

The Support for Entrepreneurs and Economic Development Policy (SEED) provides support to businesses (up to \$15,000 in funding) and business Associations (up to \$25,000 in funding). The Business Development and Investment Corporation (BDIC) provides loans, standby letters of credit, investments and contributions to NWT businesses to support the economic objectives of the government of NWT.

The NWT Department of Transportation sponsors six of the 15 scholarships valued at \$5,000 each under the Aviation Career Development Program for NWT residents pursuing an aviation-related career. The government of Nunavut sponsors 4 scholarships as noted above while the remaining five scholarships are sponsored by five airlines (Adlair Aviation, Discovery Air, Keewatin Air, North-Wright Airways and First Air).

### **1.2.13 Yukon**

The government of the Yukon Territory uses financial funding, a loan guarantee program and a small business investment tax credit to support Yukon-based businesses.

The Enterprise Trade Fund and the Strategic Industries Development Fund provides financial support to Yukon businesses and other eligible organizations for business-related activities or to develop strategic industries, projects and economic infrastructure. Funding from \$10,000 to \$500,000 based on 50% to 75% of eligible costs is available depending on the project.

The Yukon Venture Loan Guarantee Program is an initiative between the government of Yukon and certain financial institutions. Loan guarantees from \$10,000 to \$100,000 are available to Yukon registered businesses that pay Yukon corporate tax.

The Regional Economic Development Fund (REDF) is in place to promote organizational capacity development and facilitate regional economic development. Yukon businesses and other eligible organizations can apply for an up to \$50,000 contribution.

The Yukon Small Business Investment Tax Credit is available to all eligible Yukon residents that invest in an eligible Yukon-based small business. Investors can claim 25% of their investment up to a maximum of \$25,000 per year as a credit on their individual income tax returns.

## **Part II: In Search of Best Practices - Innovative Mechanisms**

### ***2.1 Analysis of Provincial and Territorial Mechanisms***

All the provinces and territories provide some level of support to businesses. The financial instruments in use include: grants; non-repayable, repayable and conditionally repayable cost shared contributions; loans, loan guarantees, quasi-equity and equity financing; tax credits; tax deductions; and scholarship programs.

#### **2.1.1 Financial Support**

The business-related financial support programs focus on: research and development; innovation; competitiveness; productivity; business development; regional development, investment attraction and diversification; priority sectors and technologies; leveraging federal government and private sector funding; and research and development. The majority of the provinces and territories have programs in place that focus on providing financial support to entrepreneurs, start-ups, and ongoing small and medium-sized businesses mainly in the form of non-repayable contributions. The government support can range from 15% to 80% of eligible costs (for start-ups or businesses in certain regions) with support normally in the 40% to 50% range. Most contribution programs have extensive eligibility criteria and require detailed business information along with a comprehensive cost proposal as part of the assessment process. The contributions are also subject to post project audit.

In most cases, there are no specific programs just for large businesses. However, some of the provinces and territories target major investments by large businesses with loan and loan guarantee programs or tax instruments.

Many contribution programs provide modest funding as a percentage of eligible costs. Nonetheless, the administrative hurdles they require of business by governments, together with an impressive amount of government due diligence leads one to the question if programs of such modest financial assistance constitute a cost effective or best practice.

#### **2.1.2 Priority Sectors**

Some of the provinces have programs that identify strategic and priority sectors such as environment; energy; health or information and communications technology. Some even include manufacturing and processing as a strategic sector. Interestingly, only

Quebec, Prince Edward Island, Nova Scotia, Newfoundland and Alberta have specific aerospace-related programs. On the other hand, Ontario and New Brunswick have identified aerospace as one of their priority sectors but have no specific financial programs in place to provide support solely to the sector.

### **2.1.3 Support across TRLs**

At the specific program level, the government of Manitoba's Commercialization Support for Business Program appears to be based on the technology readiness levels identified in Annex II of this report. This program is available to all Manitoba businesses and it provides financial support in the form of non-repayable contributions for each stage of the commercialization life cycle from concept development through market development and includes components for certification assistance and securing intellectual property rights. This program appears to be the only one of the 111 programs identified in Annex I that has clearly defined the commercialization life cycle in terms of the technology readiness levels and has a dedicated program in place. From the programs reviewed and based on the information provided, the Commercialization Support for Business Program could be considered a best practice for commercialization assistance based on technology readiness levels.

The Ontario Centres of Excellence Program (ONE) also provides support for various technology readiness levels through their Collaborative Commercialization Initiative. The initiative provides a range of programs to take research from the laboratory to the marketplace.

For the aerospace sector specifically, the Newfoundland and Labrador Aerospace and Defence Development Fund is a good example of a sector program that provides support across the majority of the technology readiness levels.

### **2.1.4 Effective Coordination**

The challenge of creating synergies and deriving benefits from industry, university and public research institution capabilities has bedeviled governments for years. However, there are some innovative and noteworthy activities and programs designed to address this challenge. From a public policy perspective the success of achieving these synergies makes investment in public research institutes of more immediate benefit to Canadians.

In terms of coordinating key players, the Quebec government supports the Consortium for Research and Innovation in Aerospace in Quebec (CRIAQ) and Ontario has developed its ONE network to bring key centers together; each constituting an impressive if not best practice.

A number of provinces including Alberta, Ontario and Quebec have also put in place funding for research infrastructure programs to support their research institutions and to leverage federal government and private sector funding through the Canadian Foundation for Innovation.

Two of the three territories have worked in partnership with northern airlines to create a targeted aviation career scholarship.

## ***2.2 Conclusions***

The provinces and territories use all the funding mechanisms and tax expenditure programs available. They have established relationships with financial institutions and investment organizations. Crown Corporations have been created and partnerships with business associations are in place. Specially designed programs have been developed to leverage federal and private sector funds to support the research infrastructure. The provinces and territories appear to have reviewed each other's industrial and regional development strategies as similar strategic sectors and technologies are common priorities.

Many of the provinces and territory funding programs are directed at entrepreneurs, start-ups and small and medium sized businesses. Although not excluded, large businesses are not the focus of their financial programming.

While the coordination effort for providing financial support to businesses does not appear to be formalized, the provinces and territories have developed similar tools for industrial development in their jurisdictions.

At the provincial level, Quebec has developed an effective coordination tool; the Consortium for Research and Innovation in Aerospace in Quebec (CRIAQ), that brings government, industry and the research institutions together to work on aerospace issues of common interest. The Systems Aeronautiques d'avant-Garde pour l'Environnement (SA<sup>2</sup>GE) is an excellent example of coordination and cooperation in bringing together and mobilizing six major Quebec aerospace businesses with a number of research centres and universities with the common goal of designing environmentally-friendly parts and systems for the aviation industry.

## **Annex I: Mechanism Descriptions**