

ATLANTIC CANADA OPPORTUNITIES AGENCY

FIVE-YEAR REPORT

TO

PARLIAMENT

1993-1998



Minister's Message

Without doubt, Canada's success in the 21st Century will depend on the knowledge, skills and competitive business practices which Canadians, in every part of the country, acquire today. One of the most important priorities of the Government of Canada is to ensure that the resources which facilitate and accelerate competitiveness are available to everyone, everywhere.

The Industry Portfolio brings together 13 departments and agencies to do just that. They are responsible, collectively, for science and technology, market development, regional economic policy and economic development. Working closely with their partners at the federal and provincial government levels, and in the private sector, Portfolio members promote the national agenda of entrepreneurship development, innovation, trade and opportunities for youth employment in emerging, cutting-edge fields of industry.

My priority is simple: to ensure that the Portfolio provides real and relevant assistance to Canadians as they meet the challenges of the global economy and exploit the opportunities it presents.

As a member of the Portfolio, the Atlantic Canada Opportunities Agency works to deliver the federal agenda of jobs and growth to the Atlantic provinces. The Agency's involvement, at the national level, in economic planning and policy development has not only raised Atlantic Canada's profile on the national stage, but also enabled valuable federal government resources to find their way directly into Atlantic communities and private enterprises. In doing so, ACOA contributes significantly to the strength of both the regional and national economies. This report demonstrates the clear and compelling progress achieved over the past five years.

The Honourable John Manley
Minister of Industry

The Secretary of State's Message

The past five years have brought profound change to the people, communities and businesses of Atlantic Canada. It has been a period of challenge and opportunity for everyone. As the federal government agency dedicated to helping Atlantic Canadians succeed, the Atlantic Canada Opportunities Agency has played an important role in preparing the region to meet its challenges and embrace its opportunities with determination, knowledge and skill.

ACOA has become more focused on the business development needs of small- and medium-sized firms which, in the last ten years, represented more than 95 per cent of new businesses created in the region, and on the economic environment which supports entrepreneurial start-ups and growth. More people are starting businesses, and finding the business development resources they need — in entrepreneurship, innovation and technology, trade, business management practices and access to capital and information — to thrive in the region.

ACOA's collaborative approach to economic development, which relies on extensive partnerships with provincial governments, community economic development organizations, the research and development community and the private sector, has materially contributed to strengthening the Atlantic economy.

ACOA will continue its work on behalf of all Atlantic Canadians in a manner consistent with the Government of Canada's Jobs and Growth agenda, which recognizes that strong regional economies are the building blocks of a strong national economy.

The Honourable Fred J. Mifflin, P.C., M.P.
Secretary of State,
Atlantic Canada Opportunities Agency

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Acronyms or Abbreviations Used in the Report

ACTGA:	Atlantic Canada Tourism Grading Authority
ACTP:	Atlantic Canada Tourism Partnership
AMT:	Advanced Medical Technologies (Prince Edward Island)
BBI:	Black Business Initiative (Nova Scotia)
BDP:	Business Development Program (ACOA program)
CADCAM:	Computer Assisted Design / Computer Assisted Manufacturing
CBCEDA:	Cape Breton County Economic Development Authority
CBDCs:	Community Business Development Corporations
CBED:	Community-Based Economic Development (ACOA service line)
CBSCs:	Canada Business Service Centres (national program)
CCFI:	Canadian Centre for Fisheries Innovation (Newfoundland & Labrador)
CDC:	Central Development Corporation (Prince Edward Island)
CEED:	Centre for Entrepreneurship Education and Development (Nova Scotia)
CEO:	Chief Executive Officer
CFB:	Canadian Forces Base
CIDA:	Canadian International Development Agency (national agency)
CIWP:	Canada Infrastructure Works Program (national program)
CN:	Canadian National
CPDA:	Cornwallis Park Development Agency
CSA:	Canadian Space Agency
CSA STEAR:	Canadian Space Agency -Strategic Technologies for Automation and Robotics
ECBC:	Entreprise Cape Breton Corporation
GDP:	Gross Domestic Product
GMEC:	Greater Moncton Economic Commission (New Brunswick)
IBD:	International Business Development (ACOA program)
IRB:	Industrial and Regional Benefits (national program)
ISO:	International Standards Organization (as in ISO9000)
IT:	Information Technology
JEDI:	Joint Economic Development Initiative (New Brunswick)
KEP:	Knowledge Economy Partnership (Prince Edward Island)
MUN:	Memorial University of Newfoundland
NBTGI:	New Brunswick Training Group Inc.
OECD:	Organisation for Economic Cooperation and Development (international)
R&D:	Research and Development
REDBs:	Regional Economic Development Boards (Newfoundland & Labrador)
SENCEN:	Strait East Nova Community Enterprise Network (Nova Scotia)
SMEs:	Small- and Medium-Sized Businesses
STANet:	Science and Technology Awareness Network (Nova Scotia)
STEM~Net:	Science, Technology, Education, Mathematics Network (Nfld & Lab.)
TARA:	Telecom Application and Research Alliance (Nova Scotia)
UCCB:	University College of Cape Breton
UdeM:	Université de Moncton

Executive Summary

ACOA was created in 1987 to coordinate and implement the federal government's economic development initiatives in Atlantic Canada. It was part of a broader move by the Government of Canada towards a decentralized, regionally-based approach to economic development. In keeping with this approach, the Agency's head office was located in Moncton, New Brunswick. The Agency's mandate is to act as the federal government's agent in increasing opportunity for economic development in Atlantic Canada. In fulfilling its mandate, ACOA was to be guided by the principle that sustained economic development must come from within the region, and that Atlantic Canadians should be encouraged to take greater responsibility for this development with the federal government as a partner.

Independent evaluations of ACOA's first five years showed that ACOA had been more responsive than earlier centralized approaches to regional needs as programs had been designed in consultation with Atlantic Canadians. ACOA's first-hand knowledge of regional conditions had enabled it to reconcile local development needs with federal priorities.

During its second five-year period, ACOA has built on the strengths of this regionalized approach. In response to the external environment in which it works, federal economic development priorities and the unique needs of the Atlantic region, the Agency has revisited and strengthened its overall approach in order to improve its effectiveness.

A number of major themes summarize this evolution:

1. **ACOA has increasingly sought out partners in the private sector, communities, and provincial and federal governments to stimulate economic development.** The Agency's mission is "to work in partnership with the people of Atlantic Canada toward the long-term economic development of the region." Partnerships engage a variety of resources, experiences and skills. For example, in the community economic development area, close to 1,200 dedicated volunteers direct the activities of the organizations partnering with ACOA. ACOA's role in these partnerships can be as leader, coordinator, or active participant.
2. **Increased emphasis on community and rural economic development.** To encourage Atlantic Canadians to accept greater responsibility for economic development, the Agency works with communities where local creativity and initiative is shown. The Agency's aim is to strengthen the capacity of local organizations to plan and implement their economic priorities. In support of the federal government's priority on rural renewal, the Agency has put in place measures to address the special challenges of rural areas.
3. **Increased role as a delivery agent for federal economic development programs.** The success of a program depends on workable design and delivery at the local level. ACOA,

with its extensive network in the region, increasingly has taken on the delivery of federal government programs such as the Canada Infrastructure Works Program, the Canada Business Services Centres and the Canadian Forces Base Closure Adjustment Program.

4. **Increasing emphasis on bringing national policies and programs to bear on the unique needs of the region.** With a broad mandate for economic development, ACOA is in a unique position to play a leadership role for the federal government in the Atlantic region. An example, is the responsibility the Agency has taken for bringing federal programs to the support of major opportunities such as offshore oil and gas development. The creation of the Industry Portfolio has brought greater coordination among federal economic development departments and strengthened ACOA's capacity to tailor federal programs to regional needs.
5. **A more integrated region-wide approach to development.** ACOA has been able to bring about a region-wide approach in a number of areas such as tourism and export development. This Atlantic agenda is crucial for effectiveness in an area comprising four provincial governments and a small widely-dispersed population.
6. **ACOA's support to SMEs has become more diverse and sophisticated.** As a member of the Industry Portfolio, the Agency implements the priorities of the federal government's Jobs and Growth agenda. ACOA support includes programs designed to help Atlantic SMEs compete in the global knowledge-based economy through support for innovation and technology skills development, export market development and improved information and services to SMEs. In its entrepreneurship development and SME support activity, the Agency has tailored programs to the needs of special communities such as Aboriginals and youth.

In fiscal year 1997-98, direct financial assistance to business accounted for less than 40% of ACOA's expenditures. The majority of expenditures are used to fund shared programs with partners such as business associations, provincial governments, universities and community economic development organizations in support of small business development.

7. **Increasing focus on "value for money".** Agency program spending is very small in relative terms, representing only 1.5% of total federal spending in Atlantic Canada in 1996. Therefore, if the Agency is to make an impact, it is crucial that expenditures focus on those areas which provide the greatest benefits to the regional economy. Accordingly, spending has been increasingly focussed on the development of small- and medium-sized enterprises (SMEs), rather than on resource development or infrastructure. Analyses have shown that assistance to SMEs is easily the most cost-effective approach to economic development.

By implementing locally-developed approaches, ACOA and its partners have produced considerable benefits for the region, as evidenced in the following sections.

Economic Impact of ACOA Activity

ACOA's impact is more evident when comparing the gains achieved by its clients against the region's performance. For example, Statistics Canada has estimated that total business employment in Atlantic Canada declined by about 6% from 1989 to 1995, but that employment by ACOA clients increased by 9.5%.

The following results are based on external evaluations and analyses. An audit by PricewaterhouseCoopers concluded that these estimates were reasonable and likely conservative:

from 1992 to 1997, the impact of ACOA programming on Atlantic GDP has grown from \$1.4 billion to \$3.7 billion a year;

over the ten years of its operations, every \$1.00 of ACOA spending under the Business Development Program, Community-Based Economic Development, and the COOPERATION Program generated \$5.00 of GDP impact;

from 1988 to 1997, the Conference Board of Canada's model has calculated that ACOA program spending of \$3.2 billion generated \$3.9 billion in personal income taxes and sales taxes;

the Atlantic unemployment rate is 2.8% lower due to ACOA programming than it would have been without that programming.

From 1992 to 1997, earned income per capita improved from 74.2% of the national average to 75.5%. This is a continuation of a long-term trend that began in 1961. However, because ACOA expenditures represent less than 1% of Atlantic income (as measured by Gross Domestic Product) such aggregate measures do not accurately reflect the impact of ACOA programming. In fact, the gains achieved by recipients of ACOA programs have been largely overshadowed by restructuring in the economy, especially the collapse of the groundfish fishery, which occasioned the largest employment loss in an industrial sector in Canadian history.

Some Specific Examples of ACOA at Work

Perhaps, the best appreciation of the impact of ACOA's activities on the economic development of the region is obtained by looking at those areas where the Agency has focussed its efforts.

ACOA support for economic development is wide and multi-layered. No part of it is self-contained; projects have an impact across a wide spectrum. Assistance to a business, for example, is also assistance to the community where that business resides. Or, assistance to a community to

develop a tourist attraction is assistance to the tourism industry. It is important to remember this in reading the following summary, which is split into several main groups.

Technology: Understanding and using modern technologies is a critical part of successful economic development. “Knowledge-based” industries have been growing faster than the overall economy everywhere, and it is important that Atlantic Canada be part of this growth. ACOA has supported technology and innovation in four main ways:

1. **Helping companies innovate;** for example, by supporting the lengthy process of developing then marketing technology-based commercial products, assisting the development of multimedia companies in Cape Breton, or linking traditional industries, like the Newfoundland fishery, with centres of research and innovation;
2. **Helping workers develop technical skills;** for example by providing support to the Aviation Maintenance Institute to develop skills for Prince Edward Island’s fledgling aerospace industry, or helping New Brunswick forest product workers adapt their skills to new technologies;
3. **Helping people understand and use technology and science;** by helping build a series of provincial networks that improve access to technology and information by means of special communications systems. Examples are the STEM~Net system in Newfoundland, Prince Edward Island’s Knowledge Economy Partnership, and Nova Scotia’s STANet. In each case, ACOA has joined provincial and private sector partners in long-term programs of support to improve access to technology. That in one case (STEM~Net), it has become the standard for Industry Canada’s national SchoolNet project;
4. **Helping build alliances for technology development;** like the Clinical Trials Atlantic Corporation, a knowledge-based cluster of universities and teaching hospitals that performs clinical tests on new pharmaceutical products.

Small- and Medium-Sized Business: Over 95% of businesses created in Atlantic Canada between 1989 and 1995 had less than 100 employees (90% had less than 20). New and existing SMEs were responsible for 58% of new jobs in Atlantic Canada.

SMEs, unfortunately, have a high failure rate in their first few years of existence, and thus find it difficult to attract capital to start and grow, and to get the right advice. Overcoming these hurdles is one of ACOA’s priorities. It has been successful at doing this. Statistics Canada tabulations show that survival rates for ACOA manufacturing clients are higher in the first three years of business than they are for all manufacturing companies.

ACOA’s main tool for assistance to SMEs is the Business Development Program. It offers interest-free, unsecured loans, which are repayable since early 1995. Over the 1993-1998 period, the Business Development Program has supported the creation or maintenance of almost 44,000

jobs. Client surveys indicate that without ACOA assistance only 5% of investments would have gone ahead as planned.

ACOA also offers advice and information through a network of Canada Business Service Centres, that dealt with almost 90,000 enquiries in 1995/96 alone, by fax, phone, Internet or in person. Apart from these generic forms of assistance, ACOA also has programs to improve SME business management practices (through quality management programs, self-help diagnostic tools and workplace literacy, for example) and to assist SMEs gain better access to federal procurement contracts.

Entrepreneurship: Entrepreneurs are at the heart of Atlantic economic development, and ACOA's Entrepreneurship Strategy has been described by the Organization for Economic Cooperation and Development as unique "... because it makes the promotion of entrepreneurship an explicitly stated objective ... [The] strategy is a long-term one, yet early results are promising."

The Strategy has five key components:

1. Research into the nature of entrepreneurship;
2. Making people more aware of entrepreneurship as an employment alternative;
3. Orienting and educating people to become entrepreneurs;
4. The provisions of business support services such as training and counselling; and
5. The promotion and support of entrepreneurial networks.

One measure of the success of ACOA's approach to entrepreneur development is that in 1991, only 7% of Atlantic Canadians expressed the intent to form a small business, but by 1997 this proportion was 16%. While it is difficult to determine ACOA's precise impact, its activity is certainly a major contributing factor to this change.

Projects have been tailored to communities with special needs, and young people. As examples of the former, a project was designed to develop entrepreneurial skills for the Black community in Nova Scotia, and another for Aboriginal people in New Brunswick. The New Brunswick project involved a partnership with the Aboriginal community, the provincial government, the Business Development Bank of Canada, and the Department of Indian Affairs and Northern Development. Young people have been introduced to entrepreneurship by the Centre for Entrepreneurship Education and Development in Nova Scotia, and by Enterprise Centres at the YMCA and YWCA in St. John's and Glace Bay.

Tourism: ACOA has fostered a regional approach, using mechanisms like the Atlantic Canada Tourism Partnership (ACTP), for promotion of regional tourism; the Atlantic Canada Tourism Grading Authority, to bring standardized quality ratings to tourist accommodations; and the Atlantic Canada Tourism Showcase, for tourism operators to meet potential buyers such as bus associations. In each of these three cases, ACOA formed a partnership with provincial tourism departments and industry associations to take advantage of economies of scale in what has

traditionally been a very fragmented industry. Promotions through ACTP alone are estimated to have brought in \$66 million in incremental tourism revenues from 1994 through 1997. These promotions have resulted in a significant return on the expenditure of public funds. For instance, the 1997 international campaign resulted in close to six dollars of tourist expenditures for every dollar spent on promotion.

ACOA has also supported specific tourism-related projects. The organization of the Celtic Colours Festival in Cape Breton, a celebration of music and culture that began in 1997, was an attempt to extend the tourism season in that region. Another initiative involved joining public and private sector partners in developing world-class tourism products in Bouctouche, New Brunswick. The area is now attracting international recognition for its mixture of ecological and cultural destinations. A third initiative involved support of local development associations in Newfoundland in the development of the Viking Trail, partly in preparation for the Viking Millennium celebrations in 2000.

Trade: One of ACOA's main thrusts has been to get all the provinces working together. An International Business Development Agreement was signed in 1994, and extended in 1997, involving three federal departments and the four provincial governments. It aims to improve access to export markets by SMEs, by increasing their export experience and taking advantage of economies of scale in exporting. A survey of SME participants has shown that 39% have started exporting or have increased their exports due to the IBD Agreement.

Specific trade initiatives have included export training and education services such as the New Brunswick Training Group Inc.

Community-Based Economic Development (CBED): Increasingly ACOA has encouraged communities to take more responsibility for their own development, strengthening local networks of volunteers, building local capacities to make and implement strategic plans that are based on realistic appraisals of community assets and aspirations, and that help communities realize their potential. This approach emphasizes local collective action.

Specific ways that ACOA has become involved in this challenge include its administration of the community development component of the Atlantic Groundfish Strategy (TAGS), and by assuming responsibility for the Community Futures Program and the Community Business Development Corporations (CBDCs) in 1995. These are not-for-profit, locally-run organizations which lend money and advise businesses in rural communities. Over the 1995-98 period, CBDC lending has supported the creation or maintenance of over 7,000 jobs in rural communities.

In recent years, the structure of local development agencies has been reformed in three of the four provinces. Newfoundland's system is still being reformed, although a new structure of Regional Economic Development Boards is largely in place and each board is preparing strategic plans. This is the latest step in a process that began in Newfoundland in 1992, emphasizing the long-term nature of this kind of development.

There are a number of examples of how communities have developed their economic bases in Atlantic Canada. Greater Moncton, for example, has substantially recovered from the loss of the CN repair shops in 1988, and is now a centre for teleservice (call centres). Local entrepreneurs are rapidly developing technology-based products and services. This has happened in a framework of a series of strategic plans, implemented by mobilizing local volunteers, and encouraged by a series of flexible partnerships that have included ACOA, the provincial government, local development agencies, the Université de Moncton, local community college campuses, and businesses.

There are other examples of ACOA involvement in community projects. The community of Victoria in Prince Edward Island rallied around a project to repair its dilapidated wharf, a traditional focus of community life and business. ACOA helped an Acadian community in Cape Breton set up La Picasse, an economic centre that is now home to a call centre, an entrepreneurial development centre, and several other businesses. The Colony of Avalon project in Newfoundland strives to develop an historic site for tourism while financing ongoing archaeological work. Five rural counties in eastern Nova Scotia were supported in setting up an integrated information technology centre to improve public and business access to IT. Enterprise Cape Breton Corporation in partnership with the Cape Breton County Economic Development Authority has set up a program to market Cape Breton as a good place to retire. By late 1997, some 68 new households had been set up as a result of these marketing efforts, worth an estimated \$1.3 million to the Cape Breton economy.

ACOA as Federal Delivery Agent: Taking on many more responsibilities in delivering and coordinating federal programs in the region has typified ACOA's second five-year period. It is a role that is natural given its familiarity with Atlantic Canada. It also means much more interaction with other federal agencies and departments.

The Agency was a natural choice, for example, to administer the Canada Infrastructure Works Program. Other examples are the programs put in place to help communities adjust after losing military bases in the early and mid-1990s due to federal budget cuts such as CFB Summerside and CFB Cornwallis, both of which have been transformed into diversified industrial parks, with public sector employment largely replaced by private sector.

Policy Research and Analysis: ACOA has always maintained a policy analysis and research capability, using both internal resources and independent contractors. The three essential qualities of this research have been:

1. Involvement of the private sector;
2. Extensive consultation; and
3. Keeping an eye on the future.

A Pan-Atlantic Economic Coordination and Research Initiative was first approved in 1992, and has been extended through 1999-2000. Its purpose is to enhance ACOA's capability to coordinate and plan federal activities that contribute to Atlantic Canada's economic growth. During the mid-1990s, a major research thrust has been a series of studies to gauge Atlantic Canada's competitiveness against other parts of North America and Europe, with very favourable results. ACOA has enlisted outside partners (like universities and business groups) to organize a series of Roundtables, each addressing a particular issue like community economic development or entrepreneurship. Reports on policy research have reached a wide audience both inside and outside Atlantic Canada.

ACOA has pursued its mandate in many areas that have been adopted by the Government of Canada as matters of national priority including support for rural and Aboriginal communities, science and technology, governments working in partnerships, young people, and expanding trade. This has involved a constant evolution of the Agency's programs, operations, and role. Much work remains to be done, however, in developing the Atlantic economy, and this will require commitment from all partners.

Introduction

Purpose of the Report

This report, which provides an evaluation of the impact of ACOA's activities has been prepared pursuant to Sub-sections 21 (2) and (2.1) of the Atlantic Canada Opportunities Agency Act which require that every five years the Minister for the Agency present to Parliament a comprehensive report on Agency achievements. This second five-year report covers the financial commitments, expenditures and activities of the Agency from April 1, 1993 until March 31, 1998.

ACOA was created in 1987 to coordinate and implement the federal government's economic development initiatives in Atlantic Canada. It was part of a broader move by the Government of Canada towards a decentralized, regionally-based approach to economic development. In keeping with this approach, the Agency's head office was located in Moncton, New Brunswick. ACOA was to be guided by the principle that sustained economic development must come from within the region, and that Atlantic Canadians should be encouraged to take greater responsibility for this development with the federal government as a partner.

A number of characteristics have emerged in the past ten years that underlie how ACOA approaches its mandate.

Working at the Regional Level

Independent reviews of ACOA's first five years showed that the Agency made a number of contributions to support job creation, to enhance the success rate of new businesses, to promote growth of regional gross domestic product (GDP), and to help reduce regional disparity.¹

ACOA Mandate

To increase opportunity for economic development in Atlantic Canada and, more particularly, to enhance the growth of earned incomes and employment opportunities in that region. (The Government Organization Act, Atlantic Canada, 1987, Part I, Section 4.)

These evaluations have also shown that ACOA has been more responsive to regional needs as programs have been designed in consultation with Atlantic Canadians. In addition, ACOA has played a role in the development and delivery of programs of other federal departments. The regional approach has resulted in an enhanced federal role in relations with the provinces.

¹ Action Program Evaluation Summary Report, Price Waterhouse, November 1992, The Evaluation of the ACOA COOPERATION Program, Coopers & Lybrand Consulting Group, 1994, and ACOA, Five-Year Report to Parliament 1988-1993, February, 1994.

Federal Leadership Role

With a broad mandate for economic development across the Atlantic region, ACOA is in a unique position to play a leadership role for the federal government. For example, as the federal government's agent for economic development in the region, the Agency increasingly has taken responsibility for bringing federal programs to the support of major economic opportunities such as offshore oil and gas development and the construction of the Confederation Bridge.

ACOA is a catalyst to prepare and encourage businesses to take advantage of the opportunities arising from the construction and operation of the offshore and onshore components of the Sable Gas Project. The Agency also is engaged in the identification and development of business opportunities arising from the further processing and use of the gas and gas liquids from offshore development.

Partnerships

Regional economic disparity is a complex, multi-dimensional challenge, and partnerships offer the most effective and efficient means to meet this challenge. ACOA's work with other economic development institutions is constantly being strengthened. Partnerships have increased the Agency's capacity to meet its broad mandate while resources available to do this have been restrained. These partnerships have provided opportunities to reduce duplication, to draw on the strengths of each partner, to remain connected to regional development needs, and to create synergy.

Working with Small- and Medium-Sized Enterprises

ACOA's activities, whether skills training, business counselling, trade promotion, or access to capital, are directed at enhancing the competitive strength of small- and medium-sized enterprises (SMEs) in the region. SMEs create the larger share (58%) of new jobs in Atlantic Canada, making them critical in economic development.

Community Empowerment

ACOA's creation was a major step in bringing development decision-making closer to the community level. ACOA has moved to decentralize closer to communities and individual businesses. Examples, such as the strengthening of community development organizations and increases in shared program delivery, are described in Chapter Eight, and show how decentralization helps communities build their development capacities.

Accountability

ACOA is the only federal economic development agency or department legally required to provide a five-year report to Parliament, with an account of achievements from all its activities. Developing the tools to do this has been a priority for the Agency.

"... the Agency has gone beyond most current practices for measuring and reporting results of economic development programs." (Report of the Auditor General of Canada to the House of Commons, November 1995. Suggestions from the Auditor General have been incorporated into ACOA's evaluation systems.)

This is consistent with the federal government's increased emphasis on departmental accountability. In keeping with federal reporting requirements, ACOA has continued to develop its system of performance measurement. To help do this, it uses tools such as the Conference Board of Canada's econometric models, third party evaluations, client surveys, and Statistics Canada monitoring of clients. These have helped ACOA establish reliable indicators of the economic benefits of its programs, which have been used to refine and improve programs and provide information to Parliament.

Report Overview

This introduction has provided a brief overview of principal characteristics underlying ACOA's work and evolution. In Section I, Chapter One traces the development and context of the Agency from 1993 to 1998, highlighting critical changes in how ACOA achieves its mandate. Chapter Two describes the tools being used by ACOA to do its work.

Section II describes examples of how ACOA and its partners have created opportunities for increased economic development in Atlantic Canada. Section III estimates the overall impact of ACOA's programs on the Atlantic economy.

Section I: The Agency

Chapter One: The 1993-1998 Context

Since 1993 ACOA has evolved in response to a number of factors. There has been a more targeted, cost-effective federal approach to economic development, for example, and the Agency has learned and applied many lessons over a decade of working in Atlantic Canada. External economic circumstances have also prompted change. ACOA is constantly adapting to ensure its programs help Atlantic businesses and communities benefit from developments in the global economy.

This Chapter provides a chronology of ACOA's evolution since 1993, and describes the factors behind the changes.

1993 - A New Federal Government Approach

ACOA's second five years coincided with the election of a new federal government. The policy document, *Creating Opportunity* (The Red Book), addressed the regional economic development priorities of the new government, stating the need to adapt to the unique demands of communities where business decisions are made. Equally, *Creating Opportunity* emphasized that a strong national economy depends on strong regional economies. This support for Community-Based Economic Development (CBED) was an opportunity for ACOA to focus more of its energies to help communities take more responsibility for their own economic development.

To do this, ACOA works with communities to help organize local groups, identify local resources, and link communities with other resources in provincial and other federal departments. ACOA also has partnered with community organizations to deliver business development programs to small businesses in areas that complement the Agency's own assistance programs. This has ensured that ACOA programs are consistent with community priorities and that program delivery is cost-effective.

ACOA's priorities corresponded well with the economic development themes laid out in *Creating Opportunity*. Similarities included emphasizing the critical development role of SMEs, the need to develop entrepreneurship, the regional approach to economic development, and the need for government to work creatively, but responsibly, to improve access to capital for SMEs.

ACOA's Strategic Priorities:

- *Innovation and Technology*
- *Access to Capital and Information*
- *Business Management Practices*
- *Entrepreneurship Development*
- *Tourism*
- *Trade*

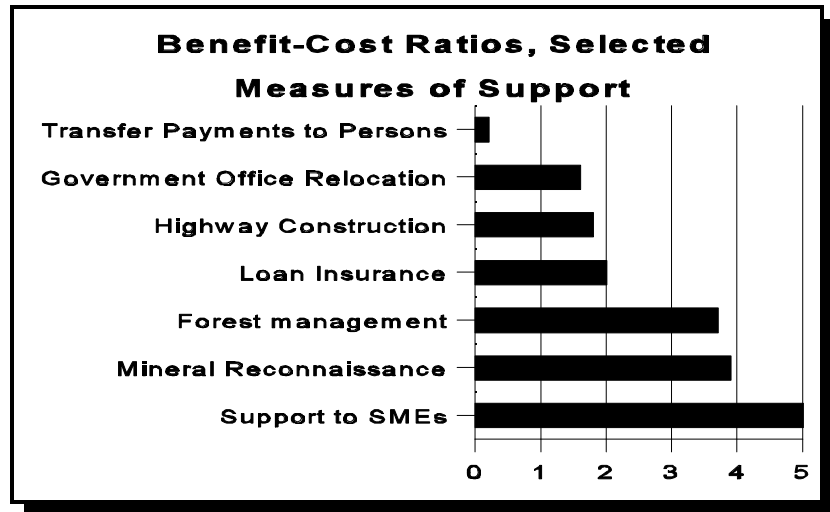
1994 and 1995 - Program Review

Two stages of Program Review were conducted in all federal departments and agencies to streamline operations and prioritize key activities. At ACOA, these reviews resulted in a comprehensive process of internal program evaluation and priority setting to improve Agency effectiveness.

To improve service to business clients and provide more consistent service throughout the region, the Agency began developing a single, more flexible business assistance program. In 1995, the Business Development Program (BDP) replaced the Action and Fisheries Alternatives programs, and the COOPERATION program focussed more on investments that bring benefits to an industry, a sector, or a community. In this more flexible approach, direct support to businesses took the form of fully repayable interest-free loans. There was continued focus on manufacturing and business services, a new focus on knowledge-based and technology industries, and on firms seeking to develop new products or services or preparing to export. This approach placed greater emphasis on the longer-term economic viability of ACOA's clients.

The region now depends less on federal spending. For Atlantic Canada as a whole, net dependence on federal spending dropped from 40% of GDP in 1980 to 20% in 1995.² (ACOA spending was 1.5% of total federal spending in 1996).

With spending constrained, the Agency has focussed on activities offering the best value for money. The chart (based on external evaluations) shows that support for SMEs resulted in the highest benefit/cost ratios at 5:1, 25 times more effective than transfers to persons. ACOA has continued to strengthen initiatives which make SMEs more competitive.



² Calculated by the Atlantic Provinces Economic Council.

Support for resource development and infrastructure is only provided if the Agency is provided with additional funds for that purpose. An earlier type of support, the Loan Insurance Program, was discontinued.

Benefit-cost is measured as the dollar increase in Atlantic GDP for every dollar of public and private spending on the initiative. Source: Analysis by ACOA based on The Evaluations of the ACOA COOPERATION Program (Coopers and Lybrand, February 1994); and Statistics Canada, Survey of Small and Medium-Size Businesses, 1995 and 1997.

Although it produced positive benefits (a benefit/cost ratio of 2:1) it was less cost effective when compared with direct support to SMEs.

Federal-provincial COOPERATION agreements have been consolidated into single, broadly-based agreements in New Brunswick, Nova Scotia, and Prince Edward Island. The same approach is being adopted in Newfoundland as existing agreements run out. Each agreement targets a number of development areas that correspond to ACOA's strategic priorities, and emphasizes rural and community development. Single agreements replace over 50 older agreements addressing a wide range of development areas, bringing reductions in operating costs.³

Program Review in the Department of National Defence resulted in a number of Canadian Forces Bases being closed in Atlantic Canada. ACOA was given the responsibility of working with affected communities to help them rebuild local economic foundations.

1995 - The Federal Budget: ACOA as the "Single Point of Contact"

The 1995 federal budget identified ACOA as the "single point of contact" in Atlantic Canada for all federal programming for small businesses. As the managing partner, ACOA became responsible for establishing and managing the four Canada Business Service Centres (CBSCs) located in the Atlantic Provinces. This new role gave the Agency an opportunity to act more effectively as the federal representative in the region. A good example of this was extending access to the Canada Business Service Centres' (CBSCs) information base to communities outside the current CBSC locations. Through partnerships with Community Economic Development Organizations, the CBSC network is being made available, via Internet technology, to a total of 105 existing Atlantic based intermediaries. Using toll-free, fax, and Internet communications, CBSCs allow SMEs access to information on services available from

³ ACOA, Performance Report for the period ending March 31, 1996.

twenty-eight federal departments as well as provincial and municipal governments and private-sector organizations. CBSCs have become key links for ACOA's economic development partners.

The federal government has increasingly made use of ACOA's expertise and relationships in the region to deliver programs. These have included the community economic development component of the Atlantic Groundfish Strategy (TAGS), the Canada Infrastructure Works Program in the region and the Community Futures Program.

1996 - ACOA Becomes a Member of the Industry Portfolio

Since early 1996, ACOA has been a member of the Industry Portfolio of 13 departments and agencies that report to Parliament through the Minister of Industry. This change has brought greater coordination among and between regional development agencies and other departments and agencies in the Portfolio and strengthened ACOA's capacity to effectively advocate the region's needs. The Portfolio's mandate reflects federal priorities—SME development, trade and foreign investment, technology and innovation, and youth employment—which again correspond well with ACOA's priorities.

1997-98 - Renewed Emphasis on Rural Development

The federal government has acknowledged that community development is a bottom-up process and that rural Canadians are best placed to come up with their own development strategies. To give effect to the priority on rural renewal, the federal government in 1997 approved the concept of the cross-government Canadian Rural Partnership Initiative. This initiative is led by the Minister of Agriculture and Agri-Food.

“The government will redouble its efforts to ensure that rural communities and all regions of Canada share in the economic benefits of the global knowledge-based economy.” (Speech from the Throne, opening of 36th Parliament, 1997.)

ACOA has taken the lead role for the initiative in Atlantic Canada, coordinating a team of federal departments to help rural communities take full advantage of economic development opportunities. It is a natural role for ACOA in a region where 49% of people live in rural areas, compared to 23% nationally⁴. As part of its support for community-based economic development, the Agency has undertaken measures to address the special challenges facing rural Canadians in developing their economies.

⁴ As defined by Statistics Canada in Population and Dwelling Counts, Cat. No. 93-305.

When ACOA was created in 1987, one rationale was that a smaller, regionally focussed agency would be better positioned to adapt and respond to the region's needs. Federal fiscal restraint and changing economic conditions have been challenges for the Agency. But they have also been opportunities for ACOA to revisit and strengthen its overall approach in order to achieve its mandate more effectively.

Chapter Two: How ACOA Pursues Its Mandate

To fulfill its mandate, ACOA pursues two distinct activities:

- 1) Ensuring that a wide variety of business development tools and resources serve the diverse needs of the region's emerging and existing entrepreneurs.
- 2) Ensuring that all economic development programs and activities in Atlantic Canada are coordinated and designed to improve the climate for business growth generally.

Partnerships

To meet its mandate of increasing opportunity for economic development in Atlantic Canada, ACOA's mission statement embraces the principle of partnership.

Mission

To work in partnership with the people of Atlantic Canada toward the long-term economic development of the region.

The Agency has put into place an extensive network, plus the structures necessary to carry out its mandate. At the federal level, the Agency has made partnership arrangements with other Industry Portfolio members such as the National Research Council, the Canadian Space Agency and the Business Development Bank of Canada to ensure that activities in support of SMEs complement and reinforce one another.

In the private sector, ACOA engages directly with corporate executives of firms, industry associations, as well as with business and community organizations, research institutions and the academic community. The ACOA Minister, Secretary of State and Agency staff deal directly on a day-to-day basis with political leaders and senior officials of provincial and local governments. ACOA regional Vice-Presidents chair or play key coordinating roles in federal councils in each province. These councils bring together federal department heads in the region for information exchange and policy/program coordination.

An example of a special form of partnership is ACOA's activities to support the economic development of the official language minorities in Atlantic Canada. As part of its commitment to implementing Section 41 of Part VII of the Official Languages Act, ACOA works with key economic players and plays a front-line role in economic development activities in communities in order to contribute to the federal government's commitment to the protection and promotion of official language minorities wherever they live. The Commissioner of Official Languages acknowledged the Agency's work by naming it on the 1996 Merit List for the development of minority-language communities.

Atlantic Canada's four provincial governments and widely-dispersed population create the need for increased coordination of efforts on a regional basis. ACOA is unique in Atlantic Canada in its ability to access and bring together leaders throughout the region to focus on a common, shared economic agenda for the region. The Agency has actively pursued strong, harmonized partnerships as the basis of regional economic development. An important example is:

The Federal-Provincial Harmonization Committee. Chaired by the President of ACOA, this Committee is made up of provincial deputy ministers of Economic Development and Intergovernmental Affairs. It shares information and coordinates federal and provincial economic programs and activities throughout the region. Highlights of achievements to date include initiatives such as the International Business Development Agreement and the Atlantic Canada Tourism Partnership.

Economic Policy Research

Consistent with its legislated mandate to represent the interests of Atlantic Canada in federal policy formulation, and to help coordinate federal regional development efforts, ACOA has maintained a core capacity for economic research in support of program development, policy analysis and advice regarding key trends affecting the region's economy. During the five-year period covered by this report, the Agency's policy research effort matured significantly by developing a more strategic focus, engaging external partners in the policy process, and adopting a pro-active approach to disseminating research results to key stakeholders and the general public.

Today, ACOA's policy and research agenda comprises internally-driven research activities as well as research carried out by and with external partners. The research covers a range of economic and socio-economic topics. A research plan is maintained which reflects and supports key federal policies, and also ACOA and Industry Portfolio priorities and program initiatives. Moreover, it reflects emerging regional, provincial and local economic issues, structural challenges and opportunities in the Atlantic economy and sector-specific considerations. The approach optimizes regional stakeholder interest and engagement through an expanding network of regional partners including public policy organizations, universities, the economics community, business associations, and firms.

The core theme of the economic policy research agenda has been the competitiveness of the Atlantic Canadian economy, beginning with an extensive effort to benchmark the region's competitiveness based on international standards and current economic thinking. Initiated in 1995, study reports were completed and released in 1996 and 1997. Officials from the OECD and the World Economic Forum in Davos, Switzerland suggest this is the first attempt by any region to use international models to benchmark its economic competitiveness in an international framework.

The output of the competitiveness programme is the most extensive benchmarking exercise ever performed on a Canadian region". (Jim McNiven, School of Management, Dalhousie University.)

Strategic Priorities

Figure 1 demonstrates how ACOA's strategic priorities represent areas that are critical to Atlantic Canada's economic development. They reflect the needs of Atlantic entrepreneurs, address key economic trends, and support the priorities of the Industry Portfolio.

Service Lines

ACOA's service lines are the links between strategic priorities and clients. They are the day-to-day programs through which ACOA does its job. Figure 2 illustrates the relationship between mandate, strategic priorities, and service lines grouped in terms of core and non-core activities.

Figure 1

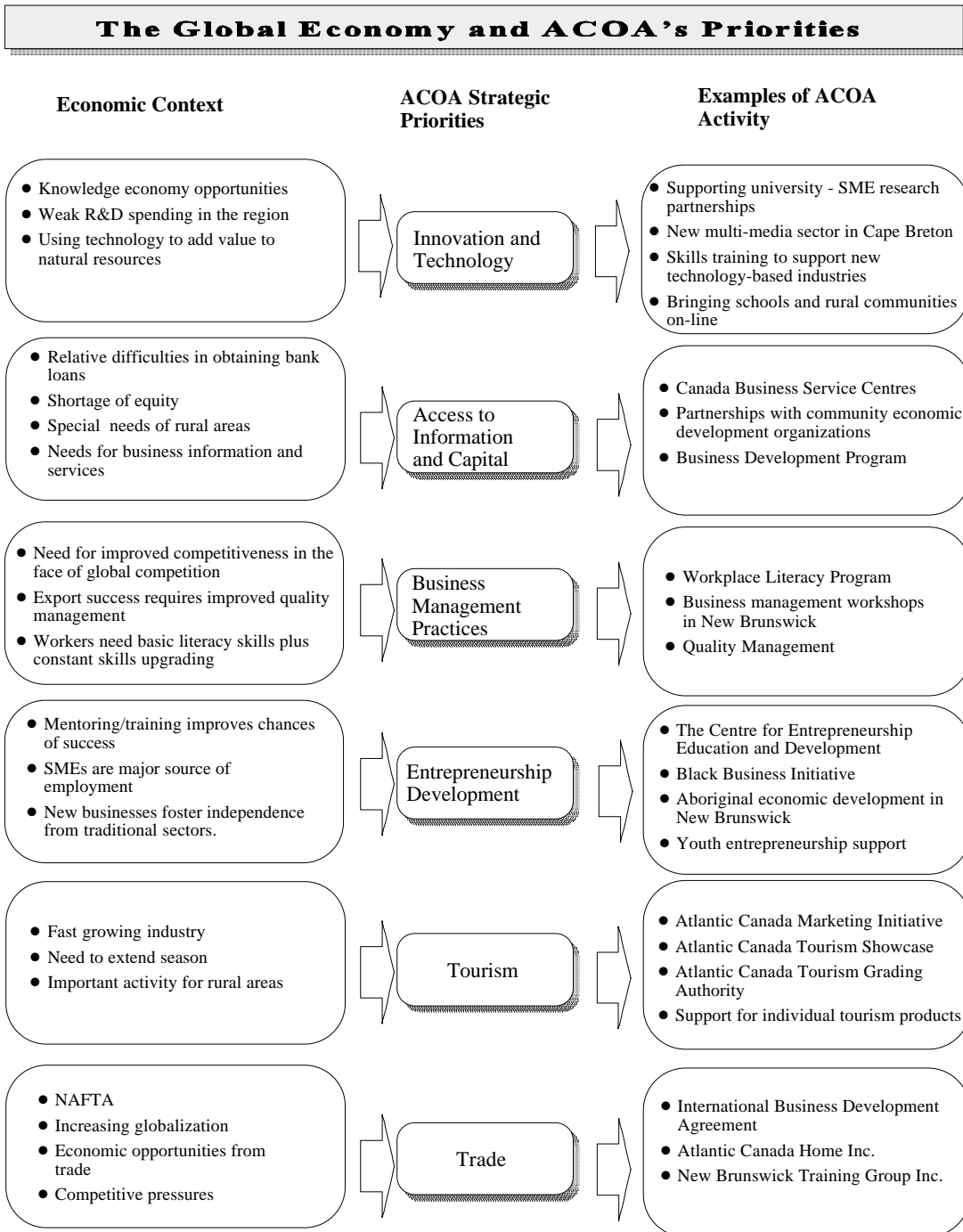
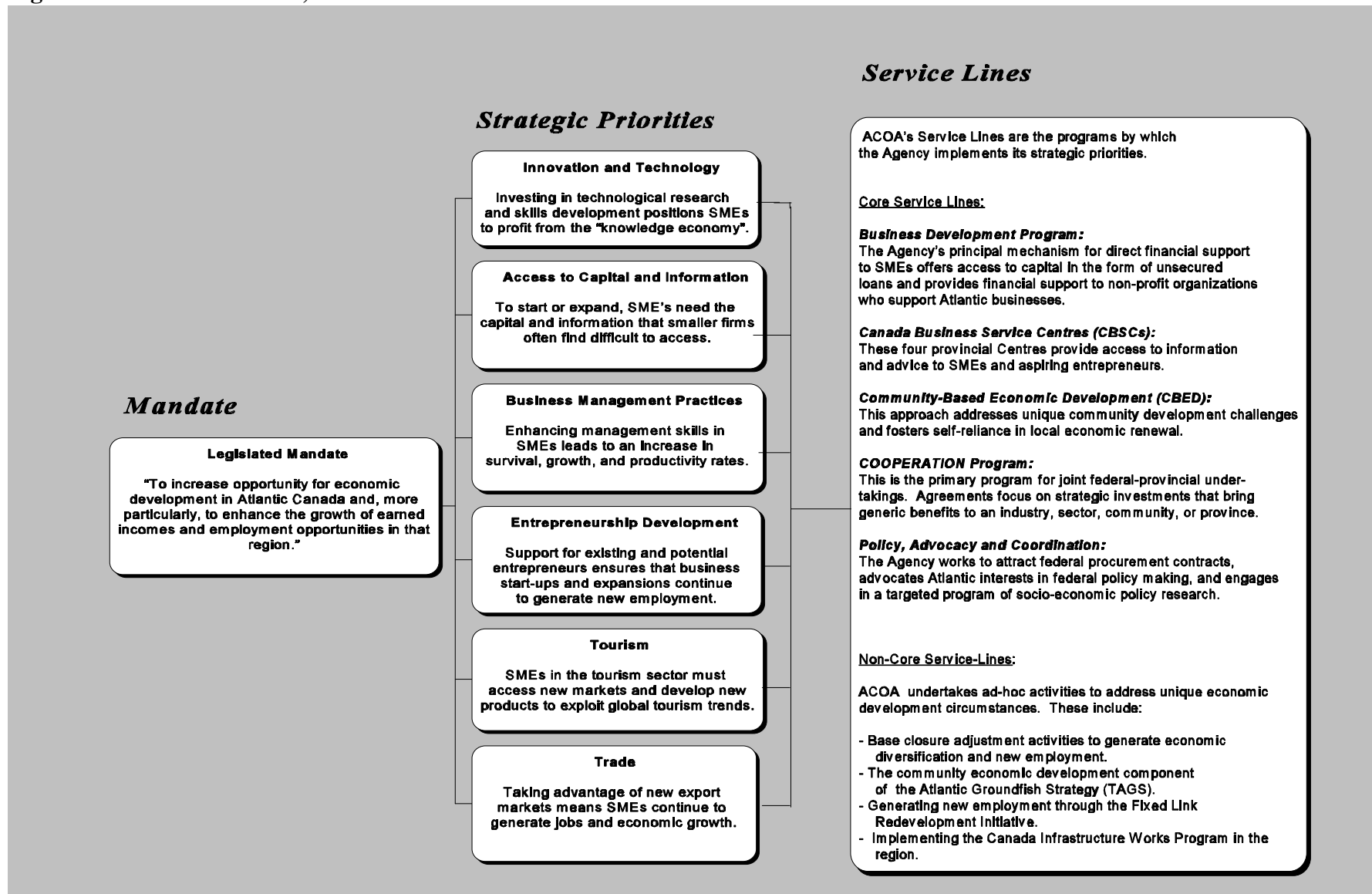


Figure 2: ACOA's Mandate, Priorities and Service Lines



Resources

ACOA is a small Agency with full-time equivalent employment of 371 persons in fiscal year 1997-98. The Agency's **Core Programming** (primarily the Business Development Program, the COOPERATION Program and Community-Based Economic Development) comprise over 2/3 of the Agency's program spending. The balance of the Agency's program spending is on **Non-Core Programming**. Most of the non-core activities are programs that the Agency delivers on behalf of other federal departments. These programs are usually designed to address specific problem areas of the national and/or regional economies. Examples of such programming are: The Community Economic Development and Economic Renewal components of The Atlantic Groundfish Strategy, Base Closures, Canada Infrastructure Works Program and the Fixed Link Redevelopment Initiative.

As indicated in Figure 3 in the five-year period 1993-94 to 1997-98, use of ACOA resources on core programs (total core programming plus transfers to OGD's for COOPERATION and transfers to OGD's Others) equalled \$1,603.9 million for an annual average of \$321 million. By comparison in the first five-year period (1988-89 to 1992-93), ACOA spending on core programs averaged \$357 million.

Spending on non-core programming by ACOA totalled \$358 million for an annual average of \$72 million during the 1993-94 to 1997-98 period as compared to an annual average of \$12 million in the 1988-89 to 1992-93 period.

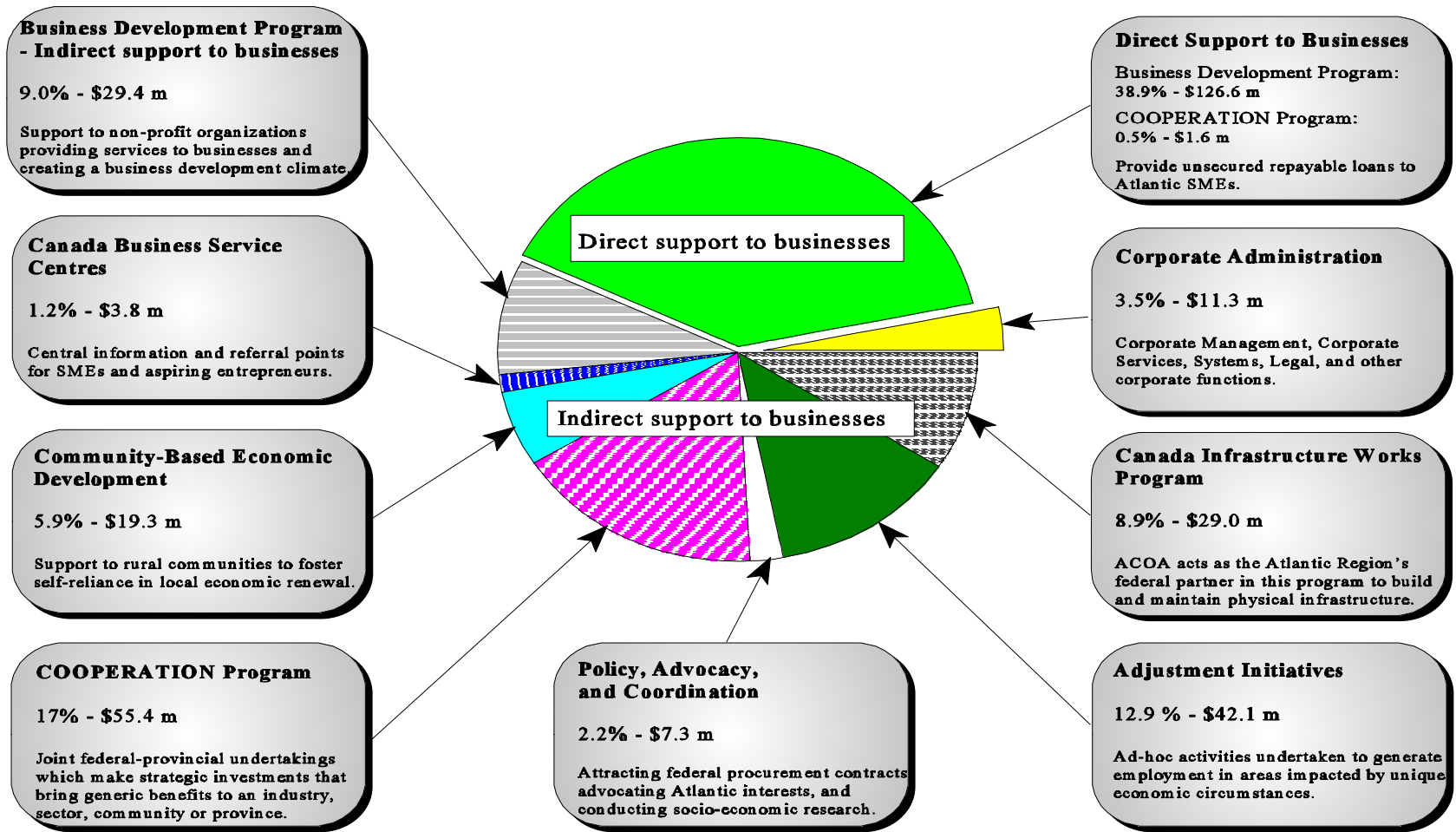
Figure 3

**ATLANTIC CANADA OPPORTUNITIES AGENCY
REGIONAL DEVELOPMENT RESOURCE UTILIZATION
1993-94 TO 1997-98
(\$ MILLIONS)**

Business / Service Line	93-94	94-95	95-96	96-97	97-98	Total
Development						
<i>Core Programming</i>						
Business Development	138.5	135.8	146.7	126.8	156.0	703.8
Canada Business Service Centres	1.3	2.1	3.3	3.8	3.8	14.3
Community-Based Economic Development			9.1	17.5	19.3	45.9
COOPERATION Program	91.5	100.2	89.3	78.5	57.0	416.5
Policy, Advocacy and Coordination	5.8	6.2	6.7	6.7	7.3	32.7
<i>Total Core Programming</i>	237.1	244.3	255.1	233.3	243.4	1,213.2
<i>Non-Core Programming</i>						
Adjustment Programs						
Fisheries Alternatives	24.0	25.2	8.6	1.6	0.7	60.1
TAGS-Community Economic Development			0.9	4.3	9.9	15.1
TAGS-Economic Renewal			1.0	9.2	20.9	31.1
Base Closures/Slemon Park Corporation	2.5	5.6	17.3	8.8	7.8	42.0
Fixed Link Redevelopment Initiative			0.7	4.3	2.8	7.8
Bishop Falls	0.7	1.1	2.5	1.3		5.6
Total Adjustment Programs	27.2	31.9	31.0	29.5	42.1	161.7
Infrastructure						
Canada Infrastructure Works Program		59.0	70.6	38.0	29.0	196.6
<i>Total Non-Core Programming</i>	27.2	90.9	101.6	67.5	71.1	358.3
<i>Total Development</i>	264.3	335.2	356.7	300.8	314.5	1,571.5
Corporate Administration	11.4	12.0	11.6	11.0	11.3	57.3
TOTAL AGENCY SPENDING	275.7	347.2	368.3	311.8	325.8	1,628.8
Transfers to OGD's for COOPERATION	110.9	80.7	71.2	33.8	17.1	313.7
Transfers to OGD's Others (1)	36.2	7.9	9.3	10.3	13.3	77.0
TOTAL ACOA FUNDS USED	422.8	435.8	448.8	355.9	356.2	2,019.5
(1) Transfers to other government departments (OGDs) reflect ACOA's coordination role. Funds were transferred to top-up Other Government Department programs where this was deemed the best means of achieving regional development objectives.						

Figure 3: ACOA 1997-98 Expenditures

Total Agency Expenditures: \$325.9 m



Section II: ACOA at Work

This section recounts ACOA's progress and achievements in the economic development of Atlantic Canada and in implementing the federal government's strategic priorities as listed in Section I. ACOA has learned to work in partnership with all other stakeholders in local and regional economic development. The examples in this section illustrate this partnership in action and the increased responsibility taken by partners in economic development. In this overall approach, ACOA can be the lead coordinator, can have a prime responsibility for implementing a program or project, can share these roles with other partners, or can simply be one of several players.

The chapters in this Section II are:

- Innovation, Technology and Skills Development;
- Small Business Development;
- Entrepreneurship;
- Tourism;
- Trade;
- Community-Based Economic Development;
- ACOA as federal delivery agent; and
- Policy Research and Analysis Initiatives.

Although examples may fall under one of these headings, this does not mean a project or program's impact is limited to that priority or theme. One characteristic of ACOA's work is its multi-dimensional impact. Assisting a business in a community not only means support for the business, but also for the community where it resides. Helping people gain access to, and understand the use of, modern technologies not only helps individuals and families, but is also an investment in industries and communities.

Chapter Three: Innovation, Technology and Skills Development

The Atlantic economy traditionally has depended on resource extraction and processing. Industries such as forest products, food processing, and minerals remain important, but have been growing slowly or even declining in relative terms. These trends are expected to continue. At the same time, “knowledge-based” industries, such as information technology (IT) and biotechnology, have been growing rapidly world-wide. These industries must become integral parts of the Atlantic economy as growth sectors in their own right to enable the region’s SME sector to remain competitive and expand.

Our education system has to help our citizens learn the judgment and skills required to manage the overwhelming amount of information that is available to them ... The new definition of literacy in our society should include the ability to use computers to access and create the knowledge base of the 21st century. (Honourable John Manley, Minister of Industry.)

Building knowledge-based industries in Atlantic Canada begins from a strong foundation. There is a good infrastructure in universities and various research facilities, although linking this capacity to industrial and market needs could be improved. The region’s educational system produces proportionally more engineering and science graduates than other parts of Canada.⁵ Fostering industries and companies will provide opportunities to those who would otherwise have to leave the region to seek jobs.

Offsetting these advantages, Atlantic Canada has a shortage of experienced managerial, professional and technical workers. Making up this shortage means the region must bring in the necessary expertise from outside, or must train and then retain more Atlantic residents. There is also a lack of strong industrial clusters. Strengthening existing clusters, and creating new ones, means building alliances between firms, governments, universities, and other institutions.

ACOA’s support for innovation and technology centres on helping SMEs increase their productivity and technological diversity. This involves developing and commercializing new products and processes; developing, acquiring, and retaining skilled workers; diffusing technology; and fostering the growth of clusters. ACOA and its partners do this in several ways, including:

1. helping companies innovate;
2. helping workers develop technical skills;
3. helping people understand and use technology and science; and
4. helping build alliances and partnerships for technology development.

⁵ Statistics Canada, Cat. No. 81-229-XPB.

1) Helping Companies Innovate

There are few better examples of the benefits from government risk-sharing with the private sector than innovation, where the risks are high but where success can lead to significant economic benefits. Statistics Canada data demonstrate the contribution that ACOA can make to business innovation activity. Between 1993 and 1995, average R&D expenditures in firms receiving ACOA innovation support rose by 14% compared to a decline of 30% in all firms reporting R&D.⁶

In 1997, an ACOA review of innovation projects estimated that just over half of projects assisted had success or potential for success. However, the benefits exceeded the risks as successful projects generated additions to regional income equal to 4.5 times the costs of all projects both successful and unsuccessful⁷.

Example 1: Essential Lessons from the Innovation Process

When creating a new commercial product, there are uncertainties, up to and including commercial failure, along the way. Innovation in particular faces high risks and long pay-off periods.

Government support for this process often involves not only financial assistance, but also a high degree of “hand-holding” including seeking technical advice, encouragement, and “reality checks”. This can entail more commitment of time than is usual for other types of business support, and an enhanced technical capability on the part of the staff person assigned to a project.

The lengthy process of bringing a new technology-based process successfully to market, and the pitfalls along the way, demonstrate two required qualities - patience and diverse partners.

An example of the process comes from Moncton. In the mid-1980s, an optometrist/entrepreneur approached a federally-supported (now ACOA-supported) research institute at the Université de Moncton with an idea for an electronic process to manufacture eyeglass frames. A reading device would measure the contours of the frames and electronically transmit these measurements to a cutting machine. The reading device and cutter could be in the same room or in different cities; distance between them did not matter.

⁶ Statistics Canada, Employment Dynamics.

⁷ ACOA, Innovation Element Review, Overview of Results, April 1997.

The project eventually led to one of the world's most advanced optical equipment manufacturing labs in Moncton, employing 40 highly-skilled people with the prospect of 110 more jobs within 12 months. But the initial project failed in the late 1980s. The research and ideas were strong, but the product was launched too quickly, there were production problems, the market wasn't ready for the product, and eventual users were not equipped to work with the new technology. Government's willingness to stay with the project, to preserve some of the hard work that had already gone into it, helped it to its current success.

The software related to the original project was sold to a local entrepreneur, who secured new investors (not governments) and began more marketing. Most importantly, the process became more sophisticated when one of the project engineers sought ACOA help to develop the technology to cut the surface and contour of eyeglass lenses, rather than just frames. New private investors were sought (\$11.5 million for R&D, marketing and working capital). Contracts worth \$67 million are currently being negotiated, and sales of about \$150 million are expected in the second year of operation. Some of the original researchers are still with the company. A technology company of this type is likely to foster more entrepreneurs.

Two lessons from this story are:

patience - it took 10 years for significant benefits from the project to become reality, including a business failure along the way; and

diversity of effort - finding investors, and effective marketing must accompany new technological developments.

Example 2: Knowledge-based industries in Nova Scotia

The information technology sector in Nova Scotia has been growing rapidly. The Atlantic Provinces Economic Council estimates that the high-knowledge-intensive industries contribute \$1.6 billion to the Nova Scotia GDP and employ some 29,600 workers. A study recently completed by the University College of Cape Breton (UCCB) indicates a broad range of skills in the region, including systems analysts and programmers.⁸ This is a competitive advantage in a sector that is crying out for qualified workers throughout North America.

Knowledge-based industries begin to develop in Nova Scotia, involving new technology skills and helping community economies diversify.

Alliances and partnerships have evolved, supported by ACOA and the Enterprise Cape Breton Corporation (ECBC). For example:

⁸ Accessible Technologies, Cape Breton Information Technology Human Resource Inventory.

The Technology Advisory Group is essentially a “network” that allows IT professionals to stay in touch with each other;

UCCB provides technical services to business and industry, supported by a Memorandum of Understanding with ECBC;

The Information Technology Association of Nova Scotia has 160 member companies, and was set up with funding from the Canada-Nova Scotia COOPERATION Agreement on Economic Diversification; and

The Telecom Applications Research Alliance (TARA) received support to set up from the Canada-Nova Scotia COOPERATION Agreement on Technology Development in 1994. TARA is mainly privately funded with only 27% of its initial five-year funding provided by government. Although still predominantly Nova Scotia-based, TARA has begun attracting members from other provinces (Newfoundland, New Brunswick, Quebec and Ontario) who are drawn by its capacity to support the development of telecom-based services and products.

Recent technology-based developments in Cape Breton are evidence of a welcome economic diversification in the island’s economy, long associated with mature industries like coal and steel. New, knowledge-based industries have now developed there, especially in the burgeoning field of multimedia products. This is not only based on the skills of local entrepreneurs, but also on their passionate desire to live and work in Cape Breton rather than anywhere else.

Two companies that typify the new developments in Cape Breton are MediaSpark IT Solutions Inc. and Fitzgerald Studios. MediaSpark was founded by Mathew Gheorgiou, who initially left Cape Breton to work for IBM Canada in Toronto. In 1994 he was lured back by the prospect of being his own boss and by the fact that he wanted to live in Cape Breton. With assistance from ECBC and ACOA he set up MediaSpark, a company that provides custom programming, graphic services, web sites, and other software products for clients in Cape Breton, mainland Nova Scotia, other parts of Canada, and customers in 100 countries around the world. MediaSpark now employs seven people in Sydney.

When I was working with IBM Canada in Toronto, and considering starting my own company, assistance from ACOA was the deciding factor, not only to take the first step but also to move back to Cape Breton to do so. In addition, ongoing support from ACOA programs have been instrumental in the continued growth and success of our company. Mathew Georghiou, President. MediaSpark IT Solutions Inc.

Fitzgerald Studios was founded by professional photographer Owen Fitzgerald. The company has made its name by producing CD-ROMs, notably one that tells the story of the Fortress of Louisbourg, and another about the life and work of Alexander Graham Bell. The most recent product tells the story of the Acadians. ACOA supported the production of the Louisbourg CD-ROM. Multimedia now accounts for 90% of Fitzgerald Studios' output.

Both MediaSpark and Fitzgerald Studios received recognition as two of the top "25 UP & COMERS" in Canada under the "Tech Watch BRANHAM 200 SOFTWARE COMPANIES" list.

Working in multimedia involves different skills, including artists (photographers, videographers, musicians), technicians, writers and editors, and business people. Neither MediaSpark nor Fitzgerald Studio are big enough to have all these skills in-house. But they can have access to most of them through a network called MEDIA fusion that brings together professionals in Cape Breton and (increasingly) mainland Nova Scotia. MEDIA fusion was supported by ACOA and the Province of Nova Scotia under the COOPERATION Program. In Sydney, a new initiative is also taking shape, whereby the old Courthouse building will be turned into the Silicon Island Innovation Centre, and will house a number of multimedia companies, all working in the closest proximity to each other. Both federal and provincial governments are supporting the conversion of the building, which it is hoped will be completed for occupation by the end of 1998. The Centre signed up 22 tenants before work on the conversion actually began. When it opens, it will already be full, and there is a waiting list to get in.

Example 3: The Canadian Centre for Fisheries Innovation (CCFI)

In 1989, Memorial University of Newfoundland (MUN) approached ACOA for assistance to develop a centre for applied research and development in the fishing industry. This was at a time when cod stocks were declining steadily, and there was doubt about what such a centre could do to help. CCFI, now in its second contract with ACOA, has completed more than 330 projects in nine years. There have been 178 projects since 1993 in the centre's three core areas - aquaculture, processing, and harvesting.

A far-sighted proposal in 1989 helps a traditional resource based industry to modernize

The focus on R&D has steadily picked up. From researching Atlantic halibut and sea urchins, to improving vessel safety and comfort, CCFI is integral to the fishing industry in Newfoundland and Labrador today. CCFI can offer technological support to fishing companies in a number of ways. One example is given in a recent

The research [on how to reduce roll on board the company's vessels] allowed us to make improvements that resulted in a better quality product. We are able to have a longer fishing season, and stay out for more days. (Rex Simmonds, President, AMP Fisheries and Simmonds Seafoods.)

evaluation of CCFI.⁹ The development of an anti-roll tank has enabled a 20% increase in fishing effort expected to result in increased landings of \$4 to 6 million per year. CCFI is housed in the Marine Institute at Memorial University, Newfoundland's principal research centre. It brings together researchers from fishing technology, biology, and business administration. It also has access to other MUN research skills like those in the Centre for Cold Ocean Resource Engineering and the Ocean Sciences Centre.

The evaluation reports that over the past four years, CCFI has contributed \$4.5 million to R&D projects with a total of \$21.7 million leveraging almost \$4 for every dollar invested.

The evaluation concludes that "CCFI has contributed enormously to the diversification, growth, improved viability and competitiveness of the fishing and aquaculture industry... the existing and potential pay-off from CCFI's activities is enormous, easily justifying its modest budget".

2) Helping workers develop technical skills

Example 1: Aviation Maintenance Institute

There was no aerospace industry in Prince Edward Island in 1991. In 1998, it is the fourth largest industry (by revenues) in the province. All of this has happened at the former CFB

Summerside, that with ACOA involvement has become Slemon Park, housing a variety of aerospace-related companies. (The story of ACOA's involvement in converting CFB Summerside to Slemon Park is told later in Chapter Nine.)

As a community struggles to renew its economic base after a military base closes, ACOA helps build new industries.

Such rapid expansion cannot take place without a pool of skilled workers. In PEI, this pool was built virtually from scratch, with ACOA's help. The Agency helped establish the Aviation Maintenance Institute at Holland College in partnership with Human Resources Development Canada. Graduates from the Institute would become available for aerospace companies locating at Slemon Park, like Weibel, Testori Americas, and Atlantic Turbines Ltd.

The aviation industry is experiencing radical growth and consequently the industry was literally crying out for trained people. All sectors of the Island aerospace industry have identified lack of training and continuing education as major barriers to the future development of the industry. Alex MacAuley, President, Holland College.

⁹ Baird Planning Associates and Andrews Port Services Ltd., Evaluation of the Canadian Centre for Fisheries Innovation, June 1998.

Some 60 companies across Canada were surveyed to determine course content, leading to the compilation of a list of 200 required skills. Students work on five different aero engines. The speed with which the Institute was put in place meant that the first graduates from the program completed training in mid-1994, while the Institute itself was not officially opened until early 1995. All of these first graduates are still employed in aerospace, ten of them at Slemon Park.

Slemon Park's aerospace-related tenants now employ a total of some 250 technicians (150 at anchor tenant Atlantic Turbines Ltd. alone), 85% of whom are Islanders. The average wage of these workers is about 12% higher than the provincial average. Island-based aerospace industries in 1996 had revenues of \$76 million, or \$10 million more than the value of lobster landings in that year. All of the output from the sector is sold in markets outside PEI, and the vast majority of this (an estimated 95%) outside Canada. Although human resource development is not a traditional role for ACOA, its rapid response to a stated need for trained personnel to regain jobs lost through closure of CFB Summerside was critical to the growth of aerospace at Slemon Park.

Example 2: Woodworking Training and Value-Added Development Centre

High tech is not only about aerospace, or information technology. It is also about adapting new processes in traditional industries like forest products, which have been a staple in the New Brunswick economy for centuries. A survey of 230 woodworking firms (mainly producers of items such as furniture, cabinets, doors, windows, toys, and so on) indicated a very strong need for support in advancing and applying new technologies in the workplace, and for training programs to teach workers how to use these technologies.

ACOA supports traditional industries looking to adopt new technologies, then helps train people and companies on how to use them.

In response to this need, ACOA teamed with the New Brunswick Department of Advanced Education and Labour to establish the Woodworking Training and Value-Added Development Centre at the Campbellton campus of the New Brunswick Community College in 1995. The Centre's primary purpose is to provide industry with technology-adept graduates who will help to both maintain and enhance its competitiveness, and also assist in the development of new products. The Centre teaches state-of-the-art software, such as Vision 2020, the Pattern System, AutoCAD, CAD/CAM, and MasterCAM.

Having trained individuals who can make maximum use of the equipment makes us a great deal more competitive. With that kind of capability we can bid on any kind of job. (Kerry Ross, General Manager, Skyway Wood Products, Miramichi.)
They definitely saved us time and money. It's a real benefit to local industry to have a facility with the equipment and the know-how. (Marc Cormier, Forest Ice Inc., Bathurst.)

The Centre also works with companies to develop or adopt new technologies for their operations. Forest Ice Inc. of Bathurst, for example, sought the help of the Centre to develop a more efficient way to manufacture broom-ball stick handles. Skyway Wood Products in Miramichi sought advice from the Centre to determine the type of equipment it needed for a new plywood laminating process, and how this should be laid out. Other companies (including Flakeboard, Groupe Savoie, and J. D. Irving Ltd.) are supporting the Centre by providing material and equipment for training purposes.

3) Helping People Understand and Use Technology and Science

Improving community access to technology means people learn how to use it and understand it. The ways the provinces have done this demonstrate both similarities and differences. Newfoundland and Nova Scotia, for example, have built specialized communications networks. Prince Edward Island has a broadly-based development initiative involving governments and the private sector as partners. New Brunswick has helped schools buy computer equipment and establish access to the Internet. ACOA has been involved in all these projects for some time, recognizing the importance of enhancing people's understanding of what technology means for them.

STEM~Net (Science, Technology Education, Mathematics Network) in Newfoundland, and STANet (Science and Technology Awareness Network) in Nova Scotia are broadly similar. STEM~Net is school-based, aimed primarily at teachers but increasingly also at students. STANet is primarily aimed at adults. STEM~Net was established in 1993 with financial support from the Canada-Newfoundland COOPERATION Agreement on Human Resource Development, and represented

Canada's first province-wide Internet server. It has the dual purpose of being an on-line resource for school and college teachers. Based at Memorial University of Newfoundland, students can use STEM~Net to take part in different projects. A partnership with Cable Atlantic brings the Internet to more than 175 schools in Newfoundland. A recent phone survey of 440 teachers indicated 90% of them use the Internet monthly, and an equal proportion said their use of IT has increased for teaching purposes. STEM~Net has influenced the development of Industry Canada's SchoolNet. The SchoolNet News Network, for example, is a national student project developed and managed by STEM~Net.

STEM~Net has evolved to serve both teachers and students in all parts of Newfoundland and Labrador, and the student focus has become an increasingly important and rewarding part of STEM~Net's progress. (Nancy Parsons-Heath, A/Director, STEM~Net.)

[STEM~Net] allows for direct communication with other teachers in a cost-free manner, and it brings resources and learning aids for teachers together in one place. (Leo Etchegary, High School mathematics teacher, Mount Pearl.)

STANet was developed in 1995 to address the issue of science literacy. It links organizations with an interest in promoting science and technology, and provides information on IT activities. Its primary goal is to foster a science and technology culture in Nova Scotia. There is a long-term aim of developing a Science Council for Nova Scotia. ACOA has supported STANet from its inception, through the Canada-Nova Scotia COOPERATION Agreement on Economic Diversification. STANet won the prestigious Michael Smith award for Science Promotion in 1997, and has been recognized by the Conference Board of Canada's Excellence in Business-Education Partnerships.

We have been very impressed with STANet's innovative programs, especially the use of the latest computer technologies to get science messages out to schools, teachers, government and the general public. Our common goal, to increase science literacy, has been greatly enhanced as a result of our partnership with STANet. (Clair Ripley, Coordinator, Atomic Energy of Canada Ltd.)

Prince Edward Island's Knowledge Economy Partnership (KEP) is an alliance of federal and provincial governments, the University of Prince Edward Island, Holland College, and the private sector. It began in early 1997 as a provincial initiative, aiming to identify the potential that the knowledge economy holds for Islanders. The federal government recognized its importance in shaping the business environment of Canada's smallest province, and rapidly offered its support. KEP intends to establish the first province-wide broad-band network in Canada as a new way to build business capacity. ACOA co-chairs KEP.

This important partnership is already making Prince Edward Island a leader in the education, information and high technology fields. And that's precisely what it is designed to do. (Honourable Pat Binns, Premier of Prince Edward Island.)

KEP concentrates on three keys to success in the knowledge economy:

- Better, faster, more effective client service;
- Better IT skills for Islanders; and
- Job creation in knowledge-based industries.

KEP includes a funding program to spur private-sector development of knowledge-based enterprises—some 28 proposals were received in the first wave, and 21 were approved, with support of almost \$1 million. Some of the objectives of KEP are:

- to strengthen relationships between governments and citizens;
- to allow rural communities better access to information and services;
- to provide better, faster public service, eliminate duplication in service provision, and enable costs savings; and
- to create jobs in knowledge-based enterprises.

Partners committed \$1 million to KEP in its first year of operation (1997/98). ACOA provided 80%, with the provincial government and the Department of Veterans' Affairs each contributing 10%.

The Cutting Edge Technology for New Brunswick Schools program was supported by the Canada-New Brunswick COOPERATION Agreement on Entrepreneurship and Human Resource Development. Between 1992 and 1996 it has helped schools obtain computer equipment and helped them get access to the Internet. By doing this, new federal and provincial initiatives (SchoolNet, Community Access Centres) have had a better chance of working in New Brunswick. Both English and French School Boards were able to develop business-education partnerships and community-school partnerships because of the equipment acquisition program.

Helping people understand and use technology means several things. It recognizes that Canada is in the middle of an economic transformation in which information and its transmission is becoming paramount. The key resource in turning this to our advantage is people and their skills. To the extent that ACOA can help Atlantic Canadians become more familiar with technology, it prepares the region for a better future.

4) Helping Build Alliances and Partnerships for Technology Development

The best example of this role involves the Clinical Trials Atlantic Corporation (CTAC). This is a partnership of universities in all four provinces, and teaching hospitals in Newfoundland, Nova Scotia, and New Brunswick. CTAC aims to develop a knowledge-based cluster in the region centred on medical devices and services. It will do this by establishing a network of skilled investigators and research coordinators, and by increasing clinical research spending capacity by means of better marketing to the pharmaceutical industry.

Bill C-91 in 1993 extended the period of patent protection for new drugs in Canada, to enable proprietary pharmaceutical companies recover the large costs of developing and testing new drugs. In return, the companies agreed to increase their levels of research spending in Canada. In 1994, 1.6% of this spending was in Atlantic Canada. An ACOA-commissioned study indicated that industry cooperation was needed to maximize research investment in Atlantic Canada.

ACOA helps clinical researchers in the four provinces combine their efforts to attract contracts to test new pharmaceutical preparations in Atlantic Canada.

CTAC came together as a result of ACOA's efforts, in partnership with the Pharmaceutical Manufacturers Association of Canada and the Medical

Association officials attributed much of the investment increase to the work of Clinical Trials... "They have done a superb job in demonstrating the expertise and the infrastructure required is not only available but competitive." Greg Hines, chairman of the Pharmaceutical Manufacturers Association of Canada - (Chronicle Herald, May 29, 1998)

Research Council. CTAC became self-supporting in 1998 through funding from its members and revenues from other sources. The Clinical Trials Atlantic Corporation reported that:

it played a key role in increasing the Pharmaceutical Manufacturers Association of Canada spending from \$8.4 million in 1995 to \$16.0 million in 1997 ¹⁰;

Atlantic Canada's share of total Canadian R&D spending has risen from 1.1% in 1991 to 2.4% in 1997;

it established a regional network of more than 500 researchers and 200 experienced coordinators;

increasing pharmaceutical industry investment and spending in Atlantic Canada has increased the region's capabilities in technology transfer and clinical testing.

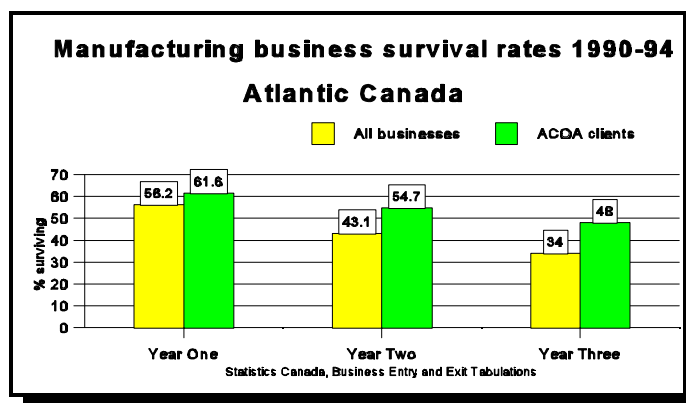
¹⁰ Source: Pharmaceutical Manufacturers Association of Canada 1995, 1996, and 1997 Annual Reports.

Chapter Four: Small Business Development

While SMEs account for the larger share of total business in Atlantic Canada, 95% of all businesses created between 1989 and 1995 had fewer than 100 employees. About 90% had fewer than 20 employees. SMEs, both new and existing, were responsible for over half (58%) of the new jobs in the region. The emphasis on small business development is entirely consistent with ACOA's legislation, which regards SMEs as a means to increase economic opportunity, enhance earned income, and create jobs.

It is a fact, however, that two-thirds of SMEs fail in the first three years of operation. This means they find it difficult to attract the necessary financial support to start up or to expand their operations. Studies have confirmed that Atlantic SMEs face their biggest hurdles in obtaining the necessary capital to successfully start and grow a business. For example, a recent survey of potential entrepreneurs identified "inadequate financing" as the single most important reason why their business idea did not materialize.¹¹ Again in a recent survey of ACOA clients, 62% of companies identified access to capital as the most important support needed to achieve growth.¹² A survey by the Canadian Federation of Independent Businesses reached similar conclusions showing that small firms in Atlantic Canada "have more trouble than anywhere else in the country in securing credit."¹³ Overcoming these hurdles remains one of ACOA's priorities.

Support to business does make a difference. New businesses supported by ACOA have had a better chance of survival in the first three years of operation when compared with all Atlantic firms.¹⁴ In manufacturing (where there has been a higher incidence of ACOA clients) one out of two new supported firms were still operating in 1994 compared to only one out of three for all Atlantic manufacturers. Supported firms in other sectors, like tourism and business services, also stand



¹¹ Atlantic Canada Benchmark Awareness Study, The Research Department Inc., May 1997.

¹² Statistics Canada Survey of Small- and Medium-sized businesses in Atlantic Canada, 1997.

¹³ Stéphane Robichaud, commenting on the Canadian Federation of Independent Business' survey Credit Where Credit is Due, as reported in the Daily Gleaner, January 28, 1998.

¹⁴ Companies that cease operations include mergers, change of ownership, failures and those not reporting income or filing corporate tax returns.

a better chance of surviving. Statistics Canada surveys of ACOA clients conducted for the Agency in 1995 and 1997 provide further corroboration of the impact of ACOA support. In a 1997 survey, only 3.8% of clients reported that the support had no impact on their business. Almost 55% reported that the business met its objective due in large part to the ACOA support. Another 20% indicated that they met their objectives due in part to ACOA and 19% reported that while they didn't meet objectives, ACOA support ensured the survival of the firm.

ACOA support can be both direct (working with an individual company) or indirect (working with groups or industry associations). Indirect support to firms—to innovate, to develop export markets, and to improve their management or workforce skills—is the more important, accounting for over 60% of ACOA expenditures (Figure 4, p. 16).

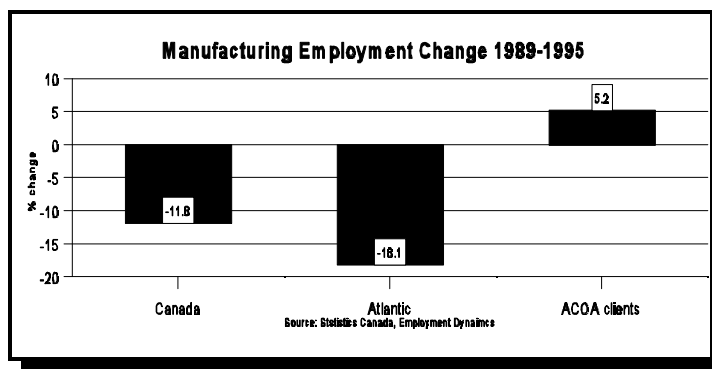
Access to Capital and Information

The Business Development Program (BDP) emerged from its predecessor, the Action Program, in 1995. It is the principal means for ACOA to provide direct financial assistance to businesses and non-profit groups supporting business-related activities. Both Action and BDP were designed to help SMEs start up, expand or modernize, and took the form of interest-free, unsecured loans in February, 1995.

ACOA also encourages conventional lenders to increase financing to SMEs, stimulating the creation of private and public sector investment funds to lever capital from other sources. Examples have been loans to PEI Capital Fund Inc. and to the New Brunswick Federation of Labour's Workers Investment Fund Inc., and ACOA's participation in the creation of a private-public venture capital company, ACF Equity Atlantic Inc.

The effects of ACOA's lending activities can be gauged from Statistics Canada data on employment trends. From 1989 to 1995 there was an overall decline in manufacturing employment in both Canada and Atlantic Canada. Over the same period, however, ACOA clients registered a 5.2% increase in employment.

Further evidence of ACOA's contribution to employment and business growth comes from the Statistics Canada surveys of Agency clients referred to above. Only 5% of clients stated their projects would have gone ahead without ACOA support. More than 20% would not have occurred at all. The majority (62%) would have postponed or reduced their investments. Not only was there an average increase of eight jobs per company assisted, but clients also reported increased sales, including exports. The 1997 survey revealed that projects completed had



generated sales increases of \$1.2 billion from 1996 to 1997, or an average of \$437,000 per company assisted. About one-third of these extra sales were exports. Of those companies exporting, 68% indicated that ACOA had helped them significantly or somewhat.

In terms of improving access to information, ACOA supports a client-oriented business information network based on Canada Business Service Centres (CBSCs), Community Business Development Corporations (CBDCs), and Community-Based Economic Development organizations.

CBSCs are located in all four Atlantic provinces and provide business-related services and products to SMEs and aspiring entrepreneurs. In Atlantic Canada, they are run and coordinated by ACOA. The centres have on-site services, libraries and databases, but much of their information provision is accomplished by phone, by fax, and by Internet to all parts of the region.

CBSCs have a mission to improve SME start-ups, survival, and rates of growth by providing access to timely, accurate, and relevant information and referrals. Walk-in (or store-front) centres were established, each with a 1-800 number, in 1993 and 1994. They have since established networks that link them to CBDCs and other community development agencies, to provide more services to rural areas and small communities. In 1997, ACOA's Young Entrepreneurs ConneXion program added its own 1-800 lines targeted at people from 18 to 29 years old who are interested in starting or expanding a business in the region.

In 1997-98, the four provincial CBSCs dealt with 81,406 enquiries, or 24% more than in 1995-96. A recent survey of clients confirmed that the CBSCs are providing a level of service that is as high as, or higher than, service quality leaders in the private sector.¹⁵ Service Centre client tracking by Corporate Research Associates Inc. found that 83% of clients claim that their specific needs for information or assistance were met or exceeded. 87% of clients found the Service Centres to be very (56%) or somewhat (31%) helpful in allowing them to make better business decisions.

Business Management Practices (BMP)

Research shows that enhancing management skills and increasing the adoption of formal business management practices can lead to better SME survival, growth, and productivity.¹⁶ Unfortunately, studies¹⁷ have also shown that Atlantic Canada ranked poorly against benchmarks for management efficiency, which partly explains why the region's SME survival rate is lower than the national average. The objectives of the BMP initiative are to enhance the skills of

¹⁵ Corporate Research Associates Inc., Atlantic Canada Business Service Centres, Client Tracking Program, 1998.

¹⁶ OECD, Baldwin, Johnson, Johannis (See Bibliography).

¹⁷ North America Policy Group, Atlantic Canada and the World: A Development Comparison, 1996.

business managers and owners, to increase their understanding of the benefits of BMP, and to stimulate increased use of BMP by SMEs in Atlantic Canada.

ACOA's efforts at improving BMP in the region can be illustrated by three examples, that are ultimately related to each other.

Example 1: Quality Management

There is evidence that extensive use of quality management practices results in a positive impact on firm productivity and market share.¹⁸ In early 1994, ACOA introduced a program to support quality management projects undertaken by SMEs. A survey in 1997 assessed the impact of implementing a quality program and determined the importance of ACOA support.¹⁹ Interviews were completed with two-thirds of clients assisted. Most (84%) had implemented the ISO 9000 program.

Market factors were mentioned most frequently as the driving force influencing a client to implement a quality program. One-third of clients cited customer requirements and 27% cited the ability to compete in export markets as the most important factors. The most common barriers were the associated costs and time it took to put a program in place.

Respondents reported far-reaching benefits from their quality programs. Improvements in the internal work environment and work processes were the most common. Others were improved customer satisfaction, a maintained competitive position, and better profits. Almost three-quarters of clients attributed increased revenues to their quality program. Fully 70% stated the impact of the program was either high or moderate. A review of financial statements for 46 of 83 clients indicated increasing sales in three out of four cases.



¹⁸ Industry Canada, *Striving for Quality: Survey of Quality Management Practices in the Canadian Manufacturing Sector*, 1993.

¹⁹ ACOA, *Impact of ACOA Support for Quality Management*, March 1998.

Almost three out of five (59%) clients said their quality program had improved access to export markets. Three-quarters said the program had either a high or moderate impact on their export sales. Almost 60% of clients said their quality program had contributed to an increase in employment. About two-thirds of companies actually increased their employment levels.



The survey results indicated ACOA's support has been vital in enabling clients achieve benefits. A high proportion of clients said all (19%), most (30%), or some (34%) of the benefits they gained from implementing quality programs were due to ACOA support. Several companies have gone on to implement further quality-enhancing activities of their own. ACOA support has spurred companies to develop quality as part of their corporate culture.

We moved from six to 60 employees in four years, and we are still hiring. We would have 25 less engineers and technicians today without ISO certification. Don Dalley, Vice-President, Engineering, Sea Systems Ltd., St. John's.

However, the survey revealed a general need to raise the level of commitment to quality and to raise awareness about the benefits of better management practices. The approach adopted in New Brunswick is instructive.

Example 2: New Brunswick Encourages Better Business Management Practices

Since 1996, improving business management practices in New Brunswick has been a priority for ACOA. Promotion and awareness of business management practices was crucial to obtaining the interest and commitment of SMEs.

ACOA modified its consultant advisory service program so that it could respond to situations when account managers identified management deficiencies in their clients' businesses. A self-administered diagnostics tool was developed to help do this. As well, an information kit was prepared on finance, service, and products which support quality initiatives.

A series of workshops organized by ACOA and its partners helps SMEs improve managerial skills.

Over 125 people participated in a conference on Business Management Practices hosted by ACOA and the New Brunswick Training Group Inc. in the Fall of 1996. Twelve skill-specific workshops on six major topics were offered by New Brunswick-based training companies. To make the sessions more accessible, they were offered again during the 1997/98 fiscal year at a number of locations around the province.

New Brunswick's mix of rural and urban areas meant we had to be flexible about schedules and delivery. Local people delivered many of the workshops in their region. We spread the business and opportunities around. That approach made it more accessible. (Annette Comeau, President and CEO, New Brunswick Training Group Inc.)

Sixty-two training sessions were given in several centres. Some 600 people participated, over 10% attending more than one workshop. Many of the participating companies decided that the experience was worth sending employees to subsequent sessions. Satisfaction with the workshops was high. Seventy-five per cent of the participants rated them as being either excellent or very good. As a result of the conference and the sessions, many New Brunswick SMEs started to take their first steps in training and quality programs.

We looked at examples of marketing materials, examined the rationale behind them, discussed new ways to market, and listened and learned from each other. Because it was delivered in our area, I knew many of the participants and the successes they'd already achieved. That had a real impact. (Billie Jo McIntosh, owner of Nana's Pantry Soaps, Riverbank, N.B.)

Persuading managers to institute better management practices is one side of the equation. The needs of employees must also be met, especially as a first reaction is to resist changes to work patterns. A program to address workplace literacy in Nova Scotia demonstrates one way to overcome this resistance, to the benefit of both company and workforce.

Example 3: Workplace Literacy

Workplace literacy is related to quality control. ACOA has been involved in the Workplace Literacy program since 1994 through the Canada-Nova Scotia COOPERATION Agreement on Economic Diversification. Other partners in the program include:

Employers and unions, providing both financial contributions and helping pay for materials;
The National Literacy Secretariat of Human Resources Development Canada; and
Participants in the program, who must also make a financial commitment.

The breadth of this partnership, and the financial commitment involved (\$848,000 from the COOPERATION Agreement since 1994, plus contributions from other partners) are testament to the importance of the challenge of workplace literacy. But the relatively modest

ACOA and its partners help build a support structure to teach basic workplace literacy skills.

contributions each year from the COOPERATION Agreement have levered impressive amounts of money from other sources. In 1996-97, for example, direct contributions of \$245,000 leveraged a further \$439,000 from other sources.

Projects involving an employer are for a term of three years, with a declining contribution in each year. Surveys have indicated, however, that a significant number of work sites continue the program after government assistance has run out. Participating companies indicate concrete results from the program. Russell Metals credits the program with obtaining ISO 9000 certification after an earlier attempt had foundered due to the low education levels and knowledge retention of some of its workers. A program for the tourist industry in Baddeck, Cape Breton resulted in a marked improvement in the knowledge and interest of employees, and in the quality of the service they offered. The program has been held up as a model by the Conference Board of Canada in its report *The Economic Benefits of Improving Literacy Skills in the Workplace*.

The program has been carried out at an average cost of \$3,500 per site compared with anything between \$15,000 and \$50,000 per site elsewhere in Canada. Other jurisdictions have shown an interest in following Nova Scotia's example.

Procurement and Advocacy

Helping Atlantic companies get more and better federal procurement contracts or sub-contracts is the aim of ACOA's procurement and advocacy activities.

ACOA does this in several ways, including arranging for principal contractors to tour the region to see what SMEs can do. For example, when the Diesel Division of General Motors and Hughes Delco Systems Operations received a contract to build Armored Personnel Carriers (APC) for the Department of National Defence, ACOA arranged a Supplier Development Prospecting Tour in 1996 as a means for Atlantic companies to take advantage of the \$152 million Industrial and Regional Benefits commitment built into the contract. As a result, several companies in the region got work on the APC contract, including Apex Machine Works, L & A, and Thomas Equipment, from New Brunswick; IMP - Aerospace Division from Nova Scotia; and NewTech Instruments Ltd., Garland Systems Ltd., and Steelcor from Newfoundland.

Another area of interest is in space-related scientific and manufacturing activity. ACOA has a strategic partnership with the Canadian Space Agency (CSA) that builds on the region's scientific and technology capabilities, and enables SMEs to benefit from space projects. ACOA has worked with the CSA and the four Atlantic provinces to encourage space-related R&D in the fields of Automation and Robotics, Space Technology Development and Microgravity Sciences. These efforts will expand space capabilities and enhance the commercialization of space technologies within Atlantic Canada.

Several SMEs have benefited from the ACOA/CSA partnership:

Transportable Satellite Imaging Terminal, started as a \$1 million development contract, is now being designed and built by a small Halifax company, IOSAT Inc. to assist the CSA and its commercial partner to market Canadian Radarsat products worldwide;

Guigné International Ltd. of Paradise, Newfoundland received a contract in January 1997 for an intermediate upgrade program for the space-drum acoustic levitator for materials science research in microgravity. This contract is valued at \$527,653;

Measurand Inc. in New Brunswick received a contract in August 1997 valued at \$899,606 for the adaptation of advanced film animation techniques to a control environment. This contract is sponsored under the CSA STEAR Program which was established to encourage Canadian companies, universities and research organizations to develop new robotics and automation technologies with commercial and space applications;

Stratos Network Research Inc. in Newfoundland received a \$416,488 contract in August 1997 for the development of an open systems approach to satellite data communications;

Advanced Medical Technologies (AMT) of Charlottetown has received approximately \$1.7 million in space subcontract work in recent years in machining subcontracts from Spar Aerospace, the prime contractor for the government's Space Station Mobile Servicing System project.

Chapter Five: Entrepreneurship

Entrepreneurs are the future of the Atlantic economy. More than half of all gross new jobs in the region are created by entrepreneurs starting new businesses. An Atlantic region with more entrepreneurs, and more people in every community with a desire to stay there and start a business, is a region moving steadily and confidently towards improved self-reliance and prosperity.

This vision was introduced in ACOA's entrepreneurship development strategy in 1990, and it remains central to the Agency's mandate. Since its inception, the Agency has been involved in over 650 entrepreneurship development projects, planning them, funding them, and completing them. Each project contributed to two principal goals - to increase the number of Atlantic Canadians in business for themselves, and helping them succeed and grow.

ACOA's Entrepreneurship Strategy has five key elements:

Research: To create a more entrepreneurial culture, it is necessary to understand how entrepreneurs evolve. ACOA supports ongoing research on entrepreneurship and small business development. Since 1993, there have been research projects on home-based businesses, Francophone entrepreneurs, women entrepreneurs, young entrepreneurs and entrepreneurial start-ups. The Agency has also produced various editions of a handbook entitled "The State of Small Business and Entrepreneurship in Atlantic Canada".

Awareness and Promotion: Promoting entrepreneurship as a practical alternative to traditional forms of employment means being aware of the challenges of being an entrepreneur. ACOA does this by participating in regional and national entrepreneurship recognition awards, publishing profiles of entrepreneurs and supporting TV programs such as "The Leading Edge" and "Temps d'Affaires" which highlight entrepreneurial role models.

The Organisation for Economic Cooperation and Development published ACOA's Entrepreneurship Strategy in 1996. In its introduction to the book, the OECD Secretariat noted that the strategy is particularly interesting "... because it makes the promotion of entrepreneurship an explicitly stated objective. Often, policy is framed in terms of helping firms export, introduce new technologies, train their workforce, etc. In contrast, the Canadian government outlined a comprehensive strategy to improve the effectiveness of government support for small and medium sized enterprises. ... The Canadian strategy is a long-term one, yet early results are promising." (OECD, The Implementation of an Entrepreneurship Development Strategy in Canada: The Case of the Atlantic Region.)

Thanks to our partnership with ACOA in the production of the television series "Temps d'Affaires", more than 12,000 Francophone viewers in Atlantic Canada have been exposed each week to the challenges and advantages of entrepreneurship. This enables us to demystify and promote entrepreneurship and encourage more people to get started in business. This is a perfect example of the contribution ACOA makes to the development of our business community. (Ronald Drisdelle, Executive Director, Conseil économique du Nouveau-Brunswick.)

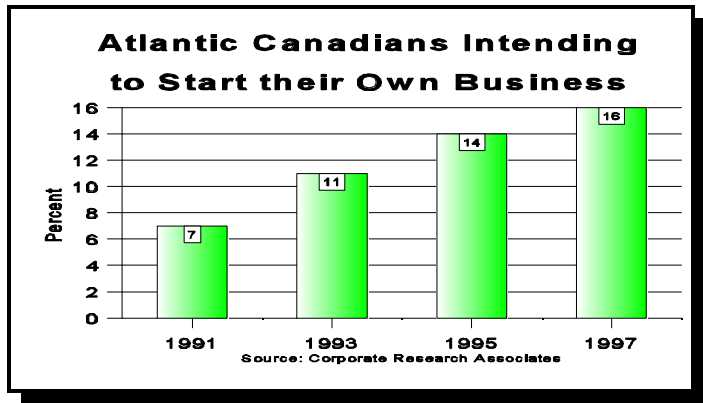
Orientation and Education: Going beyond the general awareness of entrepreneurship, people must know how to become entrepreneurs. Much of ACOA's focus in this area has been on young people. For example, a partnership with departments of education has been instrumental in introducing approximately 60,000 public school students to entrepreneurship concepts in the classroom. A start has been made to do the same in the region's colleges.

Small Business Support: Entrepreneurs just starting up or expanding their businesses need access to business support services such as reliable counselling and training. ACOA joins partners such as economic commissions, Community Business Development Corporations, university business schools, and others to make sure advice is available when it is needed.

Network Building: The level of interaction among entrepreneurs is a strong indicator of the entrepreneurial vitality of a region. ACOA fosters events where those building an entrepreneurial culture can meet to communicate, share ideas, and coordinate activities with entrepreneurs.

As a young entrepreneur, it can be very helpful to come together with other young entrepreneurs to talk and share ideas. Until we teamed up with ACOA, there was no association for young entrepreneurs in Atlantic Canada. Through a partnership with ACOA, we are now establishing chapters of the Young Entrepreneurs Association in each province. (Tom Hickey, A/President, Young Entrepreneurs Association - Atlantic.)

A strategy to change people's attitudes, and translate those attitudes into new business start-ups, must be evaluated over the long term. Early results, however, are promising. For example, some 16% of Atlantic Canadians expressed the "intent to form a small business in the next two years" in 1997, compared with 7% in 1991. While it is not easy to determine the precise impact of ACOA's contribution, the Agency activity can be considered a major factor given its level of involvement in the promotion and support to entrepreneurship development.



Building this entrepreneurship support structure remains central to ACOA's mandate. In the following pages are some specific examples of projects involving entrepreneurial activities.

Example 1: The Centre for Entrepreneurship Education and Development (CEED)

This has private and public sector partners, and is funded in part by project revenues. CEED's goals are:

to bring entrepreneurship training to all parts of Nova Scotia's education system;
to enhance the entrepreneurial spirit and development structures in Nova Scotia;
to establish a catalyst and focal point to promote individuals, organizations, and agencies involved in economic development; and
to establish Nova Scotia as a world leader in the research, development, and implementation of entrepreneurship education programs.

The cost of starting up CEED was \$2.3 million, with contributions from the Canada-Nova Scotia COOPERATION Agreement on Economic Diversification, the Nova Scotia Department of Education and Culture, and private-sector participants including Maritime Tel & Tel, the Royal Bank of Canada, and numerous SMEs from the province.

ACOA helps set up a centre to increase and study entrepreneurship through the education system.

CEED started in late 1995, and has been involved in over 40 projects since then. It has reached some 40,000 young people through courses, summer camps, conferences, and programs. The Centre is active in programs from Grade 3 to Grade 12. In the 1996-97 academic year, 1,756 students in 55 schools were registered in its Grade 12 course on entrepreneurship. Full-time employees of the Centre are supplemented by students hired for four-month terms, to gain entrepreneurial experience and help in various projects. CEED's Open for Business Program directly results in five to ten business start-ups a month. The Centre reports it is involved in about 1,000 business start-ups a year.

The Centre, through Open for Business, has been a wonderful place to share and gain information. It has provided an opportunity for us to meet and network with other young entrepreneurs. If I'm looking for a certain type of service, I can find it through Open for Business or the Centre. (Charles Crosby, Crosby Communications Group.)

A Venture Centre (a satellite of CEED) opened in the Fall of 1997 in Antigonish, and two others are scheduled for the Fall of 1998 in Yarmouth and Shelburne. These will allow students to start their own businesses while taking regular high school courses tailored to the business they are running.

Example 2: Promoting Entrepreneurship in Special Communities

Initiatives in Nova Scotia and New Brunswick have been designed for special communities. The Black Business Initiative (BBI) is a partnership to bring improved entrepreneurial skills and opportunities to Nova Scotia's Black community. A consultation process initially identified constraints to the community's development.

ACOA joins partnerships to bring specially-tailored programs to the Black community in Nova Scotia and to Aboriginals in New Brunswick.

BBI was approved in mid-1995, and has a five-year, \$5-million commitment from the Canada-Nova Scotia COOPERATION Agreement on Economic Diversification. It has four aims:

- to help create economic independence of individuals;
- to further entrepreneurial development, education and training in the Black community;
- to build partnerships and linkages to the broader business community; and
- to create and improve access to private and public sector business support.

Since starting, BBI has made 32 loans through its loan fund, and six investments through an equity investment fund. There have been five community development projects, and 46 other forms of financial assistance. These activities have resulted in 52 full-time and 30 part-time jobs being created, and 53 full-time and 27 part-time jobs being sustained. BBI's seven staff members work out of the Canada Business Service Centre in Halifax, but serve a wider constituency through a Website.

BBI's participation in trade shows and missions has helped at least two entrepreneurs into new markets for their products. Dana Emmerson, President of Environmental Disposal Concepts Ltd. of Dartmouth, took his patented fluorescent lightbulb crusher to a trade show in Boston, and sold 20 of them. "Without trade missions like this," Mr Emmerson says, "it's hard for businesses to get set up in bigger markets like Boston." Brad Miller, who owns Classic Cheesecakes in Sydney, also went to Boston. "Two distributors and the Market Basket (a chain of 57 grocery stores) will be carrying four of my products," says Brad.

ACOA's involvement in a program to deliver entrepreneurial skills to New Brunswick's Aboriginal people has involved tailoring ACOA's particular expertise in entrepreneurial development, providing access to information and services, and coordinating with other partners for effective delivery of programs.

There are 15 First Nations Communities and one Off-Reserve Council in New Brunswick, with a total population of about 10,000 people. The Joint Economic Development Initiative (JEDI) has existed since 1994 to further Aboriginal economic development in the province. It is a three-way federal-provincial-Aboriginal initiative that identifies and pursues opportunities that contribute to Aboriginal economic development. The Chair of JEDI is shared by ACOA, a provincial representative and a First Nations' representative. Other partners in the initiative include the Business Development Bank of Canada, the Department of Indian Affairs and Northern Development, and Aboriginal Business Canada.

Aligning entrepreneurial development programs with the special needs of Aboriginals has been a challenging job, requiring ACOA's coordination experience. The Agency has hired two Coordinators (both of them Aboriginals) to help deliver the program. Four other coordinators have been hired for field operations as part of JEDI. Three programs designed with specific constituencies in mind are:

Step-in Program, a training and mentoring initiative designed specifically for women entrepreneurs who wish to start, or have recently launched, a small business. This involves between 220 and 280 hours of training, mentoring, roundtable discussions, and networking with SME resource people to enhance the understanding of what it takes to develop and run a business, and in particular to prepare a business plan.

I just knew I had some business in me... The [Step-In] Program was wonderful. (Ronalda Ward, aspiring residential rental property owner. Ms Ward was one of 15 women from the Red Bank and Eel Ground First Nations who graduated from a Step-in course in April 1998, delivered by the Business Development Bank and paid for by ACOA and HRDC.)

Business Opportunity Program, designed to help people identify ideas for potential business opportunities. It is an 18 to 30 hour program after which participants are ready to prepare a business plan, and leads to initiatives such as the Step-In Program.

Youth Entrepreneur Program, aimed at 18 to 29 year-olds, provides exposure to small business through classroom training and presentations by guest speakers. Lasting about 100 hours, it is intended to raise the awareness of young people to SME potentials and opportunities.

ACOA's principal roles within JEDI have been to smooth clients' access to services (tailoring programs to the specific needs of Aboriginals); and to coordinate the approach of several other important partners to Aboriginal entrepreneurial development. The initiative demonstrates, once again, how ACOA has increasingly become the federal representative for a wide array of programs in Atlantic Canada. Flexibility and adaptability are the hallmarks of the Agency's approach in projects that adapt existing programs to cater to the needs of specific communities.

In Newfoundland and Labrador, ACOA continued to support the work of the Torngait Ujagannaivingit Corporation (TUC) near Nain, Labrador. This wholly owned subsidiary of the Labrador Inuit Development Corporation quarries anorthosite stone blocks for export. In 1997-98, the Agency supported the construction of a facility to process anorthosite blocks in Hopedale, Labrador.

Example 3: YMCA-YWCA Enterprise Centres in St John's and Glace Bay

In Newfoundland and Labrador, the Enterprise Olympics is an annual competition organized by the St John's YMCA-YWCA Enterprise Centre. Budding entrepreneurs attend seminars given by successful, established entrepreneurs, and then play games geared towards creating an entrepreneurial spirit - here's a new product, develop a marketing plan in half an hour. Students also participate in a trade show, where the booths are judged on the creativity both of their design and business idea.

Young people are introduced to entrepreneurship in innovative ways.

The Y-Enterprise Centre sees this focus on youth as important in developing a healthy entrepreneurial attitude. The Centre provides assistance to individuals considering starting their own businesses. Counsellors help clients develop business plans, and they can even help secure funding to get a business off the ground. The process is as important, if not more important, than the end result. The Centre operates on core funding from ACOA and Human Resources Development Canada.

Building an entrepreneurial culture remains at the heart of ACOA's mandate. The younger the audience, the better the chance of building that culture.

In the five years 1993 through 1997, the Y-Enterprise Centre has handled 6,600 enquiries, dealt with 1,054 clients, and can claim a share in 128 business starts. Some 238 jobs were created in these new businesses. The Centre reports that 70% of them are still in existence.

Another Enterprise Centre is attached to the YMCA in Glace Bay, Nova Scotia. Originally started in 1987 by Employment and Immigration Canada (now HRDC), it now has five employees assisted by two summer students. By early 1998, the Centre had instructed almost 1,000 clients through its entrepreneurial training and skills programs, had helped 273 businesses start up, and helped create almost 600 jobs. Some 41% of these businesses are still operating.

Young people like the Y-Enterprise Centre. "Your staff's professionalism contributed to the successful completion of my business plan. I now have a basis to start from and can build on a solid foundation.

(Geoffrey Moulton, InterFax Inc.)

All in all, I would recommend the Y-Enterprise Centre to anyone who is planning to start their own business. The knowledge and assistance I received from the staff was invaluable. (Cheryl Parsons.)

Chapter Six: Tourism

Perhaps in no other part of the Atlantic economy has ACOA done more to promote a regional approach than in tourism, developing new partnerships in what has traditionally been a very fragmented sector. The result has been evidence of increasing synergy among partners, each bringing different qualities and resources to the partnership. There are several examples in which ACOA has played a significant role.

The Atlantic Canada Tourism Partnership (ACTP) began in 1993 with ACOA, the four provincial tourism departments, and the four provincial tourism industry associations, and Tourism Canada (now the Canadian Tourism Commission) as partners. It has a mandate of building a strong industry-government relationship to develop and promote Atlantic tourism. Since 1994, ACTP has been supplementing the domestic and international tourism marketing efforts of the provinces with strong advertising and direct mail campaigns on behalf of the entire region.

The Atlantic Canada Tourism Partnership is "... a major step toward achieving a focussed, co-ordinated approach to developing Atlantic Canada's tourism industry." (Report of the Auditor General to the House of Commons, November 1995.)

Since 1994, targets for advertising have been central Canada, New England, the Tri-State Area (New York, Pennsylvania and New Jersey), England, Germany, and Japan. The incremental impact of this spending in 1994, 1995, 1996 and 1997 is estimated to be \$66 million in tourism revenues. These marketing efforts have resulted in a significant return on the expenditure of public funds. For instance, the most recent campaign, in 1997, resulted in close to six dollars of tourist expenditure for every dollar of campaign cost. A total of 268,000 inquiries were generated by marketing campaigns over the four years, and about 25% of inquiries translated into actual visits to bring about 67,000 new tourists to the region. Some 65 private-sector companies and organizations spent over \$1.5 million in ACTP-led cooperative marketing campaigns.

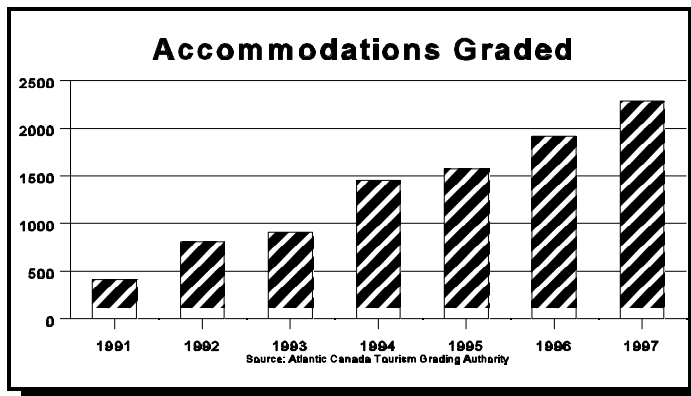
ACTP has also provided tourism industry stakeholders with a forum for discussing common issues, sharing perspectives and solutions, conducting market research, adopting regional policy positions, and developing joint action plans. One such forum was the 1996 conference "Atlantic Canada Tourism: Growing into the 21st Century", which led to the 1997 Atlantic Canada Agreement on Tourism. This is funded 50% by ACOA, is administered by ACTP, and provides financial resources for the Partnership's activities through March, 2000.

Our industry is largely made up of small businesses which operate with limited resources. The Agreement [...Atlantic Canada Agreement on Tourism] brings both small and large operators together with both levels of government to create advantages that we could not otherwise achieve on our own. (John Slipp, President, Tourism Industry Association of New Brunswick.)

If ACTP emphasizes marketing, the **Atlantic Canada Tourism Grading Authority (ACTGA)** addresses quality in tourist accommodation. Founded in 1990, ACTGA is a non-profit organization with a mandate to promote and standardize roofed accommodation grading in the region. ACOA has been a key financial supporter of ACTGA.

Tourists are becoming increasingly sophisticated, and expect to stay in high quality accommodations. Uniform standards are marketing tools that are particularly useful to small operators not associated with the name recognition of a large chain.

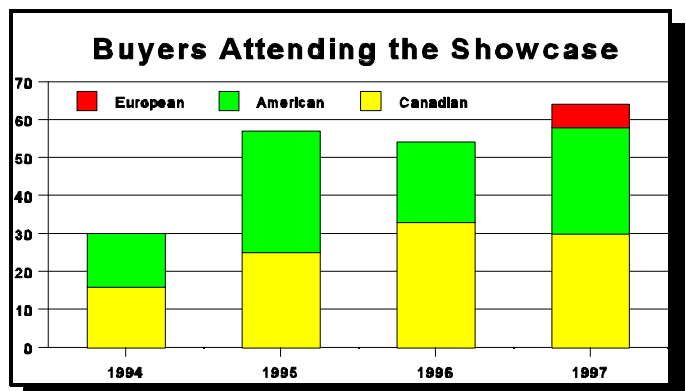
The numbers of accommodations graded in the region increased from 415 in 1991 to 2,284 in 1997. A grading program for campgrounds began in 1995, with 166 graded in 1997.



Apart from the numbers involved, there is evidence that ACTGA's progress has resulted in other successes. There have been greater efficiencies as grading has been combined with licensing in three of the four provinces (except Nova Scotia). ACTGA has also pioneered the development and implementation of the Canada Select rating system, now being used more and more across Canada. The standard Canada Select one-star rating is now considered the minimum requirement for licensing in the three participating Atlantic provinces. ACTGA is beginning to sell its experience and skills in other parts of Canada, delivering programs in accommodation ratings system implementation, quality assurance, and training for tourism sector workers.

In the last two years, the number of people who have chosen us because of our rating has jumped dramatically. Visitors are constantly telling me they feel more comfortable depending on a consistent rating system. (Marianne Larsen, Larsen's Log Lodge, Millville, New Brunswick, quoted in the February 1998 newsletter of Tourism Excellence Inc.)

Another form of marketing partnership is embodied in the **Atlantic Canada Tourism Showcase**, which began in 1994 and involves ACOA, the four provincial departments of tourism and tourism industry associations. The Showcase is a forum where Atlantic tourism operators can meet buyers, especially bus tour companies. The number of sellers at the Showcase rose



from 164 in 1994 to 745 in 1997. The number of buyers has also increased significantly, including European representatives in 1997 for the first time.

Follow-up surveys have allowed assessment of the economic impact of the Showcase. For the motorcoach sector alone, the estimated impact quadrupled from \$10 million in 1994 to \$40 million in 1997. This is an incremental impact, in that it covers only those bus tour companies that decided to come to Atlantic Canada after attending the Showcase.

As well as these pan-Atlantic approaches to tourism development, ACOA has been an active supporter in several very promising projects at the provincial level.

Example 1: Celtic Colours International Festival

Celtic music is one of the foundations of Cape Breton's culture. The inaugural Celtic Colours International Festival in October 1997 was an opportunity to showcase local talent, celebrate strong cultural traditions, and establish an event that has already had solid economic benefits. The festival featured over 300 musicians from Cape Breton and elsewhere in an event that attracted an estimated 4,000 off-island visitors and that was ranked in the top 100 North American attractions by the American Bus Association. The Festival served to extend the yearly tourist season and build a strong basis for an annual event.

ACOA supports a festival that celebrates Cape Breton's musical heritage.

The Festival was organized by the Celtic Colours Festival Society with financial support from sources including ACOA, the provincial government and corporate sponsors (Doane Raymond, Budget Rent-a-Car, and FORTIS). The \$620,000 Festival resulted in an estimated \$2.9-3.5 million contribution to the Cape Breton economy

We also feel that our extended season was successful, and know that Celtic Colours contributed to that success. Most of the people that came through our front door were here on the Island for the Festival. (Rodney Chiasson, Manager, Nova Scotia Highland Village.)

with attendance at events estimated at 11,700.²⁰ After the Festival, surveys showed that half of tourism businesses that responded said their sales had increased compared with a year earlier. Tourism operators are enthusiastic about the possibilities for the 1998 Festival, and are planning special promotions and packages. Major motorcoach tours have planned specialized itineraries for the event after viewing the popularity of the inaugural Festival.

²⁰ Rave Entertainment - Celtic Colours International Festival Final Report.

Example 2: Bouctouche Bay - Inner Bay Trail and Master Plan for Eco-Tourism

The coastal area near Bouctouche in eastern New Brunswick has been transformed into a premier tourist destination that links environment with local culture. The newly-built Irving Eco-Centre La Dune interpretation centre recently won the prestigious British Airways Tourism for Tomorrow Award. The Centre is one part of a variety of attractions including a network of hiking trails around the inner bay and the Acadian heritage attraction, Pays de la Sagouine. Pays de la Sagouine has seen an increase in visitation from 41,400 in 1993 to 73,000 in 1997. Bouctouche Bay is building on this investment. Visits to the Eco-Centre in 1997 reached 88,500 with almost no advertising.

ACOA has participated in the development of tourism infrastructure in the region in several ways. With the provincial government, the community, and the private sector as partners, it helped develop an integrated eco-tourism master plan that has guided development. ACOA also helped build the Inner Bay Trail linking the various attractions in the area. The development of a comprehensive ecological and cultural complex of attractions in the Bouctouche area has led to an increase in the number of visitors.

By working together to develop the coastal dunes ... we are all creating a public trust ... The Irvings are very proud to be involved in this important project. (J.K.Irving, the Irving Group.)

Example 3: The Viking Trail

The Viking Trail is an initiative to develop and market the tourism industry on the Great Northern Peninsula and Labrador Straits area of Newfoundland. Not an actual hiking trail, it is a comprehensive approach which links communities, attractions and facilities in an effort to bring more tourists to the region. Interpretive sites, landscape development, improvements in hotels and restaurants are key elements in building on the cultural heritage of the region to increase its tourist potential.

Communities on the Great Northern Peninsula are supported in trying to improve their tourism industry

While common signage and marketing efforts are tangible evidence of the Trail, the underlying linkages include partners ranging from all levels of government, including ACOA, communities in the region and the private sector. The Viking Trail Tourism Accord, signed in 1994, identified the partners, their roles, and the strategic direction to prepare the region for the Year 2000 Celebration of the first Europeans arriving in North America. This partnership was

The year 2000 provides us with a window of opportunity to highlight our region in international spotlights. People will come here to see the Vikings, but they will leave talking about our people and the unique character of our province. (Randy Letto, marketing manager of the Viking Trail Tourism Association.)

motivated by a common belief that working together would allow the region to reach its tourism potential and help offset the decline in the groundfish industry.

With Viking history going back a thousand years, the region is well positioned to benefit from the growing interest in educational and culture-based tourism. The Viking Millennium Celebration in the year 2000 was once considered the end goal of this initiative. Now, it is seen as the starting point of great things to come.

Chapter Seven: Trade

There is a strong link between export expansion and employment growth. Industry Canada estimates that every \$1 billion in exports creates 6,000 to 8,000 new jobs.²¹ ACOA's mandate to foster economic development in Atlantic Canada virtually demands trade development as a priority. Given the additional focus on SMEs, traditionally less export-ready than bigger companies, this part of ACOA's mandate takes on a much sharper focus.

International Business Development

The Canada-Atlantic Provinces COOPERATION Agreement on International Business Development (IBD) was originally a three-year, \$3-million agreement signed in

A region-wide agreement seeks to build an essential trade infrastructure for SMEs.

1994. Based on the lessons learned and results achieved, the Agreement was extended in 1997 for another three years with another \$2 million. IBD serves both as a mechanism for building essential trade infrastructure and as a means for SMEs to gain export experience. It supports a key priority of ACOA - trade - and provides a forum for cooperation and coordination of knowledge, action, and financial resources to help Atlantic companies develop international business. The Agreement involves three federal departments and the four provincial governments.

IBD is significant in that it enables the Atlantic Provinces to take advantage of economies of scale in trade development and contributes to the overall Team Canada initiative. As well, the Agreement allows each province, with a relatively small investment, to leverage substantial resources in building trade infrastructure or establishing new markets. By doing this, the region and its firms can gain wider recognition and penetration into foreign markets.

As of March 1998, 486 Atlantic SME participants on IBD projects have been surveyed to provide an indication of progress and results to date. Based on responses from 295 companies, firms attribute the following results to their participation in the IBD:

- 38.6% of respondents had started exporting or increased their exports;
- 52.2% had identified potential new markets;
- 64.1% had established specific contacts in export markets; and
- 46.4% had made adjustments to their products or processes as a result of their participation in projects.

²¹ Industry Canada 1998-99 Estimates - Part III - A Report on Plans and Priorities.

New Brunswick Training Group Inc.

About five years ago, ACOA recognized the opportunity for exporting the services of the New Brunswick commercial training and education industry. A focus group of industry representatives helped ACOA

A group of New Brunswick educators and trainers begin to export their services.

“seed” the idea of forming an alliance for trade purposes. The New Brunswick Training Group Inc. (NBTGI) was formed in 1994, and has since provided an opportunity for its members to prepare for, and focus on, trade and to share market intelligence and experiences gained through networking. NBTGI includes private companies in both traditional and technology-based training, as well as universities and the New Brunswick Community Colleges. It has become an alliance focused on exporting the knowledge-based services of its members.

NBTGI is unusual in that it seeks to export services from Atlantic Canada, rather than goods. There has been considerable effort in developing policies, preparing business and marketing plans, and identifying mandate and strategy.

Recently, NBTGI got its first Canadian International Development Agency (CIDA) contract. The alliance will manage a project under CIDA’s Youth Internship Program that involves hiring 20 young people as interns to provide Internet training in ten Francophone countries where CIDA has already invested in the installation of servers. This project is a major accomplishment and could open doors for other CIDA projects.

There will be other benefits. The CIDA contract involves a partnership with the Canadian Centre for International Studies and Cooperation which has been involved in contracts with CIDA for many years and has placed some 900 interns in over 23 countries. Its international experience and expertise will not only assure a smooth entry for the NBTGI, but will also provide some transfer of knowledge. The Centre has expressed interest in partnering with NBTGI on a long-term basis, thereby recognizing it as an ideal vehicle to develop consortia with both public and private sectors. NBTGI also is pursuing opportunities for contract work in Romania, Jamaica, and Trinidad and Tobago.

Chapter Eight: Community-Based Economic Development (CBED)

CBED is collective action by a community to improve its economic health. ACOA's goal is to strengthen the capacity of local organizations to plan and implement their own economic priorities, and help realize their potential. Beginning in 1993, the Agency, in cooperation with provincial governments in Newfoundland, Prince Edward island and Nova Scotia, began a process of restructuring which has resulted in the consolidation of the many local agencies involved in economic development. New Brunswick had already restructured 20 years ago. Under the federal Atlantic Groundfish Strategy (TAGS), the Agency is implementing a special Community Economic Development program to assist communities affected by the groundfish closure to develop employment opportunities. Since the Agency assumed responsibility for the federal Community Futures Program in 1995, it has worked to include the Community Business Development Corporations (CBDCs) in the partnership among government, the communities and business.

CBDCs are independent, not-for-profit organizations controlled by community volunteers and which provide lending and counselling services to small businesses in rural communities. An important role for the CBDCs is to ensure that their lending activities are consistent with the regional strategic plans developed by the local organizations.

In a period of increasingly scarce resources, effective partnerships have become crucial for a community to achieve its economic goals. ACOA's role in these partnerships is to bring information, expertise, and professional and technical support. The Agency advocates community priorities with other federal departments and coordinates support in areas such as provision of information, innovation, entrepreneurship, export trade development, infrastructure (through the Canada Infrastructure Works Program), and access to capital.

As partners with communities in their own development, ACOA also helps develop more effective region-wide linkages among local and provincial agencies and provides assistance, with provincial governments, to CBED organizations, to plan and implement local priorities and to provide services in support of local SMEs. A major strength of the Atlantic CBED initiative is the approximately 1,200 volunteers who are dedicated to the economic development of their community. With their intimate knowledge of local conditions, CBED organizations are often well placed to deliver programs for small business. ACOA uses community organizations as agents for delivery of federal services where this is the most effective approach.

Rural communities, where almost half of Atlantic Canadians live, and which often have fewer economic advantages than towns, face particular challenges in realizing their future economic viability. In recognition of this, and in support of the federal government's rural economic renewal initiative announced in 1996, the Agency has introduced universal coverage of the CBDCs so that all rural Atlantic Canadians have access to their services. In a recent survey of over 400 CBDC clients who had received technical (but not financial) assistance, over one third (36.6%) reported a positive impact from the assistance received. These clients started a new

business or expanded their existing business. Two-thirds of respondents reported time savings by visiting the centre. *Clients who did not start businesses pointed out that they appreciated receiving advice which prevented them from making bad investments.* Over 82% of clients would positively recommend the centre to their families and friends. Since assuming responsibility for CBDCs, ACOA has provided extra investment funds to meet the loan demands of rural SMEs.

By its nature, CBED is a long-term process in mobilizing the community's resources toward common goals. The examples below demonstrate that successful development must be driven from within the community. Where the approach has been successful, it has been because of persistent effort over many years, strong leadership in the community, and the mobilization of a broad base of volunteers dedicated to cooperate to achieve economic gains. With this in mind, support from ACOA for CBED is structured to try to ensure that the community becomes increasingly self-reliant and assumes accountability for its own development.

Strengthening Local Economic Structures: The Example of Newfoundland

Since ACOA's last Five-Year Report to Parliament, the approach to community economic development has been transformed in Newfoundland. While still in their infancy, the model, the blueprint and the progress to date point toward a much more effective, participatory, and strategic approach to CBED. The genesis of the restructuring dates back to the province's 1992 Strategic Economic Plan, which introduced the concept of a zonal approach. A Task Force began its work in May 1994, with an ACOA-led representation of the federal government, the provincial government, the Newfoundland and Labrador Rural Development Council, the Newfoundland and Labrador Federation of Municipalities, Community Futures Committees, and the business sector. It held 22 public consultation sessions and received over 250 written briefs.

Community Matters: The Report of the Task Force on Community Economic Development was released in early 1995. In it, federal and provincial governments announced support for the creation of Regional Economic Development Boards (REDBs) for the purpose of planning and implementing regional economic development initiatives at the zone level.

To set this process in motion, *provisional boards* were established, drawing on traditional (regional development associations, Community Futures committees) and non-traditional partners in economic development (municipalities, and the business and education sectors). Within a framework of guidelines set by government, the provisional boards determined the appropriate size, composition and selection process for permanent REDBs in their zones. Since then, 19 permanent REDBs have been established. Each has spent its first year developing a strategic plan for its zone. These outline a five-year strategy for economic development in each zone, and have been the basis for the negotiation of performance contracts, which outline the mutual objectives and responsibilities of REDBs and government and the (annual) accountability mechanisms. To date, 17 zones have had their strategic plans approved.

While it is too early to measure outcomes from this new approach, it is evident that economic growth and employment creation are being enhanced through better coordination and integration of programs and resources. Both the Government of Canada and the Government of Newfoundland and Labrador view REDBs as a vital mechanism for developing regional economies. This new structure is consistent with governments' philosophy of an integrated approach to regional economic development; one that encourages innovative partnerships among all sectors of society.

Economic development on the Burin Peninsula is alive and well. There are good things happening here, and I believe now that we have charted a course for the future...". (Paul Pike, Chair, Schooner (Burin Peninsula, Zone 16) REDB) Part of the reason the process was so successful was because the private sector was heavily involved in the consultations. They drove the working groups almost single-handedly..." (Manual Hackett Economic Development Officer, Burin REDB.)

Partnerships in Community-Based Economic Development: The Example of Greater Moncton

ACOA commissioned a detailed case study of the Greater Moncton development effort to investigate the extent to which local cooperation and self-reliance contributed to the area's recent economic successes and to identify what lessons the experience held for other places in Atlantic Canada.²² The study concluded that local partnership is the key component.

Shaken by loss of major industries, Greater Moncton fights back by mobilizing community resources and coordinating with essential partners.

An early, broadly based partnership emerged after a major employer, the CN shops, had shut down, resulting in major job loss in the area. This initiative by the community resulted in the 1989 Symposium 2000, which, with the support of ACOA and the provincial government, began the strategic planning process for economic recovery. Symposium 2000 convinced the people that they could re-invent their community (and that they had little real choice but to do so). The Greater Moncton Economic Commission (GMEC) emerged from Symposium 2000, and rapidly became the lead development agency for the community.

GMEC produced the first strategic plan for local economic growth in 1991. (It has been updated twice since.) The plan identified the objectives, structures and partnerships necessary for implementation and served as a focal point for volunteers (as many as 500 working at a time). Early successes witnessed the employment targets of the 1991 and 1994 plans being reached ahead of time. There have been many partners to the overall plan (ACOA, the Greater Moncton Chamber of Commerce, the three municipalities, federal and provincial departments, the

²²Partnerships in Community Economic Development: The Example of Greater Moncton, Maurice Mandale and P.Y. Chiasson, consultants, March 1998.

Université de Moncton (UdeM), community college campuses, and individual business people) and many more to distinct components of the plan - including the biggest and most important partner of all, the individual and collective citizens in the area.

One of the distinct components of the plan was to develop the teleservice industry in Moncton. The local business community was quick to show enthusiasm for teleservice as a new and viable industry, and GMEC took the lead to sell the community's assets - bilingualism and ample availability of office space, for example - to respond to the provincial government's efforts to attract new telecommunications-related activity to New Brunswick. Other local partners included: the community college campuses, which provided customized training programs; the Moncton Response Group (an ACOA-delivered federal program set up to offset the impacts of military base closure), which worked with the community colleges to set up a database of pre-qualified workers; and NBTel, which created a Disaster Recovery Centre to aid teleservice companies to keep on running if their regular centre was shut down unexpectedly. Teleservice firms interviewed during this study often indicated they would likely have located elsewhere were it not for the level and quality of services provided by NBTel.

This component, and the partnership involved with it, resulted in more than 3,000 new jobs for Greater Moncton and a still growing diversification of the local economy.

Another distinct component of the current strategic plan is the creation of a Scientific Park at UdeM. UdeM itself assumed leadership of the partnership that developed the park, where university and private sector researchers could work together on new marketable technology-based products. Joining GMEC and UdeM were the City of Moncton, the provincial government, ACOA and private companies.

The cornerstone of the park is Concept+, which has emerged from a federally-supported research institute set up at UdeM in 1983. Concept+ partners with private firms on a fee-for-service basis to develop new technology products. Concept+ assists about 50 firms a year. Many clients have said they would not be in business without this support. Economic spin-offs involving six technology-based companies alone include the creation of 200 well-paid jobs in applied R&D, and payrolls amounting to \$7.5 million a year. Companies that seek help from Concept+ are often supported by ACOA either financially or through provision of technical advice.

An important part of ACOA's role in community development partnerships such as these is to help bring the resources of the federal government to the partnership, and match federal programs with local needs. This includes financial support (mainly from ACOA and the provincial government, but also from the Business Development Bank of Canada). Training comes from the UdeM and the community college. R&D support is from UdeM and the National Research Council, with contributions also from ACOA and the provincial government. Other information and advice is mainly from GMEC and the provincial government, plus ACOA.

A case study of 18 firms sought to determine the incremental impact of their involvement with partnerships in Greater Moncton. Seventeen of the 18 indicated that partners had a considerable

impact on their performance in terms of job creation and payroll. Total employment of these 17 firms rose from 313 in 1990 to 1,966 in 1997. Eleven of the 18 firms surveyed said they would not be in business in Moncton without partners. These 11 employed over 1,000 people in 1997 and had sales of over \$60 million. Another six firms indicated their growth would have been slower without partners. Several firms were especially satisfied with their partnership with ACOA, which responded efficiently to requests for financial assistance.

Does the Greater Moncton example indicate that CBED is becoming more locally self-sustaining? It does, in that the community now prepares its own strategic plans, sets its own priorities, and mobilizes the immense energies of local volunteers in implementing plans. CBED however does require money and expertise which is not always available in the community.

Greater Moncton does hold lessons for other places. It makes a strong case for communities: seizing the initiative to chart their own futures; identifying and employing local advantages, assets, leadership, and energies, and, initiating development at the local level, where the community knows what it has and what it wants. The contribution of ACOA in coordinating the provision of technical advice and financial support from the federal government can be vital to success.

I'm very impressed with the capability of ACOA. We would not be in Atlantic Canada without ACOA's support. We are glad to be here. (David Wallace, CEO, Micro-Optics Design Corp.)

Victoria Wharf

Victoria, a picturesque fishing village on the south shore of Prince Edward Island, also demonstrates what can be accomplished when development ideas are locally initiated and driven. Just about all Victoria had in its favour was a proud history as a vital rural community. The partnership that formed to restore the village wharf, the focal point for the community, has rejuvenated the village. The partnership included the community, the provincial government and ACOA.

A village mobilizes to rebuild and redevelop its wharf, a central focus for the community.

The wharf bustled with activity in the 1970s. Lobster and pleasure boats tied up alongside, and there was a popular restaurant and fish pound. The restaurant and other businesses closed in the 1980s, and the wharf fell into disrepair. It not only became an eyesore, but threatened the livelihood of 13 local fishermen. Completely rebuilding the wharf would only be one part of the project—there would also have to be a new sewage system, wharf curbing, waterfront railings and bait-house improvements.

The Victoria Wharf project was a major challenge for a small community. It involved not only a million dollars in capital works on and around the wharf, but a commitment to continued effective

management for such a large project. The local Central Development Corporation (CDC) immediately recognized the value of the wharf's potential as a tourist and commercial asset and lost no time in getting involved. ACOA and the provincial government helped the CDC and the community form their ideas into a viable business plan, and joined the wharf project.

The project was completed by mid-1995, and Victoria had re-established itself as a place where the thousands of tourists who pass by each year could stop. The village's character is such that it has attracted many artisans and other small businesses. There are now pottery and craft shops, tea rooms and cafes, a chocolate manufacturer, art gallery, and live theatre at the Victoria Playhouse. The rebuilt wharf includes a restaurant capable of accommodating bus tours. The 13 lobster fishermen still have a place to tie up, and there is a fish plant and store in the village. ACOA and the CDC were key partners in this project. ACOA contributed almost half the total costs as it saw positive spin-offs in terms of sustained and new economic activity.

There were a lot of hurdles along the way, but ACOA was responsive to the needs of the local area and worked with us to make it happen. The staff were exceptionally helpful, and knew what it would take to get this project off the ground. (Marilyn Murphy, General Manager, Central Development Corporation.)

La Picasse

La Picasse is an economic, educational and cultural centre in the small Acadian community of Petit de Grat, on Isle Madame, Cape Breton Island. It is named for a traditional type of wood and stone anchor used in the community (known to Anglo-Scots as a killick). Launched in late 1995, La Picasse incorporates "Le Centre de développement de l'entrepreneuriat", the local campus of the Collège de l'Acadie, the regional library, the local office of the Federation Acadienne de la Nouvelle Écosse, a pre-school, and a restaurant. By incorporating the development centre within a larger community complex, economic and community development are linked.

An Acadian community in Cape Breton develops a centre to assist its future economic development.

Isle Madame has a population of about 4,300 and lost 500 jobs in the early 1990s with the collapse of the groundfish industry. Le Centre de développement de l'entrepreneuriat has been one way the community has partnered with other stakeholders, including ACOA, to meet the challenge of rebuilding the local economy. The centre currently is home to two businesses - the Tradewinds Call Centre and Production Picasse.

The Call Centre has a variety of clients in central Canada and the United States. It boasts lower costs of business due to its rural location and is especially attractive to American clients due to exchange rate advantages. There were 12 employees at the Call Centre in 1997, and based on interest from potential clients, there are indications this number could triple in 1998. Production Picasse manufactures fine earthenware depicting traditional Acadian scenes.

The Entrepreneurial Development Centre provides space to entrepreneurs willing to take a risk and start up a new company. To date, more than 30 full time jobs have been created, with the arrival of Tradewinds Call Center, we can see additional jobs in the future. In fact, our bilingual work force is an asset to some companies interested in setting up part of their business in our community. We are very grateful for [ACOA's] contribution and help to make our dream become a reality. (Yvon Samson, Director, La Picasse.)

La Picasse is a symbol of the cultural strength of a small Acadian community and the entrepreneurial development centre is a key element in rebuilding the area's economy. This new cultural and economic infrastructure has become a new "anchor" to the region's renaissance.

Colony of Avalon

An important chapter in the history of eastern Canada is preserved at the Colony of Avalon Centre at Ferryland, Newfoundland, which officially opened its doors in mid-1997. As a settlement started in 1621 by Sir George Calvert, first Baron Baltimore, the Colony of Avalon is a heritage site of international significance.

A community brings a fascinating part of its history back to life, adding to the local economic diversity in the process.

ACOA's ability to be a partner with provincial and non-governmental organizations was a key ingredient in bringing to life the diverse history of the Southern Shore of Newfoundland. Some \$1.8 million was invested in the Colony of Avalon project—through two federal-provincial COOPERATION agreements—to develop tourism infrastructure, refurbish a former school to house the Centre, and to finance ongoing archaeological work.

The Colony is one of the prized historic resources of Newfoundland. The site encompasses the influences of Beothuk, Portuguese, French, and English cultures and influences. Preserving the archaeological integrity of the site, while developing interpretive features, is a new type of community economic development. Newfoundland is especially rich in cultural assets, and the Colony of Avalon is a particularly diverse example of this history.

This project is a beacon of hope for the people of the Southern Shore. Through hard work, we are diversifying our economy and building our future on the strength of our unique culture and heritage. (Jerome White, Chair, Colony of Avalon Foundation.)

The number of visitors to the Ferryland area has increased from 2,500 in the early 1990s to over 11,000 in 1997. Over each of the past five years, between 50 and 60 people have been employed, almost all residents of the Southern Shore.

The Strait East Nova Community Enterprise Network (SENCEN)

SENCEN was designed to lay the foundation for an information technology sector in the Strait of Canso Region of Nova Scotia, an area which takes in the counties of Inverness, Richmond, Victoria, Guysborough and Antigonish. This is being accomplished by:

Rural counties establish an integrated IT complex to assist future development.

Making information technology available to citizens, organizations, and economic initiatives in the Strait area;

Creating cooperative links with business organizations, universities, community colleges, and private learning institutes; and

Developing sources of revenue so the organization can pay its own way by the fifth year of operation.

SENCEN is a partnership of the local school board, three Regional Development Authorities, the Nova Scotia Department of Economic Development and Tourism, and ACOA. Funding of \$507,465 has come from the Canada-Nova Scotia COOPERATION Agreement on Economic Diversification. The significant contribution of local partners is being made in the form of access to facilities, staff time and direct funding.

“What you have witnessed today is the result of the blending of ideas, financial support, and plain hard work of creative people in creative partnerships.”

*Wilf MacNeil
SENCEN Coordinator
The Oran
Inverness, Nova Scotia
June 3, 1998*

SENCEN addresses two areas of strategic importance to ACOA: (1) information technology, and (2) community economic development. The results of the project are:

63 sites where the public has access to IT;

Participation in a Telework pilot project creating work in rural Nova Scotia;

Creation of 47 jobs in IT;

Delivering online services, community IT training, and professional development to teachers, health professionals, youth at risk, and the unemployed.

Retirement Relocation Project

In 1996, the Cape Breton County Economic Development Authority (CBCEDA) approached ACOA with a proposal to market Cape Breton as a good place to retire.

CBCEDA's research included examination of a similar project in Elliott Lake, Ontario. The target market would be expatriate Cape Bretoners, specifically those living in Ontario.

ACOA's assistance for the proposal was to collect research to go into a two-year funding proposal to the Canada-Nova Scotia COOPERATION Agreement on Economic Diversification.

In October, 1997 CBCEDA had assembled a database of 4,592 households that expressed an interest in retiring to Cape Breton. Some 123 people (68 households) actually relocated to Cape Breton from spring 1996 to fall 1997, including 89 former residents. Enterprise Cape Breton Corporation has estimated that the expenditures by retirees has produced the following economic impacts in the Cape Breton economy:

- an increase in household income of \$559,100;
- 37 more full-time equivalent jobs;
- \$181,000 more in federal and provincial taxes, and \$44,500 in municipal taxes; and
- a total impact on Cape Breton's GDP of \$1.3 million.

Cape Breton tries to persuade people who went down the road to retire back to the Island.

Ross MacLeod is a Cape Bretoner who pursued a career in the federal public service for 30 years, the last 20 years in Ottawa. He retired in May, 1997 and decided to return to Cape Breton after reviewing promotional material from the Retirement Cape Breton project. Nature, friendly people, a low cost of living, and a helping hand from Retirement Relocation staff played a big role in his decision. "The people at Retirement Cape Breton have been very good. Every time you call they go out of their way to help." Some retirees are still young, vigorous people, interested in working. Vince Cordero returned to Cape Breton, and has established a contracting business that now employs 15 people.

Chapter Nine: ACOA as Federal Delivery Agent

Since the early 1990s, ACOA has become the delivery arm for a number of federal economic initiatives. Its partnership experience with the provinces and other regional stakeholders allows a cost-effective way of implementing *ad hoc* or community-specific initiatives. Between 1993 and 1998, these have notably included two types of programs: the Canada Infrastructure Works Program for the four Atlantic Provinces, and Adjustment initiatives.

The Canada Infrastructure Works Program (CIWP)

Using the structure of its COOPERATION Program, ACOA administers CIWP in the four provinces on behalf of the federal government. This is a joint federal-provincial-municipal program with each partner providing an equal share of the funding. The purpose of CIWP is to renew municipal infrastructure, create jobs, improve the environment, and enhance Canada's competitiveness while accelerating economic recovery.

A total of \$543.3 million was initially approved for spending in Atlantic Canada for the life of the Program. In 1996, a one-year extension was approved, adding another \$114 million. As of March 31, 1998, approximately 1,400 projects have been approved creating more than 9,500 direct and indirect person-years of employment. Projects generally fell into one of three categories: waste disposal and water supply, roads and streets, and other community needs.

Adjustment

Over the last five years, many Atlantic communities have lost their traditional economic base either through depletion of natural resources, as is the case with the collapse of groundfish stocks, or through rationalization of services following the closure of Canadian Forces Bases. Most of the affected communities were small towns or rural areas where alternative employment is scarce. For most communities, it meant the loss of their main, if not their only employer.

Funds were provided to help the communities explore and develop alternative opportunities. Working with local representatives, ACOA established and supported a community group or authority that would take responsibility for redeveloping the local economic base. Financial support is used for development planning, to help the community give itself a new purpose, to seek new employers, and give itself the tools needed to attract new firms. Generally, the funds are not used for direct assistance to private sector firms, as such support is already available under ACOA's core programming.

Example 1: Slemon Park

Slemon Park is the former CFB Summerside. It is now operated by the independent Slemon Park Corporation, and is home to a number of aerospace companies and training institutes. This has been part of a larger community-renewal project involving local people, industry, and governments to rebuild Summerside's economy after closure of the military base in the early 1990s. Summerside's economic renewal is an example of how partnerships and prudent investment of government funds can lead to long-term economic benefits.

The base was the economic backbone of Summerside, a town of 8,000 people. With over 1,300 military and civilian employees, it was estimated that 33% of total income in Summerside and 5% of provincial income in Prince Edward Island was connected to the base. When the closure was announced in the 1989 federal budget, the community and the province, fearing economic collapse, scrambled to reverse the decision.

Almost ten years after the base closed, none of the earlier predictions of economic collapse have come true. In fact, the economy of Summerside is more diversified, and perhaps in better health, than it was before the base closure.

The federal government gave ACOA the responsibility to work with the community to rebuild its economy. It made a one-time investment of about \$60 million for adjustment; and spent another \$60 million for a tax-processing centre in Summerside. If the base had not been closed, it is estimated

[Summerside will] ...have a stronger economy in the long run, despite the loss [of the base] or perhaps because of it... ACOA has been very good to Summerside. (Basil Stewart, Mayor of Summerside.)

it would have cost \$736 million to run over 15 years. A key ingredient in Summerside's recovery has been the transformation of the base into Slemon Park, the site of the Summerside Aerospace Centre, which includes three aerospace firms, Holland College's Aviation Maintenance Institute, the School of Justice, an airport, and a restaurant complex. Employment growth rates at the three aerospace firms ranged from 33% to 153% in 1996-97²³. ACOA contributed funds for the operation of the Park and provided incentives for the location of two aerospace firms to the Park.

The Slemon Park Corporation has reached impressive levels of operation. In fiscal year 1997/98 the corporation leased 497,000 square feet of space. The training institutions at the Park accounted for 39,484 student days of instruction.²⁴ The employment level reached 606, exceeding the targeted 500 by over a

The corporation has primarily achieved the objective of being financially self-sufficient... (Slemon Park Corporation, Annual Report 1996-97.)

²³ Slemon Park Corporation, Annual Report 1996-97

²⁴ Slemon Park Corporation, Activity Report, March 1998

hundred. The aerospace sector is still expanding, adding more, and higher-paying jobs, for Islanders.

The Summerside experience is an example of community, industry and government partners coming together at a time of potential economic crisis to develop new economic development infrastructures. The community has a healthier, more diverse economic base, and a redundant military installation has been transformed into a community asset.

Example 2: The Cornwallis Base Closure: Making the Transition

CFB Cornwallis is located at the western end of Nova Scotia's Annapolis Valley. Like CFB Summerside, it had become a bastion in the local economy. When it closed in 1994, prospects were bleak for the surrounding small towns that lost a major source of employment and income. In just four years, however, with the help of the right partners and commitment, the community has bounced back as new industries occupy the former base.

[Cornwallis Park] is attracting a lot of interest. In the next two years, if you didn't know where you were, you wouldn't recognize it. (Premier Russell MacLellan, Canadian Press, March 17, 1998)

As one of six military bases in Atlantic Canada which closed in 1994 and 1995, CFB Cornwallis received \$7.5 million in federal funding to assist adjustment. These funds are administered by the Cornwallis Park Development Agency (CPDA) which, after initial growing pains, has had considerable success in developing new economic activities for Annapolis and Digby counties.

There are now 19 businesses operating at the former base, employing 262 people. Most recently, the Shaw Group announced an \$18.5 million plant to manufacture wooden, assemble-it-yourself furniture for the Swedish retail giant IKEA. The former base is also the home of the Lester B. Pearson Canadian International Peacekeeping Training Centre, and of a Sea Cadet summer camp for the Department of National Defence. In addition, the CPDA has sold the 246 housing units on the former base, and a vibrant new residential community is emerging.

In January 1998, the CPDA sent out "report cards" to give the community an opportunity to rank its activities and offer comments for the Business Plan being prepared for the coming year. Early results indicate the CPDA has been receiving high grades from residents. And that is, indeed, the best indicator of the success of this project—the endorsement of the local community.

The results aren't yet tabulated, but preliminary returns of the recently circulated Cornwallis Park 'report cards' look good. CPDA happy with grades from surveyed residents (Annapolis Royal Spectator, March 10, 1998)

With the final allocation of funding disbursed, ACOA's responsibility ends on a high note with the CPDA's success. The local community has assumed full responsibility for its continued redevelopment progress. The CPDA is considered a full-fledged member of the local economic development network in Nova Scotia, and it will continue to seek out opportunities and identify new businesses to locate at the former base.

Chapter Ten: Policy Research and Analysis Initiatives

Over the past five years, the ACOA policy team has been involved in several projects which embodied three essential qualities:

1. Involvement of the private sector;
2. Extensive consultation;
3. Keeping an eye on the future.

The Pan-Atlantic Economic Coordination and Research Initiative was first approved in 1992 and has now been extended through 1999-2000. Its purpose is to enhance ACOA's capability to coordinate and plan region-wide federal activities contributing to economic growth in Atlantic Canada and to support economic research projects with regional applicability. It has proven to be an important and flexible instrument for initiating policy research, building public/private-sector networks and partnerships, and supporting the core federal policy precept of building a strong national economy through strong regional economies. Internal capacity to carry out research projects and provide economic and statistical analysis has been supplemented by a more substantial and focussed menu of external policy activities and partnerships. This has been accomplished by means of research studies carried out by external partners, and by an ongoing series of Roundtables organized by partners and involving stakeholders from throughout the region.

The central research focus has been regional competitiveness. Five studies compared Atlantic Canada's competitiveness and growth potential with jurisdictions in the United States, Europe and the rest of Canada. The key objectives of this exercise were to:

show Atlantic Canada in a North American and global perspective, using internationally recognized standards of measurement;

demonstrate that Atlantic Canada has a real basis for competitiveness and growth, particularly vis-à-vis the United States;

identify the region's strengths as a basis for promoting opportunity and attracting investment;

identify specific areas of weakness requiring policy and program initiatives; and

respond to the myth that Atlantic Canada is not a competitive location for investments.

The five research studies published under this program were:

1. a comparison of location-sensitive investment costs in Atlantic Canada, which showed that 16 communities in the region had an overall cost advantage of 7% (after tax) when compared with 12 locations in the United States;
2. a Human Development Index that compared the socio-economic status of Atlantic Canada with the rest of the G7 countries, and which showed that despite several competitiveness challenges, the region ranks second only to the Canada average;
3. a competitiveness ranking of Atlantic Canada and the 50 states, which put the region about on a par with its New England neighbours;
4. a similar competitiveness ranking, but this time comparing the region with 48 economies throughout the world; and which put Atlantic Canada roughly half-way in the pack in terms of competitiveness; and
5. an expanded version of the first study that compared location-sensitive costs in four cities in Atlantic Canada with 23 other North American locations and 15 cities in Europe. Canada was first of the seven countries ranked, and Atlantic Canada's four representative cities were first through fourth of the 42 cities compared.

The Roundtable Series was designed to develop research topics and economic intelligence in collaboration with partners in the Atlantic community. It began in 1995 with the objective of creating a forum through which the Agency can engage leading academics, private and public sector policy experts, business associations and individual entrepreneurs, and other stakeholders in the economy on selected issues which are important to regional economic development. For each Roundtable, an external partner organized and hosted the event, contributed to the preparation of discussion papers, and prepared a report on the proceedings. Eight Roundtables have been held in the series to date:

Issues in Community Economic Development, St. Francis Xavier University, Nova Scotia;

The Role of Universities in Economic Development, Memorial University of Newfoundland;

Demographic Changes, Implications and Opportunities, University of New Brunswick;

"... it is increasingly important for Atlantic Canadians to collectively understand their circumstances and to fashion an agenda for the region's future. The Roundtable series has certainly provided an excellent vehicle to serve this purpose in a most concrete and rational manner" (Eric Ellsworth, Past Chair, Atlantic Provinces Chamber of Commerce.)

Academia and Industry Working Together in Aquaculture, Atlantic Veterinary College, University of Prince Edward Island;

Entrepreneurship, Saint Mary's University, Nova Scotia;

Regional Competitiveness, Atlantic Provinces Chamber of Commerce, Moncton;

Francophone Roundtable on Economic Development in Atlantic Canada Rural and Coastal Regions, Conseil économique du Nouveau-Brunswick Inc., Bathurst; and

The Role of the Third Sector and the Social Economy in Regional Development in Atlantic Canada, Community Services Council of Newfoundland and Labrador.

Performance Measurement and Evaluation

In 1996-97, the Agency's economic policy studies reached approximately 5,000 individuals and organizations, including Canada's foreign posts. While development of specific measures of the impact of policy research will be the subject of future evaluation work, there is evidence of the benefit of research completed to date. For example, the findings from the competitiveness benchmarking studies, such as the KPMG investment location cost reports, have been used or referred to by various external partners, including the provinces, in conjunction with investment promotion and attraction activities. Studies which have been sectorially focussed, such as one examining opportunities for biotechnology-based business in the region, have been used by firms and sector organizations alike in the development of strategic plans. Finally, the entire body of research has been an important tool in providing information for corporate program and policy development, supporting advocacy efforts, and better understanding the challenges and opportunities facing the regional economy. The Roundtable Series has engaged more than 275 external partners directly in discussion and debate around issues of importance to the regional economy. Feedback from participants confirms the value of this mechanism in engaging external partners in the policy process.

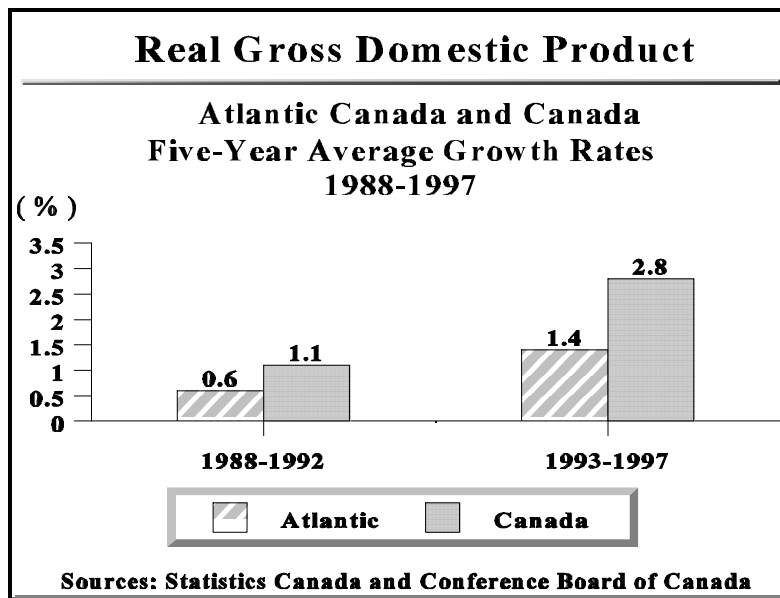
Section III: Overall Impact

Chapter Eleven: Atlantic Economic Growth and ACOA's Impact

The development of the Atlantic economy has been influenced by several key factors, including seasonal industries (mostly resource-based), a large service sector, and a narrow manufacturing base. These have contributed to slow population growth, few large urban centres, and a significant number of widely dispersed communities. These factors underline a continuing pattern in which the region's economy has lagged somewhat behind that of the rest of Canada and has had lower levels of employment and incomes.

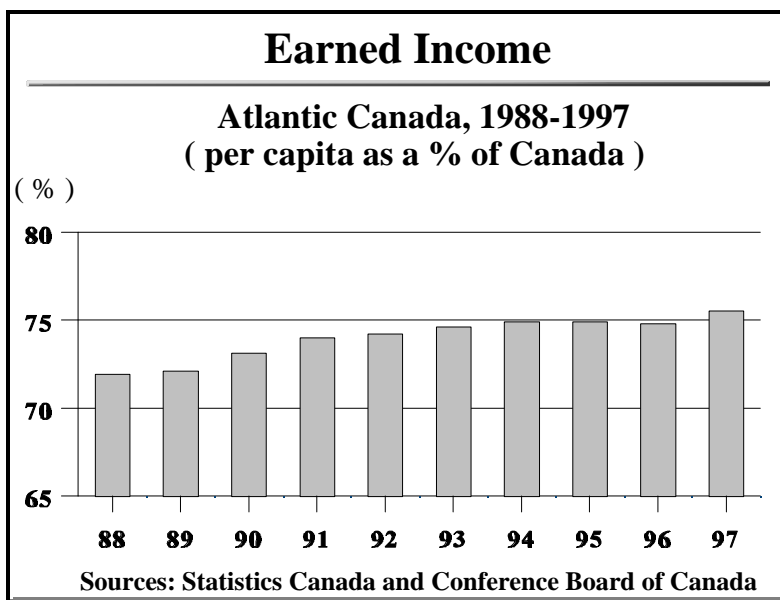
The five-year period from 1993 to 1997 was one of adjustment for the Atlantic economy, brought about by new global and fiscal realities. The region was not only adapting to increased international competitive pressures but also to domestic restructuring. Over the five years, as well, groundfish stocks collapsed, and a number of major construction projects (Hibernia, the Fixed Link) began and then wound down. Another project, the Canadian Frigate Program, came to an end. At the same time, commodity markets fluctuated widely, but generally have been slow to recover from the recession of the early 1990s. As governments wrestled with budget deficits, the region's economic performance was also hampered by spending cuts.

As a result, the recovery from the recession of the early 1990s was much slower in Atlantic Canada than in the rest of the country. Growth of Gross Domestic Product (GDP) in real terms averaged 1.4% each year from 1993 to 1997, compared with 2.8% for Canada.



Employment growth was also weak in the region, with job gains averaging 0.9% from 1993 to 1997, compared to 1.6% for Canada. The unemployment rate averaged 14.3% over the five years; while the comparable national rate was 10%. Uncertain labour markets translated into low levels of consumer confidence, and fostered weak population growth (0.2% a year compared with 1.2% a year for Canada).

There were some bright spots in the Atlantic economy. Information technology and tourism both expanded strongly. A dynamic small business sector and continued diversification of the economy enabled the labour force participation rate to remain stable, and the overall employment rate (a measure of an economy's ability to provide employment for its people) increased from 49.9% to 50.5% over the five years. Earned income per capita in the region improved from 74.2% of the national average in 1992 to 75.5% in 1997.

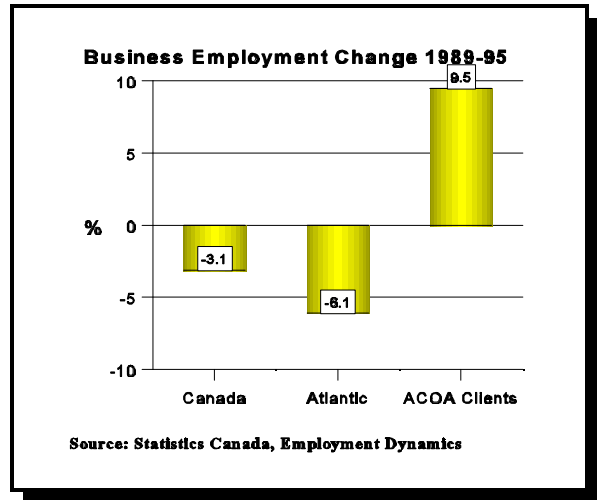


Given the weak economic environment described above and the fact that total ACOA funds used to promote new wealth and opportunity have accounted for approximately 2% of all federal expenditures in the region over the 1993-97 period, aggregate economic trends are not reliable indicators of the effectiveness of Agency spending per se. The bulk of federal spending in the region is in the form of transfers to people and to provincial governments, like employment insurance, Canada Health and Social Transfer and equalization payments.

Total ACOA spending, with an average of just over \$400 million a year from 1993-94 to 1997-98, was small, representing less than 1% of the value of the Atlantic GDP. As a result, the positive impacts of ACOA spending have been overshadowed by adjustment and restructuring in major sectors, such as the groundfishery.

These overall trends are reflected in employment changes. While employment in ACOA-assisted businesses increased by 9.5% over the 1989-95 period, total business employment in Atlantic Canada dropped by 6%.

To determine the overall results achieved by Agency programming, ACOA has commissioned independent program evaluations, client surveys and economic impact analysis. Results have been reported in the Agency's 1996 and 1997 Performance Reports to Parliament. The ACOA approach to reporting results also found important support elsewhere:



The best examples were found in reports that explained methodology and provided precise references to authorities. ...ACOA carefully explained its approach, made detailed reference to outside evaluations, third-party collection (Statistics Canada survey), and analysis (Conference Board econometric model), as well as an independent review. (Evaluation Report, Improved Reporting to Parliament Project Performance Reports. A Report of the Parliamentary Working Group, Ron Duhamel, M.P., Chair, December 1996.)

Chapter Twelve: Employment Impact

ACOA has identified and used a range of indicators to evaluate and monitor its performance. Employment and earned income have always been key indicators, explicit in the Agency's mandate. Employment in particular has been reported regularly, and methods to estimate its impact have been continuously refined to gain a better measure of ACOA's contributions to the Atlantic economy.

These indicators have been joined by new measures, to better reflect ACOA's approach to economic development. These attempt to measure, for example, some of the steps that Atlantic businesses must take to ensure long-term development, like investments in innovation, in skills development, in learning more about international markets, and in improving management practices. While increased employment opportunities and earned income represent the ultimate mandate and goal of the Agency, additional corporate measures include the start-up and survival rates of new businesses, new exporters, value of exported goods and services, and improved productivity in Atlantic business. A number of these indicators have been reported in Chapter Four on Small Business Development. The remainder of this section deals with the impact of ACOA programs on the ultimate outcomes of ACOA policy, employment and earned income.

Figure 5 provides an overall estimate of employment generated over the last five years and includes estimates of all ACOA programs. For commercial projects, actual employment generated by completed projects was determined by independent survey.²⁵ Reported jobs from the Community Business Development Corporations (CBDCs), under the CBED service line have been verified.²⁶

In 1996, a review of ACOA's research methodology and job measurement was done by external consultants to address questions of reliability and credibility of reported impact. The review concluded that the Agency's assumptions and calculations were reasonable and, in some cases, conservative.²⁷ Its revisions to the Agency's evaluation produced an employment impact about 10% higher than the one reported by ACOA.

²⁵ Statistics Canada - Survey of Atlantic Canada Small- and Medium-Sized Business, 1995 and 1997.

²⁶ The Agency did a verification of jobs reported by the CBDCs in 1998. Actual jobs created were 11% higher than projected while reported jobs maintained were 26% higher. The projected job estimates are used in Figure 4 in the interest of producing conservative estimates.

²⁷ Coopers & Lybrand Consulting, Impact of ACOA Programs on Job Creation, January 1997.

**Figure 5: ACOA Programs
Incremental Gross Employment Impact**

a) By Service Line		b) By Fiscal Year		Total since Inception
	Total since 1993	Reported in the first Five Year Report		42,000
Business Development, Action, FAP	43,800	1993-94		12,200
COOPERATION	8,000	1994-95		18,000
Community-Based Economic Development (CBED)	7,300	1995-96		9,800
Advocacy & Coordination	1,800	1996-97		10,500
Adjustment	800	1997-98		14,000
Canada Infrastructure Works Program In long-term equivalent	2,800			

Source: Action Program Evaluation Summary Report, Price Waterhouse 1992, The Evaluation of the ACOA Cooperation Program, Coopers and Lybrand, 1994, and ACOA calculations based on internal program data adjusted by results of client surveys undertaken by Statistics Canada.

It is important to note several features of these estimates. First, only jobs associated with incremental projects are included.²⁸ Second, the figure includes indirect and induced employment resulting from the spending of assisted companies and their employees. These impacts have been estimated using the Conference Board of Canada's model of the Atlantic economy.

²⁸ The Auditor General, in his report dated November 1995, Chapter 18, defines an incremental project as one which would likely not *have proceeded with the same scope, at the same time and in the same location without government assistance*. Based on independently conducted surveys of clients and its own internal follow-up of businesses, the Agency has estimated an incrementality factor of .67, meaning that for every 100 jobs generated by assisted projects, only 67 are actually reported. The Auditor General's 1995 comprehensive audit of ACOA assessed a much higher factor of .81.

Chapter Thirteen: Overall Economic Impact

The jobs created and maintained through ACOA support under the Business Development, Action and Fisheries Alternatives programs, and the COOPERATION and CBED service lines, can be expressed as a total impact on the Atlantic economy. To do this, the jobs are translated into a measure of “value-added” economic impact, sector by sector. Value-added impact by sector is entered in the Conference Board’s model to estimate the impact on regional earned income as measured by Gross Domestic Product (GDP).²⁹ In this manner, other macro-economic effects, in particular the impact on taxes, can also be estimated.

It is important to note several features of this estimate:

- 1) Jobs maintained include only those jobs which clients indicated in the Statistics Canada survey as “highly likely to have been lost” without support. This was about 30% of total reported jobs maintained.
- 2) The job and economic impacts are those that result only from successful projects. However, the ACOA expenditures include investment in all projects, including failed ones.
- 3) Only the benefits of incremental projects, as calculated on the basis of independent client survey results, are included (see footnote on previous page for definition of incrementality). Using an estimate of 0.67 as an incrementality factor, for example, only 67 of 100 jobs reported from a project are included in ACOA’s final count.
- 4) Benefits include direct employment gains by ACOA-assisted businesses, plus indirect and induced employment as estimated by the Conference Board’s model. Indirect and induced impacts occur as incomes associated with direct employment gains are spent and respent throughout the economy. This impact, commonly known as the “multiplier”, is calculated to be approximately 0.4, meaning that four jobs are created through these indirect and induced impacts for every ten jobs created directly by ACOA expenditures.
- 5) The impact on GDP is net of the impact which would have been obtained if the ACOA expenditures had been directed instead to providing income support (for example via Employment Insurance or social assistance) to individuals. In the absence of ACOA expenditures to support productive investment and long-term employment, a most likely use of equivalent federal spending would have been this type of cash transfer to individuals.

While the underlying surveys and evaluations include any projects that had failed at the time of the surveys, it is recognized that some companies will fail subsequent to completion of the ACOA

²⁹ The Impact of the ACOA Cooperation Program on the Atlantic economy, ARC Consultants Inc., June 1998 and analysis by ACOA.

involvement with them. To the extent that firms assisted in earlier years fail there will be a reduction in overall economic impact in the 1993-98 period. The average age of a completed project is about three years. Available data on the survival rate of ACOA-assisted firms from Statistics Canada, indicates that a further 8% of firms fail between three and five years of age.³⁰ To recognize the impact of projects failing after completion, the overall impacts have been reduced by 10% to reflect failure rates between three and ten years, since the survival rate of businesses after five years is relatively stable.³¹ This assumption is believed to be conservative because it takes no account of the fact that some projects will do better than expected and offset failed projects.

It is also possible to make an allowance for what is called the “displacement” effect, i.e., ACOA support to firms adversely affecting competitors. The little evidence available indicates that this effect is weak. For example, the Economic Council of Canada found that if there is an effect, it is not very strong or occurs by inhibiting expansions.³² More recent evidence from the United Kingdom indicates a displacement effect of between six and 29%³³.

The Agency has procedures in place to ensure that adverse impact on competitors is kept at a minimum consistent with achieving the objective of improved competitiveness. It is true, however, that the Auditor General did find some instances where existing producers could have been affected by Agency support. Accordingly, for the purposes of ensuring conservation in reporting results, a displacement effect of 15% has been assumed for ACOA-supported projects.

These procedures all support ACOA’s determination to report the results of its work fairly. Incorporating all assumed effects—incrementality factor (0.67), failure rate after three years have passed (0.10), and displacement factor (0.15)—means that, of a theoretical 100 jobs reported as resulting from an ACOA-assisted project, only about 51 are reported here, i.e., $100 \times (0.67 \times 0.9 \times 0.85)$.

³⁰ Statistics Canada, Employment Dynamics.

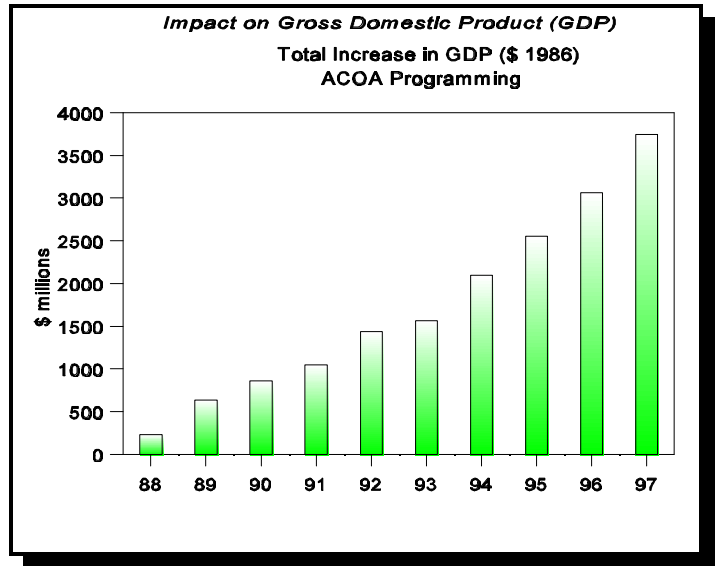
³¹ Statistics Canada Small Business and Special Survey, 1979-88.

³² Economic Council of Canada, Living Together, A Study of Regional Disparities, 1977

³³ National Audit Office, Creating and Safeguarding Jobs in Wales, a report by the Comptroller and Auditor General, 1991.

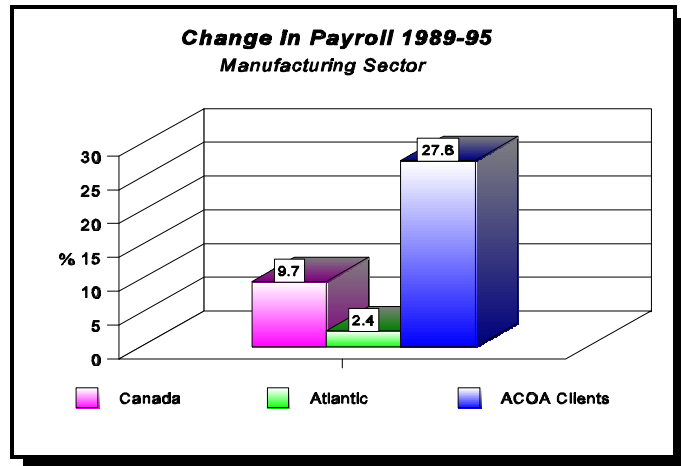
Impact on Gross Domestic Product (GDP)

In its first Five-Year Report, the Agency noted that by 1992, after five years of operation, Atlantic GDP was \$1.4 billion higher annually in constant 1986 dollars than it would have been if equivalent sums had been spent on employment insurance. From 1992 to 1997 this annual GDP impact has grown to \$3.7 billion. This results from the extra economic activity emanating from Agency programming from 1992 to 1997, plus the long-term impact from businesses supported from 1987 to 1992. Employment in businesses supported by Agency programming continues long after the front-end government support for product and market development.



Over the 10-year period, the Business Development, Community-Based Economic Development and COOPERATION Programs have produced approximately \$5 in GDP for every \$1 of expenditure.

Further evidence of the contribution of Agency programming to regional income comes from Statistics Canada data on the growth of wages and salaries in ACOA-assisted manufacturing firms. Payrolls increased by 28% for ACOA-assisted manufacturing firms from 1989 to 1995 compared with just over 2% for all Atlantic manufacturers, and 10% for Canadian manufacturers.



Returns to the Taxpayer

ACOA contributions to businesses are repayable. On top of this, it is important to consider the returns to the taxpayer in the form of taxes paid by assisted businesses and their employees.

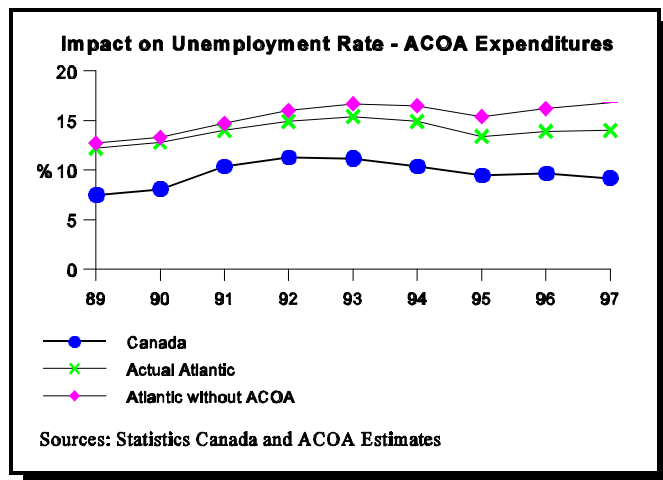
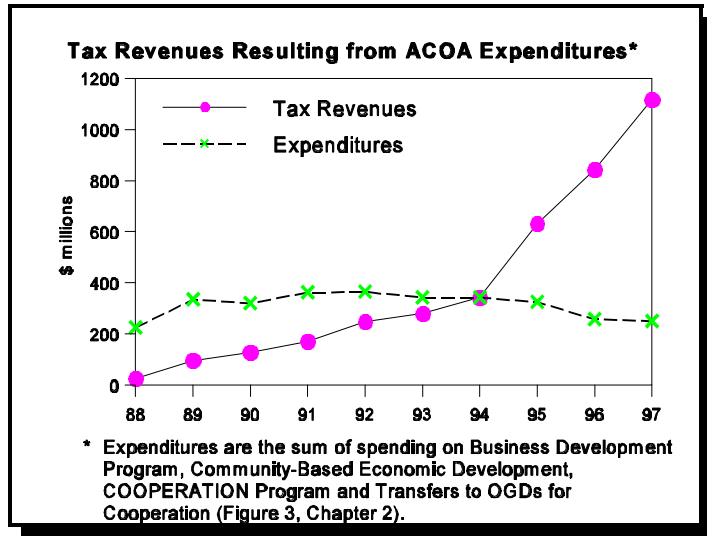
Included here are personal income taxes on wages earned by employees and sales taxes on purchases made by companies and their employees. Note that these tax revenues do not include corporate income taxes which, for technical reasons, cannot be calculated by the Conference

Board model. In the interest of producing conservative estimates, possible savings to the government in employment insurance payments because of the additional employment created by assisted projects have not been considered.

Over the ten years from 1988 to 1997, ACOA program expenditures of \$3.2 billion have produced tax revenues of \$3.9 billion.

Impact on the Unemployment Rate

In its first Five-Year Report, ACOA reported that the regional unemployment rate in 1992 was 1 percentage point lower than it would have been without ACOA programming. In 1997, it is estimated that the regional unemployment rate is 2.8 percentage points lower than it would have been without ACOA programming. The firm PricewaterhouseCoopers has reviewed the process and assumptions underlying ACOA's estimates of economic impact.



They conclude that the Agency's estimate of the impact of its programming on the unemployment rate is reasonable and likely conservative.³⁴

³⁴PricewaterhouseCoopers, Review of Assumptions and Process of ACOA Job Creation and Unemployment Rate Estimates, September 1998.

Conclusion

The Speech from the Throne that opened the First Session of Canada's 36th Parliament in late 1997 touched on many themes and topics that would engage Canadians and their elected representatives as the new millennium approaches, including:

- Helping small- and medium-sized business develop and commercialize new technology;
- Supporting science, technology, and the creation of knowledge;
- Connecting Canadians to the information highway;
- Governments working together in partnership;
- Increasing opportunities for Canadians in rural communities;
- Expanding Canada's trade base;
- Expanding opportunities in Aboriginal communities; and
- Opportunities for youth.

They are all areas where ACOA has been involved, in pursuit of its mandate of expanding the Atlantic economy, reflecting ACOA's wide experience in many of the areas being targeted by the Government of Canada to create jobs and stimulate growth.

The way that the Agency has tackled these challenges has involved a constant evolution of programs, operations, and roles. Specifically, ACOA's main programs of support have become, at the same time, both simpler and better tailored to specific communities or local needs.

ACOA has increased its emphasis on partnerships with other agencies and departments of government, with communities, and with the private sector as efficient ways to pursue Atlantic economic development. The results of these joint efforts have been detailed throughout this report, employing independent evaluations and conservative methods of estimation. And the results—such as the fact that the regional unemployment rate in 1997 was 2.8% lower than it would have been without ACOA—clearly demonstrate that this decentralized partnership approach to regional development is working.

Of equal importance, the report has demonstrated through the use of specific examples, that Atlantic Canadians are increasingly shouldering responsibility for the economic development of their region. However, many of the gains achieved by ACOA and its partners have been overshadowed by industrial restructuring and job losses in the public and private sectors. As a result, much work remains to be done with partners if Atlantic Canada is to develop and sustain a strong regional economy supporting a strong Canadian economy. This will require greater commitment to regional development on the part of partners in Atlantic development in all levels of government and the private sector.

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