

# Atlantic Canada Opportunities Agency

## Five-Year Report to Parliament 1998-2003



Atlantic Canada  
Opportunities  
Agency

Agence de  
promotion économique  
du Canada atlantique

Canada 

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### **A Commitment to Sustainable Development**

At ACOA, we believe that a healthy environment is essential to the development of a strong, growing and sustainable economy. We are committed to protecting the environment of this region by promoting sustainable businesses and communities in Atlantic Canada and by setting an example in the environmental management of ACOA's own operations.

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*"This is a time of great potential for Atlantic Canada. The very nature of the new economy makes knowledge, skills and innovation - not geography - the keys to opportunity and prosperity."*

The Right Honourable Jean Chrétien,  
Prime Minister of Canada

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Five-Year Report to Parliament 1998-2003

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## MINISTER'S MESSAGE



The defining characteristics of Canada's economic success over the past five years have been increased productivity, improved international competitiveness, better trade performance and greater foreign direct investment. At the centre of this has been a growing emphasis on technology, innovation, skills and learning.

During this period, the 16 federal departments and agencies that comprise the Industry Portfolio played a crucial role in implementing the Government of Canada's Jobs and Growth Agenda. Working hand-in-hand with their partners at the federal and provincial levels, Portfolio members promoted the country's key economic development priorities, including entrepreneurship and skills development, innovation, trade and investment, opportunities for young people, and rural and community development.

My priority is to ensure that the Portfolio continues to provide relevant and strategic support to the people of Canada as they work to find, and capitalize on, the opportunities presented by a global, knowledge-based economy.

As a member of the Industry Portfolio, the Atlantic Canada Opportunities Agency (ACOA) continues to deliver the federal government's Jobs and Growth Agenda in the Atlantic provinces. Its efforts over the past five years have, among other things, significantly contributed to the long-term economic planning process in the region. Its policy and research work has focussed attention and crucial resources on key areas of competitiveness, and enabled businesses and communities to benefit directly from economic development programs and initiatives. This report demonstrates how ACOA has adapted its programs and policies over the past five years to meet the challenges of a changing society.

**Allan Rock**  
Minister of Industry



## MINISTER OF STATE'S MESSAGE



Increasingly, in Atlantic Canada, the drivers of the region's productivity and competitiveness are its ideas, talent and ingenuity. Atlantic Canada's ability to compete in world markets now, more than ever, depends directly on its capacity to innovate productively.

Challenges remain, but it is also clear that the region is becoming more entrepreneurial, technologically sophisticated and export-oriented. Its business owners, managers, educators and community leaders are becoming more experienced and more assured in a competitive global environment.

ACOA continues to refine its program activities in support of small and medium-sized businesses in Atlantic Canada. These activities have centred on entrepreneurship and skills development, trade and investment, innovation and technology, and access to capital.

ACOA has also increased its efforts to strengthen community economic development and to expand its partnership with the private sector, research institutions and provincial governments, particularly in the areas of innovation, research and tourism.

In 2000, the Government of Canada introduced the Atlantic Investment Partnership, a balanced mix of investments in the areas of innovation, trade, investment, entrepreneurship, business skills development and community economic development. This new programming built on ACOA's past successes and brought new resources and a clearer focus on innovation to the Agency's existing strategies, priorities and programs.

Social and economic forces both within and beyond the region's borders are stimulating the growth of new, knowledge-rich industries and catalyzing innovation in older, traditional ones. ACOA is working daily to make these trends pay dividends to the people, businesses and communities of Atlantic Canada.

**The Honourable Gerry Byrne**  
Minister of State  
Atlantic Canada Opportunities Agency



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# TABLE OF CONTENTS

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<b>Executive Summary</b>	i
<b>Introduction</b>	1
<b>Section 1 The Agency</b>	
Chapter 1 1998-2003 Context	2
<b>Section 2 ACOA at Work</b>	
Chapter 2 How ACOA Pursues its Mandate	8
Chapter 3 Atlantic Investment Partnership	12
Chapter 4 Policy, Advocacy and Co-ordination	14
Chapter 5 Entrepreneurship and Business Skills Development	22
Chapter 6 Innovation	28
Chapter 7 Community Economic Development	34
Chapter 8 Tourism	40
Chapter 9 Trade and Investment	48
Chapter 10 Access to Capital and Information	56
<b>Section 3 ACOA Perspectives</b>	
Chapter 11 Atlantic Economic Growth and ACOA's Impact	62
Chapter 12 Looking Ahead	68
<b>Section 4 Technical Appendix on Methodology and Approach</b>	70
<b>Acronyms and Abbreviations Used in the Report</b>	76





The Atlantic Canada Opportunities Agency (ACOA) was created in 1987 to co-ordinate and implement the Government of Canada's economic development initiatives in Atlantic Canada.

In fulfilling its mandate to increase opportunity for economic development in Atlantic Canada, the Agency continues to be guided by the principle that Atlantic Canadians should be encouraged to take greater responsibility for this development, with the federal government as a partner.

In the five-year period from 1998 to 2003, the Agency's programming grew and evolved in response to the Government of Canada's Jobs and Growth Agenda, which concentrates on improving Canada's economic performance through greater productivity, increased international competitiveness, and enhanced trade and foreign direct investment.

ACOA programming put increased emphasis on technology, innovation, and skills and learning. The development of small and medium-sized enterprises (SMEs) continued, with particular importance attached to opportunities for women, youth employment and rural development. Within Atlantic Canada, and within the Government of Canada, more attention was given to strategies and policies that enable the region to move beyond reliance on the traditional resource-based industries. This change culminated in the June 2000 announcement of the \$700-million Atlantic Investment Partnership (AIP), a mix of strategic investments and programs designed to strengthen the capacity of Atlantic Canadians to innovate and compete in the global knowledge-based economy.

The Agency continued to manage its activities through a framework of Strategic Priorities.

### IMPACTS BY STRATEGIC PRIORITY

#### Policy, Advocacy and Co-ordination

Over the past five years, Agency research directed by the policy function has focussed on maximization of benefits from innovation, research and development, as well as policy development on a wide range of sectors, including wood products, the oil and gas industry, aquaculture and other sectors.

Through its Advocacy priority, ACOA works to maximize regional industrial benefits from major federal procurement contracts and to ensure that national policies and programs have due regard for Atlantic Canada's interests. ACOA's industrial benefits activities have resulted in approximately \$500 million in federal procurement being undertaken in the Atlantic region.

In co-ordinating the federal economic development role among the various federal departments operating in Atlantic Canada, ACOA has strengthened formal working relationships with a number of departments including Fisheries and Oceans on aquaculture, the National Research Council on innovation, Indian and Northern Affairs on Aboriginal economic development and Transport Canada on transportation. Increasingly, government initiatives cross departmental lines. Indeed, the concept of ACOA as a "regional hub" is based on the Agency's capacity to deliver a wide range of federal initiatives in the Atlantic region. The Infrastructure Canada Program, for example, which invests in "green" municipal infrastructure (water and solid waste disposal systems), is administered by ACOA on behalf of the Government of Canada.

#### Entrepreneurship and Business Skills Development

Over the past five years, ACOA's approach to entrepreneurship has evolved. The historical emphasis on awareness and promotion is now complemented by a strong business skills development agenda. This maturing of ACOA's strategy is illustrated in the recent implementation of the \$59.6-million Entrepreneurship and Business Skills Development Partnership.

The Agency's interventions have made a difference in the survival rate of new entrants into the business sector. The five-year survival rate of ACOA-assisted firms is two-and-one-half times the survival rate of non-assisted firms. The pattern of survival is broadly similar across sectors, but small companies (with fewer than 20 workers) benefit more from ACOA assistance.





### **Innovation**

The region has a much lower rate of adoption of advanced technologies by manufacturing firms. Research has shown that the most widespread obstacle to introducing improved product and process technologies is the high cost of development. A lack of skilled personnel is also a major obstacle. ACOA has been very active in encouraging productivity improvement by addressing these obstacles.

ACOA's investment in innovation and skills training has resulted in significant growth in assisted firms as evidenced by the increase in highly skilled and better paying jobs. The Atlantic Innovation Fund is providing a major stimulus to the scope and pace of innovation in the region and reinforces the Agency's expanding role in building partnerships in innovation. It is noteworthy that productivity gains within the Atlantic manufacturing sector have exceeded the Canadian average over the past five years.

### **Community Economic Development**

Almost one-half of Atlantic Canada's population lives in rural areas, and developing the strength of these areas is an essential part of ACOA's economic development strategy. Approximately 65% of the loans under the Agency's Business Development Program (BDP) go to organizations outside metropolitan areas. This has occurred at a time when the chartered banks were closing 16% of their branch network in the region, with 45% of closures taking place in rural areas.

A recent evaluation concluded that the Community Business Development Corporations (CBDCs) are having a significant impact on job creation and maintenance in rural communities. Support for rural youth employment is provided through the Seed Capital ConneXion Program for Young Entrepreneurs, which makes about 80% of its loans in rural areas. Between 1998 and 2003, the program made over 2,100 loans totalling almost \$22 million.

### **Tourism**

ACOA's leadership has contributed to significant growth in tourism in the Atlantic region. Since 1994, the marketing efforts of the Atlantic Canada Tourism Partnership, comprising ACOA, the four provincial governments and four provincial industry associations, have resulted in an additional \$170 million of tourist expenditures. This marketing has produced a significant return on the expenditure of public funds - \$9.00 in tourist expenditures for every \$1.00 of media purchased.

The Atlantic tourism industry has made significant advancements in its adoption of Internet technologies and e-commerce as a result of ACOA's support of the Atlantic Canada Technology Initiative. As one example, 87% of the Atlantic region's tourism businesses were involved in business-to-consumer e-commerce in 2002, compared with 42% of the businesses in 1999.

### **Trade and Investment**

With fewer than 3% of Atlantic SMEs currently engaged in export activities, the Agency is giving particular priority to building the export base of businesses in the region through a variety of specific measures to enhance export experience and success.

Follow-up surveys indicate that close to 80% of BDP clients who became new exporters in 1998 and 1999 are still successfully exporting. In comparison, about one-half of new Canadian exporters continue to export over a three to four year period.

Since 1999, the trade missions sponsored by Team Canada Atlantic, a partnership of ACOA, the four provincial governments, the Department of Foreign Affairs and International Trade, and Agriculture and Agri-Food Canada, have produced short-term sales of approximately \$10 million and long-term sales projected at over \$150 million.

The Canada/Atlantic Provinces COOPERATION Agreement on International Business Development (IBDA) is a collaborative effort between the federal government and the Atlantic Provinces. Over 90 projects, involving close to 1,600 companies, were approved under IBDA from fiscal year 1998-1999 to 2002-2003. The latest survey has indicated that 22% have started exporting to new markets; 30% have increased their volume of exporting to current markets; and 28.5% have identified potential new markets.

### **Access to Capital and Information**

According to the Conference Board of Canada, "the SME debt market appears to be less developed in Atlantic Canada than in Canada as a whole. Indeed, there may be fewer suppliers, less breadth, fewer providers and few choices."

To fill this gap, the Agency's Business Development Program enables SME investments to proceed because the unsecured loans act much like equity, making the projects "bankable" and leveraging funds from other sources.



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According to a recent evaluation of the program, firms assisted through the BDP have experienced growth in employment four times that of unassisted firms. The growth in payrolls was more than six times that of unassisted firms.

ACF Equity Atlantic is a venture capital partnership between ACOA, the provincial governments and private sector lenders. It has leveraged its capital more than five times, investing in venture capital transactions worth over \$100 million to date. The portfolio companies now employ more than 400 knowledge workers.

The Canada Business Services Centres provide information to SMEs. A recent evaluation found that 85% of clients were either “Satisfied” or “Very Satisfied” with the services provided.

## **ATLANTIC INVESTMENT PARTNERSHIP**

The Atlantic Investment Partnership (AIP) serves to link regional and national priorities and to engage public and private sector stakeholders in a concerted effort to strengthen and sustain the region’s long-term prosperity.

There are four major investments under the AIP:

- 1) The Partnership for Innovation encourages an accelerated innovation agenda, including new research and development initiatives in support of bio-technology/genomics, information technology, e-commerce and marine technologies.
- 2) The Atlantic Trade and Investment Partnership funds initiatives to strengthen the export performance of Atlantic firms.
- 3) The Entrepreneurship and Business Skills Development Partnership addresses the technical and business skill human resource constraints of growing firms within the region.
- 4) The Strategic Community Investment Fund represents a targeted approach to building community capacity.

## **IMPACT ON ATLANTIC ECONOMIC GROWTH**

### **Overall Impact**

- As evidence of ACOA’s contribution to regional growth over the 1989-1999 period, payrolls – a close measure of earned income – grew nearly twice as fast in ACOA-assisted firms than in non-assisted firms.
- Over the five-year period, direct Agency support to business has produced over five dollars in Gross Domestic Product (GDP) gains for every dollar of ACOA expenditure.
- Total employment in the Atlantic region is over 20,000 higher in 2002 than it would have been without the total net employment gains (direct plus indirect and induced) resulting from Agency-direct support to small business.
- Over the five years from 1998 to 2002, Agency expenditures of about \$500 million in direct support to small business have produced tax revenues of over \$600 million.

### **Sector Impact**

- Export sales growth in the manufacturing sector resulted in nearly 15,000 additional jobs over the 1998-2002 period. Just over one-third of these jobs are attributable to firms receiving ACOA support.
- Significant growth in the tourism sector led to an additional 2,500 jobs in the accommodations sector over the 1997 to 2002 period. Approximately 25% of these jobs are attributable to ACOA-assisted firms.
- Exports in the aquaculture industry increased by almost 50% from 1997 to 2002. Almost 50% of the resulting gains in aquaculture employment are attributable to growth in ACOA-assisted firms.







Pursuant to Section 21(2) of the *Government Organization Act, Atlantic Canada, 1987*, the President of the Agency is required to submit to the Minister responsible for the Atlantic Canada Opportunities Agency (ACOA) a five-year Report to Parliament on the Agency's activities. The Minister is required to table the report in Parliament on any of the first fifteen days on which the House is sitting after the Minister receives it.

This report, covering the period of April 1, 1998 to March 31, 2003, is the third to be submitted since the Agency was established in June 1987.

The report is organized in four main sections.

## Section 1

**The Agency** sets out the government-wide context of federal policies and management initiatives surrounding the work of the Agency over the five-year period. This section also describes the way in which ACOA pursues its mandate in partnership with private and public sector stakeholders in the Atlantic region.

## Section 2

**The Agency at Work** describes the activities of the Agency in:

- Policy, Advocacy and Co-ordination
- Entrepreneurship and Business Skills Development
- Innovation
- Community Economic Development
- Tourism
- Trade and Investment
- Access to Capital and Information

## Section 3

**ACOA Perspectives** reviews the economic performance of the Atlantic region over the five-year period, including an analysis of ACOA's impact, and concludes with a forward-looking discussion of ACOA's challenges and vision for the Atlantic region.

## Section 4

**Methodology and Approach** is a technical appendix that provides greater detail on the logic model and measurement techniques used to determine results.



In the January 30, 2001 Speech from the Throne, the Government of Canada emphasized the importance of innovation and the generation of new knowledge in creating opportunity for Canadians. For its part, the federal government committed to doubling the current federal investment in research and development (R&D) by 2010, by strengthening the research capacity of Canadian universities, accelerating the commercialization of research discoveries and pursuing a global strategy for Canadian science and technology supported by more leading-edge collaborative international research.

*"This is a time of great potential for Atlantic Canada. The very nature of the new economy makes knowledge, skills and innovation - not geography - the keys to opportunity and prosperity."*

The Right Honourable Jean Chrétien,  
Prime Minister of Canada  
Halifax, Nova Scotia, June 29, 2000

The Atlantic Investment Partnership, announced in mid-2000 and launched in June 2001, represents a \$700-million economic development policy framework that serves to link the federal government's national priorities of innovation, growth and development with the Atlantic Canada Opportunities Agency's (ACOA's) regional priorities of innovation, community economic development, entrepreneurship and business skills development, and trade.

As the Government of Canada moved forward with its efforts to restore fiscal stability to the nation's finances – moving from a deficit of \$42 billion in 1993-1994 to a balanced budget in 1997-1998 – federal departments and agencies re-focussed their activities around strategic priorities and service delivery improvements.

During this period, the evolution of ACOA's policies and programs have responded to:

- the overall economic policy agenda of the federal government;
- the partnership themes of the Industry Portfolio in which ACOA is a key player; and
- the government-wide priorities established for the management of departments and agencies.

## OPERATING ENVIRONMENT

### Position within the Government

ACOA operates within the Industry Portfolio, which includes 16 departments and agencies that report to Parliament through the Minister of Industry.

The foundation of the Portfolio approach is a commitment by its members to effective co-operation and partnerships, a concept that is central to how ACOA addresses the needs and opportunities of Atlantic Canadian small and medium-sized enterprises (SMEs).

### The Industry Portfolio

- Atlantic Canada Opportunities Agency
- Business Development Bank of Canada
- Canada Economic Development for Quebec Regions
- Canadian Space Agency
- Canadian Tourism Commission
- Competition Tribunal
- Copyright Board Canada
- Enterprise Cape Breton Corporation
- Industry Canada
- Infrastructure Canada
- National Research Council Canada
- Natural Sciences and Engineering Research Council of Canada
- Social Sciences and Humanities Research Council of Canada
- Standards Council of Canada
- Statistics Canada
- Western Economic Diversification Canada

## DEPARTMENTAL ORGANIZATION

### Activity Structure

ACOA's program is divided into two business lines: Development and Corporate Administration. The majority of ACOA's efforts toward the attainment of its objectives are accounted for under Development. The Corporate Administration business line isolates the administrative functions of the Agency from the direct program-related business of the organization.

### Organizational Structure

ACOA's Head Office is located in Moncton, New Brunswick. Head Office components are the President's Office, Policy and Programs, Finance and Corporate Services, Legal Services and Human Resources.



In each provincial capital in Atlantic Canada, regional Vice-Presidents are responsible for the delivery of ACOA programs. In Sydney, Nova Scotia, the Vice-President of Enterprise Cape Breton Corporation is responsible for delivering most of ACOA's programs in Cape Breton. Vice-Presidents are equipped with Ministerial-delegated authorities to approve most projects and proposals occurring within their regions.

Through its Ottawa office, ACOA advocates the interests of Atlantic Canadians in the development of national policies and programs, including the interests of the region's entrepreneurs related to federal procurement.

ACOA's legislation provided for the creation of an ACOA Advisory Board. This Board is composed of the President of ACOA, as Chair, and up to seven other members representing the four Atlantic provinces. Board members are appointed by the Governor in Council on the recommendation of the Minister responsible for ACOA.

The Board members are successful entrepreneurs or business professionals who have demonstrated their understanding of the unique challenges inherent in establishing and maintaining successful businesses within their respective provinces. In working closely with the President, they share advice and the benefit of their expertise on a diverse variety of issues and initiatives with which the Agency is involved.

Members of ACOA's Advisory Board hold office at the Minister's pleasure, for a term not exceeding three years. They may be re-appointed only for one additional term of three years.

The President of ACOA is also, ex officio, the President of Enterprise Cape Breton Corporation (ECBC), Chair of the Board and the Chief Executive Officer. ECBC is a Crown corporation established by legislation to promote and assist the financing and development of industry on Cape Breton Island and Mulgrave, to provide employment outside the coal-producing industry and to broaden the base of the economy of Cape Breton Island.

### **Accountability**

The Minister of Industry is responsible for ACOA. The Minister of State, ACOA, reports to the Minister of Industry. The President of ACOA is responsible for the Development and Corporate Administration business lines and reports to the Minister of Industry and the Minister of State.

## FEDERAL ECONOMIC PRIORITIES

### 1998-2000 The Jobs and Growth Agenda

As the 20<sup>th</sup> century drew to a close, the federal Jobs and Growth Agenda concentrated on improving Canada's economic performance through greater productivity, increased international competitiveness, enhanced trade and foreign direct investment. The underpinning of the Agenda was increasing emphasis on technology, innovation, skills and learning.

*"Stimulating job creation and economic growth has been, remains, and will continue to be a major objective of the Government of Canada."*

Speech from the Throne - First Session of the Thirty-sixth Parliament of Canada  
September 23, 1997

From an employment perspective, the development of small and medium-sized enterprises (SMEs) continued as a priority, with particular importance attached to opportunities for youth employment and rural development.

The federal Jobs and Growth initiatives included:

- The Canadian Rural Partnership initiative announced in the federal budget of 1998, with a view to bringing government-wide resources to improve opportunities in rural communities;
- The National Action Plan on Skills and Knowledge for the 21<sup>st</sup> Century, announced in the 1999 Speech from the Throne;
- The launch of Investment Team Canada, announced in the 1999 Speech from the Throne, as an initiative to increase foreign direct investment in Canada;
- The Knowledge and Innovation Initiatives, announced in the federal budgets of 1999 and 2000, augmenting the role and resources of the Canada Foundation for Innovation (CFI), the Technology Partnerships Canada (TPC) program and the Networks of Centres of Excellence programs;
- The continuation of the Trade Team Canada initiative with the private sector and provincial governments, led by the Prime Minister; and
- The re-institution of the Canada Works Infrastructure Program announced in the 2000 federal budget and directed to strategic investments in physical infrastructure.

Consistent with the priorities of the Jobs and Growth Agenda, the Agency continued to focus and refine its program activities in support of SMEs in Atlantic Canada. These activities have centred on access to capital and information, entrepreneurship and business skills development, innovation and technology, and tourism and trade.

The Agency also increased its efforts to strengthen community economic development, especially in rural areas, in association with the Community Business Development Corporations (CBDCs), and to expand its partnership roles with the private sector, academic and research institutions and provincial governments, particularly in the areas of innovation and research.

As part of its mandated role in policy research and advocacy, the Agency was actively engaged in the discussion and debate concerning the economic future of the region.

Within Atlantic Canada, and within the Government of Canada, attention was increasingly given to strategies and policies to enable the region to move beyond reliance on the traditional resource-based economy and to position itself to enhance income and employment growth in the knowledge-based global economy. Accordingly, public discussion included consideration of ways in which the region could more fully participate in national policies in support of innovation and research.

This debate was evidenced in the Atlantic Vision Conference held in Moncton in the fall of 1997, in the document *Catching Tomorrow's Wave*, and in the work of research institutes in the region such as the Atlantic Provinces Economic Council. From a Government of Canada perspective, this debate culminated in the announcement of the Atlantic Investment Partnership.

*"There is a growing consensus in Atlantic Canada that a new approach to economic development is needed. An approach based on innovation, trade and investment, entrepreneurship and community economic development."*

The Right Honourable Jean Chrétien,  
Prime Minister of Canada.

Address concerning the Atlantic Investment Partnership  
Halifax, June 29, 2000

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## 2000-2003 ACOA and the Atlantic Investment Partnership

The Atlantic Investment Partnership (AIP) represents a \$700-million economic development policy framework that serves to link regional and national priorities and to engage public and private sector stakeholders in a concerted effort to strengthen and sustain the region's long-term prosperity.

Building on ACOA's mandate to enhance the growth of earned incomes and employment opportunities, the AIP has been designed to increase the region's competitiveness and productivity in the knowledge-based global economy.

A series of dynamic partnerships make up the AIP, combining the resources of the federal government with those of the research community, the private sector and the myriad of communities across Atlantic Canada:

- **Partnership for Innovation** – an investment of \$300 million in the region's innovation infrastructure.
- **Partnership for Trade and Investment** – to encourage increased exports from the region and to increase foreign direct investment in Atlantic Canada.
- **Partnership for Entrepreneurship and Business Skills Development** – encourages and assists SMEs to upgrade their business and technological skills to meet the demands of the national and international marketplace.
- **Partnership for Community Economic Development** – an investment of \$135 million in support of community-based projects that strengthen economic capacity and create new opportunities for investment and job creation.

The AIP is described in more detail in Chapter 3.

## THE MANAGEMENT PRIORITIES

As a federal agency, ACOA operates within the context of federal government policies and guidelines concerning the management of services to the public and the accountability of departments and agencies to Parliament for expenditures and performance.

## IMPROVED REPORTING TO PARLIAMENT/RESULTS FOR CANADIANS

In June 1997, Treasury Board was designated as the Government of Canada's management board. As such, the Board assumed an enhanced role as a catalyst for management change and improved governance. Results for Canadians: A Management Framework for the Government of Canada provides a coherent framework for management in all government departments and agencies; defines the government's management commitments; describes how the government's management board, and departments and agencies must work together to modernize government management practices; and sets out a clear agenda for change.

The Improved Reporting to Parliament Project involved ACOA as one of 18 departments providing the first set of Departmental Performance Reports to Parliament in the fall of 1997.

This is part of a broader initiative led by the Treasury Board of Canada to increase the results orientation and transparency of information provided to Parliament, known as "Getting Government Right."

In the period 1998-2003, as part of the Estimates presented to Parliament, the President of the Treasury Board of Canada, on behalf of the Minister responsible for ACOA, has tabled annual reports on ACOA's Plans and Priorities as well as the Departmental Performance Reports<sup>1</sup>. These reports are subject to scrutiny by the Auditor General of Canada and reviewed by the Standing Committee on Industry, Science and Technology. ACOA has made reporting, accountability, transparency and protecting the public interest the cornerstones of its results-based management approach to program planning, implementation, monitoring, audit and evaluation.

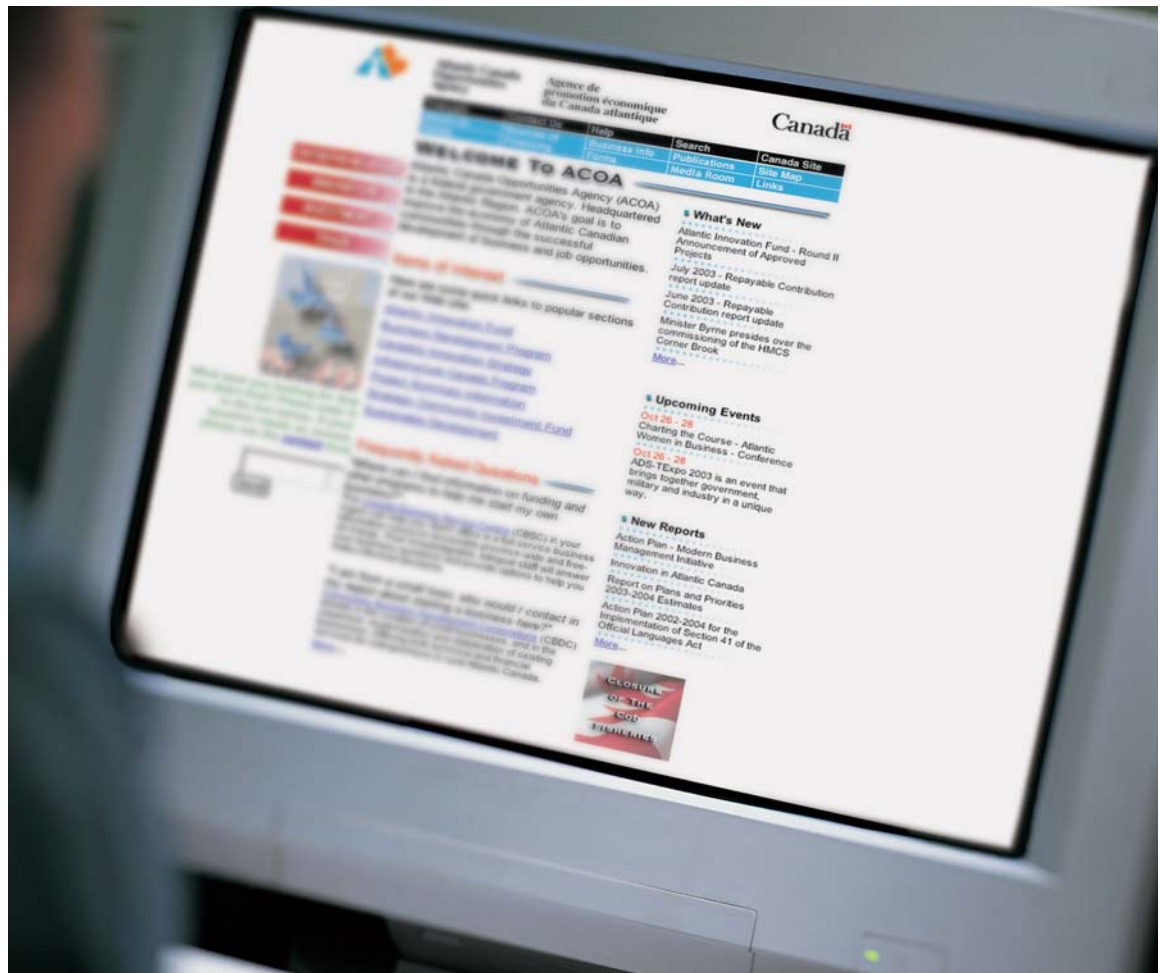
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*The Agency was awarded the inaugural Canadian Comprehensive Auditing Foundation - Treasury Board of Canada Award in 2001 for excellence in public performance reporting.*

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<sup>1</sup> The documents can be found on ACOA's Web site at: <http://www.acoa-apeca.gc.ca/e/library/parliament.shtml>.





### Modern Comptrollership

As part of the Government of Canada's Modern Comptrollership agenda, ACOA commenced implementation of its Modern Business Management Initiative in 2001-2002. A management capacity assessment was completed and used to identify 10 priority areas where special efforts will be made over three years to improve management capacity. The next assessment will be conducted in fiscal year 2004-2005.

### Government On-Line

The Speech from the Throne on October 12, 1999 committed the Government of Canada, through its departments and agencies, to be the most connected country in the world. It established the goal of providing all services on-line via the Internet by 2004.

In the period 1998-2003, ACOA further developed the content and accessibility of its Web site as well as the electronic availability of its services to clients. The Agency

is now re-engineering business processes with a view to improving service to clients, including project-related transactions using data encryption and electronic signatures<sup>2</sup>.

### Sustainable Development Strategy

All federal departments and agencies are required to manage their operations consistent with the objectives and practices of sustainable development. Over the 1998-2003 period, the Government of Canada strengthened the management framework for sustainable development with the provision of guidelines for departmental and agency decision-making. In addition, a Commissioner for Sustainable Development was appointed to provide government-wide oversight on the implementation of the strategy and a variety of initiatives were introduced to promote environmental technologies and best practices.

<sup>2</sup> More information on Government On-Line (GOL) can be found on ACOA's Web site at: <http://www.acoa-apeca.gc.ca/e/about/gol.shtml>.



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ACOA's Sustainable Development Strategy, first tabled in Parliament on December 10, 1997, was updated on February 14, 2001. The strategy outlines ACOA's goals, objectives and actions to improve sustainable development in Atlantic Canada and explains how the Agency integrates sustainable development into its policies and programs. More information on ACOA's Sustainable Development Strategy can be found on ACOA's Web site at <http://www.acoa-apeca.gc.ca/e/sustain/strat.shtml>.

**Official Languages Act - Section 41**

Beyond the ongoing requirement to provide service to the public consistent with the provisions of the Official Languages Act (OLA), ACOA also plays an active role in the implementation of Section 41 of the OLA, which deals with

the economic development of Francophone communities. The Agency played an important supporting role in co-ordinating economic activities related to the international *Sommet de la Francophonie* held in Moncton, New Brunswick, in 1999. ACOA collaborated with other federal departments in the region in support of economic development activities for the Francophone communities throughout the Atlantic region. ACOA's support of the French linguistic minority community is evidenced by its continued, active participation on the National Committee for Canadian Francophonie Human Resources Development. ACOA is currently preparing activities to support the World Acadian Congress scheduled to be held in Nova Scotia in 2004.



## HOW ACOA PURSUES ITS MANDATE

### THE ACOA MANDATE

The Agency derives its mandate from the *Government Organization Act, Atlantic Canada, 1987*. The Act provides ACOA with a broad mandate for economic development in Atlantic Canada.

ACOA's mandate is to increase opportunity for economic development in Atlantic Canada and, more particularly, to enhance the growth of earned incomes and employment in that region.

The Agency undertakes a variety of policy, advocacy and co-ordination activities with respect to the broader mandate for economic development. These federal activities are undertaken in the region in partnership with other stakeholders in order to enhance the capacity and climate for growth and development in Atlantic Canada.

The ACOA legislation directs that the Agency give particular emphasis to the development of small and medium-sized enterprises (SMEs). Accordingly, ACOA seeks to ensure that the relevant business development tools and resources are available to serve the needs of the region's existing and emerging entrepreneurs.

### ACOA'S STRATEGIC PRIORITIES

The Agency manages its activities through a framework of strategic priorities that reflect:

- the results of policy research and analysis;
- periodic review of the effectiveness of Agency programs;
- ongoing dialogue with other stakeholders in the region; and
- the priorities and directions of the Government of Canada and of the Industry Portfolio.

ACOA's strategic priorities are discussed in detail in Chapters 4 through 10.

#### ACOA's Partners

- Aboriginal Communities
- The Business Sector
- Research Institutes
- Provincial Governments
- Municipalities
- Universities and Colleges
- Community-based Economic Development Organizations and Voluntary Groups
- Other Federal Government Departments

### PARTNERS

In pursuit of its mandate, ACOA works in partnership with the people of Atlantic Canada toward the long-term development of the region. The Agency is committed to helping Atlantic Canada strengthen its own capacity for economic development, recognizing that the government's role is as a catalyst in economic development more than as the engine of economic growth. Accordingly, ACOA attaches the highest importance to developing and collaborating with other stakeholders in the region as partners in growth. Virtually all of ACOA's developmental work involves partnerships.

The Minister of State for ACOA and staff are committed to an ongoing dialogue with leaders in the public and private sector through formal and informal meetings, information exchanges, and co-operation on specific initiatives to advance the region's agenda for economic development.

ACOA works closely with business leaders and associations in a variety of economic sectors. For example, in tourism, the Agency leads broad-based initiatives with the industry through the Atlantic Canada Tourism Partnership, Best Practices Missions and the Atlantic Canada Technology Initiative. The Agency also focusses on specific developmental priorities such as external trade, notably through the work of the Team Canada Atlantic missions. The Agency draws widely on private sector advice and expertise through the ACOA Advisory Board, the Board of the Atlantic Innovation Fund and private sector groups.

ACOA partners with a variety of boards, agencies and commissions, particularly in rural areas. These partnerships aim to advance the community agenda for economic development and to implement specific initiatives to build developmental capacity within the community. For example, the Agency works with the volunteer boards of the Community Business Development Corporations and with local Chambers of Commerce and Boards of Trade.

ACOA is also in partnership with Aboriginal communities throughout the region to increase economic opportunity for Aboriginal peoples. For example, in New Brunswick, the Joint Economic Development Initiative represents an ongoing partnership between Aboriginal peoples and a variety of public and private sector stakeholders working on specific developmental opportunities in areas such as training and employment.



In partnership with universities and research institutes, the Agency plays a leadership role in developing the regional agenda for innovation. ACOA partners with Atlantic universities with respect to their regional participation in the national programs of the Canada Foundation for Innovation, the National Research Council, the National Sciences and Engineering Research Council and Genome Canada and, more generally, to enhance Atlantic Canada's involvement in Canada's Innovation Strategy.

In partnering with provincial governments and municipalities, ACOA undertakes an active role in program delivery with respect to the federal government's infrastructure programs in Atlantic Canada.

With other federal government departments, ACOA initiates partnership arrangements through Federal Councils in each of the Atlantic provinces. The Councils are chaired by ACOA's regional Vice-Presidents and bring together senior officials of federal departments and agencies to improve the delivery of services and co-ordination of federal activities, particularly with provincial governments. The Councils work jointly with stakeholders in key areas such as official languages, human resource management, Government On-Line and regional economic development. The Councils also provide regional input to the management of the federal government's operations and plans.

ACOA also partners with other members of the Industry Portfolio, such as the Business Development Bank of

Canada and the Canadian Space Agency. As well, ACOA has close working relationships with other federal departments, such as Natural Resources Canada, Fisheries and Oceans Canada, Canadian Heritage, Human Resources Development Canada, and Transport Canada, where the region has strategic developmental interests.

## RESOURCES

Agency spending over the five-year period was \$1.6 billion, which includes \$85.0 million on the Infrastructure Canada and Canada Infrastructure Works Programs and \$41.7 million on statutory transfer payments<sup>3</sup>.

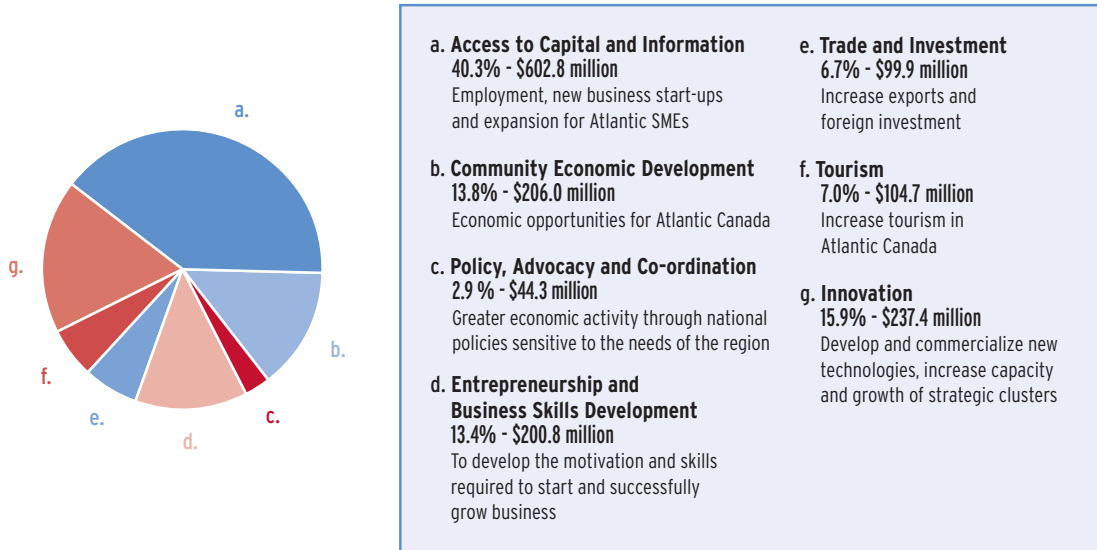
**Figure 1** represents the distribution of expenditures among the Agency's strategic priority areas (includes \$85.1 million for Corporate Administration, but excludes the Infrastructure Canada Program, the Canada Infrastructure Works Program and statutory payment amount).

Projects and their associated expenditures are ascribed to a single strategic priority. However, it is clear that the Agency has a number of mutually reinforcing strategic priorities. For example, Access to Capital and Information takes place throughout the region and could be represented within Community Economic Development.

<sup>3</sup> Statutory payments include liabilities under the *Small Business Loans Act*, the *Canada Small Business Financing Act* and liabilities for loan or credit pursuant to the *Government Organization Act, Atlantic Canada, 1987*

Figure 1

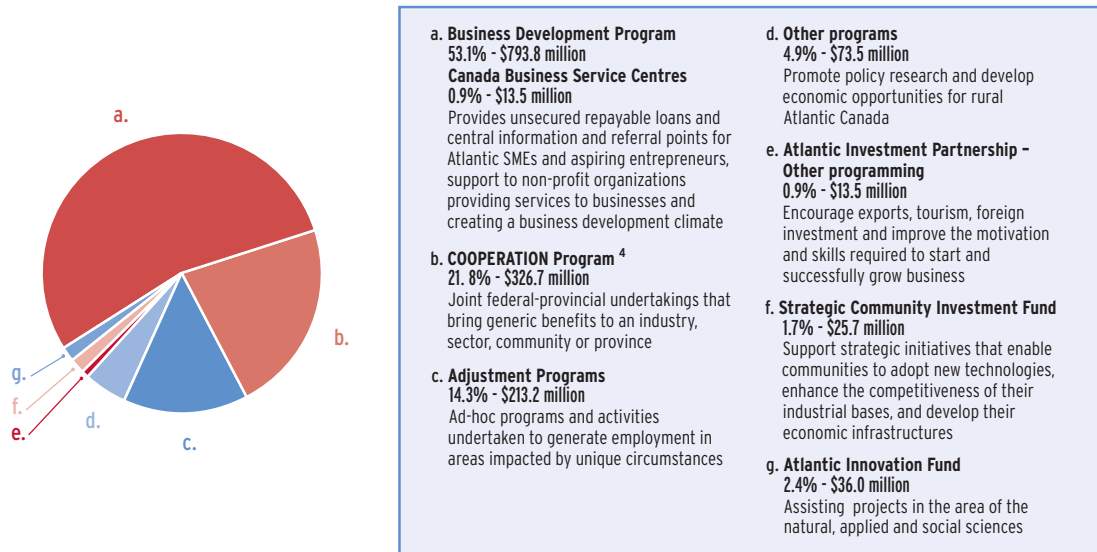
**Expenditures by Strategic Priority – Fiscal Years 1998-1999 to 2002-2003**  
**Total Agency \$1.5 billion**



Source: ACOA's Corporate System

Figure 2

**Expenditures by Program – Fiscal Years 1998-1999 to 2002-2003**  
**Total Agency \$1.5 billion**



Source: ACOA's Corporate System

Figure 2 represents the distribution of expenditures among the Agency's programs (includes \$85.1 million for Corporate Administration, but excludes the Infrastructure

Canada Program, the Canada Infrastructure Works Program and statutory payment amount).

<sup>4</sup> Bilateral economic development agreements expired during the period covered by this report and have not been renewed.

## REPAYABILITY

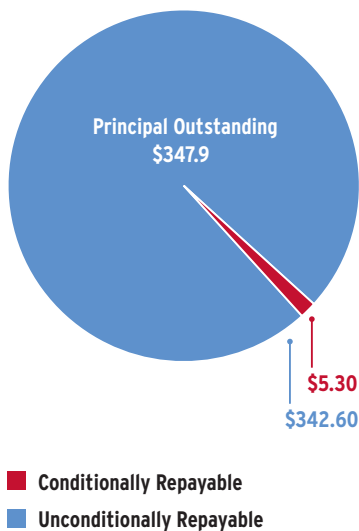
Among its many activities, ACOA makes non-interest bearing repayable investments in SMEs to help them start up, expand, improve productivity, develop new markets and the like. The repayability provisions introduced under ACOA's Business Development Program (BDP) in 1995 resulted in a larger portion of assistance being repayable and a corresponding growth in a loan portfolio that must be effectively managed.

To further stimulate investment in priority areas, a move toward conditionally repayable contributions was approved in August 1996. This type of funding promotes a shared risk between ACOA and a client where terms of repayability are dependent on success criteria being met. Conditional repayability now applies to projects involving innovation and /or the acquisition of leading-edge technology, projects for market and trade development, as well as projects for skills development.

As of March 31, 2003, the principal outstanding on the entire repayable portfolio was \$347.9 million, which includes \$5.3 million from conditionally repayable accounts as shown in **Figure 3**. Conditionally repayable accounts are monitored and reviewed on a regular basis and, as conditions are met, amounts are deemed due and added to the repayable portfolio.

Figure 3

### Repayable Contributions Portfolio as of March 31, 2003 (\$ million)



Source: ACOA's Corporate System

Amounts collected from repayable contributions are available to ACOA in subsequent years for re-investment. The total amount collected during the five-year period was \$213.6 million as shown in **Figure 4**.

ACOA's mandate is to fill financing gaps in high-risk areas

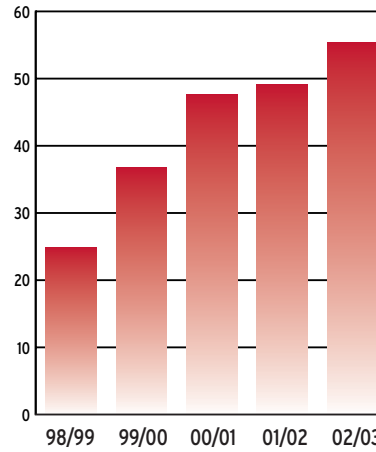
where commercial lenders have a tendency not to participate. The Agency fully expects to be repaid with each loan it makes. However, business is inherently risky and unlike conventional lenders, ACOA does not take

security. Inevitably, some projects will not succeed and loans will not be repaid. In those instances, the outstanding repayable amount is written off.

**Figure 5** shows recent amounts written off, based on the write-off decision date (as opposed to the year in which the loan was made) and as reported in the Public Accounts of Canada. ACOA contributions are interest-free unless the repayment agreement is defaulted, at which time interest is charged.

Figure 4

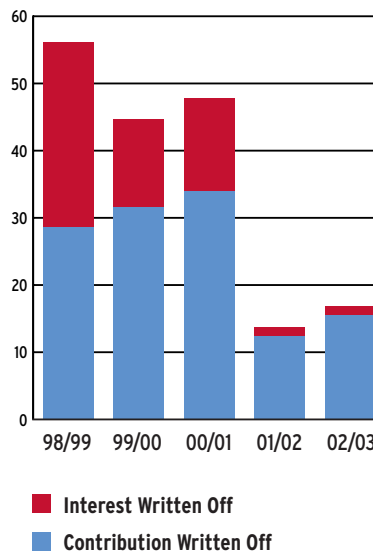
### Repayments (\$ million)



Source: ACOA's Corporate System

Figure 5

### Write-offs Reported in Public Accounts (\$ million)



Source: ACOA's Corporate System

## OVERVIEW

On June 29, 2000, the Prime Minister of Canada and the four federal Ministers from Atlantic Canada, announced the \$700-million Atlantic Investment Partnership (AIP). This five-year, federal initiative features a mix of strategic investments and programs designed to strengthen the capacity of Atlantic Canadians to innovate and compete in the global, knowledge-based economy.

The AIP takes a balanced and comprehensive approach, placing priority on developing innovation and technology, increasing trade and investment, enhancing entrepreneurship and business skills development, and promoting rural and community economic development. The AIP is a pan-Atlantic initiative and encourages partnerships between key stakeholders, including different levels of government, communities, businesses, universities, colleges and research institutes. While ACOA is delivering most of the elements of the AIP, the National Research Council plays a role by building on its network of research centres in Atlantic Canada.

There are four major components under the AIP<sup>5</sup>.

## PARTNERSHIP FOR INNOVATION

### Atlantic Innovation Fund

The Atlantic Innovation Fund (AIF) is making strategic investments in leading-edge research and development (R&D) initiatives that directly contribute to the development of technology-based economic activity. The AIF is funded at \$300 million over five years, beginning in the 2001-2002 fiscal year.

The objectives of the AIF are to increase activity in, and to build capacity for, innovation and R&D; to increase the capacity for commercialization of R&D output; to maximize benefits from national R&D programs; and to strengthen the region's innovation capacity by supporting R&D and commercialization partnerships and alliances.

The AIF entertains proposals from commercial and non-commercial entities such as universities, colleges, other post-secondary educational institutions, business associations, research institutions and private firms.

Project proponents are encouraged to lever financing from other sources including national programs such as the Canada Foundation for Innovation, Technology Partnerships Canada, national granting councils, and the National Research Council's Industrial Research Assistance Program. However, the AIF is not an automatic top-up for national programs.

A 10-member Advisory Board has been appointed to make recommendations on all AIF project proposals to the Ministers, who select projects for funding.

As of March 31, 2003, two calls for proposals had been issued under the AIF. Round I received 195 proposals (75 commercial and 120 non-commercial), valued at \$1.5 billion and seeking total funding of \$810 million. Funding was approved for 47 projects, totalling \$155 million.

Round II received 174 proposals (80 commercial and 94 non-commercial) requesting \$545 million in AIF funding toward total project costs of \$1 billion. Projects from Round II were being evaluated on March 31, 2003.

Anticipated leveraging is approximately \$185 million from universities and other research institutions (\$33 million), national programs (\$57 million), provincial governments (\$5 million) and private sector (\$90 million).

### National Research Council

The Partnership for Innovation element of the AIP also involves an investment by the National Research Council (NRC) of \$110 million over five years to expand and strengthen its network of research centres in Atlantic Canada. While these NRC centres have national mandates, they focus on specific areas of technology that represent economic development and investment opportunities in the Atlantic region.

As of March 31, 2003, NRC has confirmed specific investments in E-Commerce Institutes in Fredericton, Moncton, Saint John and Miramichi (interlinked by a high-speed broadband network); the Information Technology Research Group in Cape Breton; the Institute for Marine Biosciences and Institute for Biodiagnostics in Halifax; and the Institute for Marine Dynamics in St. John's. NRC is also studying a bio-resource facility in Charlottetown.

<sup>5</sup> A list of approved AIP projects can be found on ACOA's Web site at: <http://www.acoa-apeca.gc.ca/publicationE/5year/1998-2003/index.shtml>.

These investments are considered important elements of the innovation infrastructure and are needed to support growth in leading-edge technology clusters. They are designed to forge linkages among key players and to help attract investments in new technology and research opportunities. The investments will assist in the retention of highly skilled workers and foster the growth of globally competitive companies in Atlantic Canada.



## ATLANTIC TRADE AND INVESTMENT PARTNERSHIP

The \$64-million Atlantic Trade and Investment Partnership (ATIP) is designed to strengthen the export performance of the Atlantic region by enhancing the capabilities of SMEs to initiate and expand export activity and attract increased foreign direct investment in Atlantic Canada. ATIP has six key elements:

- Team Canada Atlantic Missions;
- Sector Export Strategies;
- Trade Education and Skills Development;
- Export Internship for Trade Graduates;
- Atlantic Investment Strategy; and
- Tourism Development.

Since its announcement in May 2002, ATIP has approved \$9.2 million in assistance toward 132 projects. ACOA's investment has levered an additional \$3.2 million in assistance from other partners, resulting in a total investment of over \$12.4 million.

## ENTREPRENEURSHIP AND BUSINESS SKILLS DEVELOPMENT PARTNERSHIP

The \$59.6-million Entrepreneurship and Business Skills Development Partnership is designed to increase the number of Atlantic Canadians choosing to start a business and to improve the ability of existing businesses to compete and grow successfully. It has three key elements:

- Innovation Skills Development Initiative;
- Women in Business Initiative; and
- Young Entrepreneur Development Initiative.

From its announcement in October 2002 to March 31, 2003, the Entrepreneurship and Business Skills Development Partnership has approved over \$9 million in assistance toward 125 projects. ACOA's investment has levered an additional \$4 million in assistance from other partners, resulting in a total investment of over \$13 million.

## STRATEGIC COMMUNITY INVESTMENT FUND

The Strategic Community Investment Fund (SCIF) is a \$135-million program designed to support strategic initiatives that will help communities strengthen their economic base.

The SCIF focus is on rural communities, and on initiatives that help communities adopt new technologies, improve their industrial competitiveness, and develop selective infrastructure identified as being beneficial to their economic development.

SCIF is designed to engage proponents such as community leaders, regional development organizations and Boards of Trade to engage in discussions and develop applications for the program. Eligible recipients include non-commercial/not-for-profit organizations such as municipalities, business or technology institutes, industry associations, economic development associations, universities, educational institutions, local co-operatives or other business entities.

As of March 31, 2003, 134 projects had been approved involving \$49 million in ACOA contributions toward total project costs of \$125.3 million. An additional 196 proposals were under review at that time.

## OVERVIEW

The policy function centres on how ACOA makes decisions. It can perform its role by means of discrete research, ongoing analyses of issues and trends, and through events such as roundtables and conferences that engage other parties and stakeholders. ACOA undertakes research itself, but also funds research undertaken by partners in Atlantic Canada's universities or consulting community. ACOA's Atlantic Policy Research Initiative is a pan-Atlantic program with funds specifically designated to sponsor external policy work. Policy projects are also funded by the Business Development Program.

Advocacy has two main thrusts: to maximize regional industrial benefits from major federal procurement contracts, and to help ensure that national policies and programs have due regard for Atlantic Canada's interests.

Co-ordination is multi-faceted. Typically, it centres on co-ordination of the federal economic development role among the various federal departments operating in Atlantic Canada. Co-ordination of federal and provincial activities is pursued on a pan-Atlantic basis where there is sufficient community of interest on an issue, or on a bilateral basis, province by province. ACOA plays a leading role in the Regional Councils of Senior Federal Officials in each province.

## THE ATLANTIC POLICY RESEARCH INITIATIVE

The Atlantic Policy Research Initiative (APRI) is a multi-year program designed to fund policy research that enhances understanding of the Atlantic economy and how it is evolving.

The types of research sponsored under APRI usually target aspects of the Atlantic economic system that are topical and strategically focussed. The purpose of APRI is to support and enhance the capacity of ACOA to co-ordinate and plan region-wide federal activities that contribute to economic growth. It also builds policy research capacity within Atlantic Canada by developing networks of policy stakeholders, and supporting projects that have a region-wide applicability.

APRI involves partners in a network that includes universities, independent public policy research institutes, other government departments, business associations, the consulting community, and other private sector firms. Partners can reside within Atlantic Canada or outside the region, but must have

expertise and experience that is relevant to the region.

Research sponsored by APRI and other means since 1998 has covered an array of topics directly relevant to ACOA's mandate. A partial list of research publications can be found on ACOA's Web site at:

<http://www.acoa-apeca.gc.ca/publicationE/5year/1998-2003/apri.shtml>.

These studies reflect an emphasis on the strategic priorities of ACOA, emerging practices in regional development, and development issues in key economic sectors. Some studies involved co-sponsors such as Canada Economic Development for Quebec Regions (CED-Q) and the Policy Research Institute. The following case studies illustrate the breadth and scope of the policy research and analysis activities in ACOA.

### Peripheral Regions' Case Study

Subtitled *The Spatial Dynamics of the Canadian Economy and the Future of Non-Metropolitan Regions in Quebec and the Atlantic Provinces*, this study originated at CED-Q and ACOA took the opportunity to co-sponsor the research and extend it to the Atlantic region. The researchers were based in both Moncton and Montreal. The study draws attention to differences in the rates of development in those parts of eastern Canada that are closer to, or more remote from, major urban centres, and how these rates are diverging.

The research revealed that people are concentrating more and more often in and around major urban centres, a finding since confirmed by the 2001 Census. Further, although information technology had been seen as a liberating force in remote regions (by bringing them closer to markets), it has in fact concentrated associated employment in urban areas. In effect, from a rural point of view, lower communications costs are offset by an inability to generate a volume of business that leads to higher productivity. In other words, distance is not dead, and there is still an ongoing need for business managers to travel to meet clients.

In Atlantic Canada and for ACOA, this research could have the effect of changing the kinds of programming that are offered to remote as opposed to urban areas, or rural areas that are near urban centres. The research includes 17 background reports, as well as the results of a two-day workshop that included specialists from Scotland, Norway, Sweden and Finland.

### The Innovation Process Case Study

A series of research projects contributed significantly to understanding the processes of innovation in Atlantic





Canada and the particular challenges the region faces. Three projects that reported in 2000 were completed by the Maritime Provinces Higher Education Commission (MPHEC) and examined the state of R&D effort and intensity in Atlantic Canada's universities. Universities are important players in innovation and R&D in Canada, and although Atlantic post-secondary institutions rank highly in terms of faculty and students, they lag the rest of Canada in R&D activities. Findings from the MPHEC reports were important in designing the AIF.

Another seminal piece of research examined innovation and commercialization in the region. Based on extensive consultation with innovation stakeholders in the region, this study indicates that while Atlantic Canada boasts certain innovation-related strengths, particularly that of university-conducted R&D, increasing overall R&D in the region will require significantly greater private-sector investment and adoption of technology. The study also suggests that government capacity building and investment, increased applied research by universities and the development of a common vision for innovation by all stakeholders are all fundamental to improving Atlantic Canada's innovation performance.

This research series is closely tied to ACOA's strategic priority for innovation and, in particular, examines how research groups in Atlantic Canada can more successfully commercialize new products and processes.

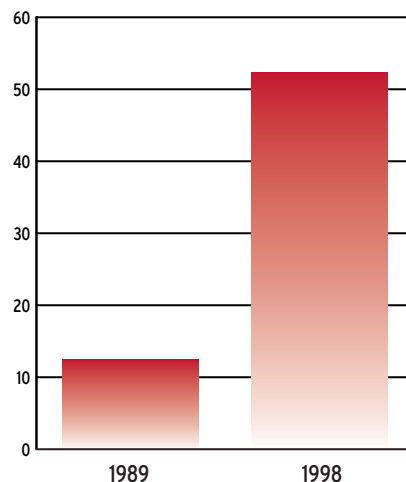
### Aquaculture Strategy Case Study

Since 1990, world production of farmed fish has doubled its share to more than one-quarter of total fish production. The growth of the aquaculture sector in Atlantic Canada

has been even more spectacular, increasing from a value of \$97 million in 1991 to \$276 million in 2000<sup>6</sup>. Salmon accounts for three-quarters of the value of production, and about one-half of the volume. Aquaculture's contributions to employment and gross domestic product (GDP) have also been significant.

ACOA has provided significant support to key industry needs such as financing, technology transfer, market development and training. Statistics Canada data indicate that the annual payrolls of ACOA-assisted operators increased by \$40 million over the 1993-1998 period, as seen in **Figure 6**.

Figure 6  
ACOA Clients - Aquaculture Payrolls (\$ million)



Source: Statistics Canada Employment Dynamics

<sup>6</sup> Fisheries and Oceans Canada.

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In addition to this support, ACOA initiated various studies into the constraints and opportunities associated with further development of the industry. One such study is the recent *Strategy for Aquaculture Development in Atlantic Canada*.

This study aimed to develop a strategic corporate approach for ACOA in support of aquaculture development in Atlantic Canada. Since its inception in 1987, the Agency has worked hard to develop strong partnerships with individual growers, industry associations, the aquaculture R&D community, and other government departments. The Agency has supported many individual producers and research initiatives, several provincial strategies, and a host of local, provincial, regional, national and international workshops and conferences. It was timely, therefore, to seek an integrated strategy to support the industry's significant growth potential and related opportunities and challenges.

ACOA's sector study for aquaculture development in Atlantic Canada addresses challenges in business development (such as global competition, shortage of working capital, and adding more value locally); in R&D and technology (such as capital for R&D, availability of qualified researchers, and lack of private investment); and in federal and provincial regulatory and policy areas (such as access to new sites, the cost of the leasing process, conflicts between aquaculture and other water users, and the need for an effective fish health program).

The ACOA strategy revolves around four primary axes: expanding cluster development; responding to urgent business needs; fostering diversification in species technologies and markets; and advocating better regulatory and support regimes. Action plans focussing on business development, R&D and innovation, and advocacy have been developed from the four main strategic elements. ACOA is committed to continue working closely with Atlantic Canada's aquaculture industry to implement its strategy.

#### **Skills Development in the Knowledge-Based Economy: A Conference of Partners Case Study**

ACOA organized this conference in collaboration with four partners in 1999. The partners were the Atlantic Provinces Economic Council, the Policy Research Secretariat, Industry Canada and Human Resources Development Canada. The conference brought together experts in the areas of skills development and the knowledge economy from across Canada, the United States and Europe.

It was designed to examine how well labour markets were responding to innovation and technology-based company demand for skills.

The conference reached several broad conclusions. First, the demand for highly skilled workers is increasing, as the application and acquisition of knowledge become the driving forces for new processes and businesses in industrialized economies. Second, the knowledge-based economy demands both technical and "soft" skills, with the latter encompassing such skills as communication, creativity, analytical thinking, adaptability and judgement. Third, Canada had no medium-term skills gap, although shortages could arise in the short-term in specific industries and regions. Fourth, the gap between "know" and "know-nots" is growing, presenting policy makers with a challenge to develop ways to expand the labour market activity of under-represented groups in the knowledge-based economy. Fifth, there is the threat of a wage gap in Atlantic Canada rather than a skills gap, with many Atlantic firms unable or unwilling to pay competitive compensation to obtain and retain skilled workers. Finally, life-long learning is a critical component to skills development.

A summary of the proceedings of this international conference has been published and is available on the ACOA Web site at [http://www.acoa-apeca.gc.ca/e/library/reports/skills\\_development.shtml](http://www.acoa-apeca.gc.ca/e/library/reports/skills_development.shtml).

#### **OECD's Territorial Development Policy Committee Case Study**

As a member of the Organisation for Economic Co-operation and Development (OECD), Canada participates in the OECD's Territorial Development Policy Committee (TDPC), which provides a forum for discussion by governments on the abilities of local and regional economies to adapt and exploit opportunities for development. The TDPC's approach focusses on reviewing member countries' territorial policies, evaluating their impact at the regional level and identifying trends and best practices.

Since the creation of the TDPC, Canada has been represented by one of the three regional development agencies (CED-Q, Western Economic Diversification and ACOA). The Canadian delegation is supported by an interdepartmental committee consisting of the three regional agencies and as many as 12 other departments and agencies, including central agencies.

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From 2000 to 2001, the TDPC conducted a national review of Canadian regional development policies. Since April 2002, ACOA has been the official Canadian delegate to the TDPC, representing Canadian interests and contributing to the TDPC's territorial policy development. In addition to the participation at the international committee, the regional agencies have been invited by the TDPC to participate in other countries' reviews as peer reviewers. ACOA was invited to participate in Switzerland's Territorial Review in 2001, while the other regional agencies participated in similar reviews in Italy, and the Denmark-Sweden Öresund project. ACOA's participation in this international forum gives it an excellent opportunity to study and assess development efforts in other parts of the world.

## ADVOCACY

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*Policy advocacy seeks to ensure that federal socio-economic policies and programs are inclusive, balanced, and beneficial to economic growth in the region.*

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An essential element of ACOA's mandate is the advocacy of Atlantic Canada's interests in national economic policy, program and project development and implementation. Advocacy is an Agency-wide undertaking led by the Minister of State. In developing, co-ordinating and managing a corporate advocacy agenda, the Agency works to ensure that national priorities respond to the needs of the region and that Atlantic-wide perspectives, views and positions form the policy considerations of other federal departments and national priorities.

ACOA focusses on two main advocacy areas: policy advocacy which seeks to ensure that federal socio-economic policies and programs are inclusive, balanced, and beneficial to economic growth in the region; and industrial regional benefits, which are structured to build capacity among Atlantic firms by maximizing opportunities for participating in government procurement through improved knowledge and access.

The principal focus of the advocacy function is to influence national decision-making processes, both proactively and reactively. This requires ensuring that decision makers

have up-to-date intelligence about the region's priorities, strengths and concerns. Advocacy ensures a two-way flow of information from and to the region, particularly on topics related to ongoing strategic priorities. At the same time, the Agency's advocacy function must be able to respond to new and emerging priorities and to make rapid and smooth transitions as issues arise. Recent examples of these new and emerging priorities include Aboriginal economic development, immigration, rural policy, aquaculture, oil and gas, and climate change, as well as several adjustment issues including softwood lumber and fisheries closures.

Over the five-year period 1998-2003, the industrial benefits activity undertaken by ACOA has resulted in approximately \$500 million of work being undertaken in Atlantic Canada. This includes work in support of projects such as the search and rescue helicopters, space development contracts, aerospace overhaul and repair, land vehicle refurbishment, and aerospace in-service support contracts. The activity is spread across the four provinces, and ACOA continues to work with prime contractors to identify opportunities and promote quality suppliers in Atlantic Canada.

ACOA works with other federal, provincial and municipal government departments to develop more formal working relationships on a wide variety of files, including transportation, aquaculture, innovation, Aboriginal business, oil and gas, trade and investment. ACOA works closely with departments such as Industry Canada, the National Research Council, Natural Resources Canada, Fisheries and Oceans Canada, and Canadian Heritage to identify opportunities for partnership and co-operation in specific areas of strategic interest to the region. In addition, ACOA has recently begun to develop linkages with Citizenship and Immigration Canada to address the demographic challenges in Atlantic Canada, given the link between immigration and economic development.

Advocacy involves both strategic and tactical approaches and decisions, requiring careful preparation, based on solid research, extensive networking and partnering with key stakeholders. Through its advocacy work, ACOA keeps the Minister and senior executives apprised of implications and impacts of government-wide priorities and activities. It also ensures that the Minister and internal and external stakeholders have the information they need to make appropriate and effective interventions, and that national policy priorities help build capacity in the region.



## CO-ORDINATION

ACOA plays a leadership role in ensuring co-ordination at the provincial level among the federal departments and agencies on policies, programs and government-wide activities through chairing the Regional Councils of Senior Federal Officials. These comprise the senior management personnel of all federal departments operating in Atlantic Canada.

ACOA has also established a federal-provincial Harmonization Committee to help co-ordinate the economic development activities of the Agency and provincial departments responsible for economic development and intergovernmental affairs. ACOA's President chairs the committee, with membership made up of Deputy Ministers from each province, ACOA's Vice-President of Policy and Programs, and the regional ACOA Vice-Presidents.

Topics discussed at Harmonization Committee vary widely and have included immigration to Atlantic Canada, the role of air services in regional development, innovation, infrastructure priorities, securities regulation reform and access to capital, and the evolution of federal-provincial relations.

## REGIONAL ACTIVITIES

The strategic priority of Policy, Advocacy and Co-ordination is a shared responsibility throughout the Agency, and each of the regional offices plays an important role in advancing the Agency's agenda. Following are selected profiles of regional activities undertaken in the 1998-2003 period.

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### **Voisey's Bay Nickel Development, Newfoundland and Labrador**

ACOA's regional office in Newfoundland and Labrador has been actively involved in the Voisey's Bay Nickel Development from many perspectives, including advocacy and co-ordination, supplier development, Aboriginal economic development, business opportunity identification and support for mining technology and innovation.

ACOA played an advocacy role in support of moving the project forward and co-ordinates the Federal Interdepartmental Co-ordinating Committee formed to monitor the implementation of the up to \$150-million federal contribution to support R&D, technology and Aboriginal training and skills development. Currently, ACOA is working with the provincial government, Inco (the private sector developer of Voisey's Bay) and other industry stakeholders in support of opportunity identification and supplier development initiatives.

Research completed and underway in support of the Voisey's Bay project includes the following studies: *E-Procurement and Supplier Development in the Mining Industry* (April 2002); *Voisey's Bay: Downstream Opportunities from Nickel Processing in Newfoundland and Labrador* (July 2002); and *Macroeconomic Impact of Major Projects* (March 2003).

By way of support to Aboriginal economic development, an Aboriginal Working Group has been formed with representation from Aboriginal Business Canada, ACOA, Indian and Northern Affairs Canada and Human Resources Development Canada. This on-the-ground working group, with dedicated resources in Happy Valley-Goose Bay, provides a co-ordinated effort for Aboriginal economic development initiatives related to the Voisey's Bay project. ACOA also supports an Innu Business Development Centre and, through the Business Development Program (BDP), contributed to the Aboriginal-Mining Joint Venture Workshop held in Labrador City, May 2002.

### **Public Sector Management Issues Forum in Nova Scotia**

The Public Sector Management Issues Forum, a key component of ACOA's policy and co-ordination outreach efforts in Nova Scotia, is held semi-annually as an opportunity for discussion and exchange on key issues facing public sector partners. The two sessions held to date have focussed on "The Role of Government in the Digital Economy", and the "Policy and Management Implications of our Changing Population." The next forum will concentrate on the "Urban Agenda in Nova Scotia."

*"This forum has helped broaden the policy network among the Nova Scotia academic community and senior federal and provincial managers."*

Dr. Herman Bakvis,  
Director of the Dalhousie School of Public Administration

This initiative is the result of a partnership between ACOA, the Dalhousie School of Public Administration, the Nova Scotia Federal Council, the Nova Scotia Office of Economic Development, and Nova Scotia's Department of Intergovernmental Affairs.

The Public Sector Management Issues Forum has led to:

- a broader understanding among participants of key management issues facing federal and provincial governments;
- an enhanced awareness in the academic community of the federal and provincial government agenda in Nova Scotia;
- the establishment of an informal policy network among senior federal and provincial managers and the Nova Scotia academic community;
- increased involvement by ACOA in the development and implementation of public policy in Nova Scotia;
- heightened awareness of ACOA as an economic development policy leader in Nova Scotia; and
- joint research conducted on energy issues across Nova Scotia in partnership with other government departments and the Nova Scotia Department of Energy.

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### **A Vision and a Plan for Bioresource Innovation on Prince Edward Island**

The AIP includes an investment of \$110 million by National Research Council (NRC) to upgrade its existing facilities and invest in new R&D institutes across the Atlantic region. In response, a stakeholder group consisting of private and public organizations within Prince Edward Island has engaged in discussions with NRC to pursue the establishment of a bioresource centre.

In support of this effort, ACOA's regional office in Prince Edward Island, together with the provincial government and NRC, embarked on a technology "road mapping" exercise to identify the critical components necessary for establishing a bioresource cluster in Prince Edward Island. After consideration of nearly 100 potential opportunity areas and detailed analysis of 10 selected areas of special interest, it was concluded that the Island's marine and agriculture industries could best serve as a foundation to build a knowledge-based cluster. It was also determined that the most appropriate research focus for a Prince Edward Island centre would be bioactive compounds.

A business plan and facility concept paper was released in September 2002, entitled *A Plan to Establish an Institute for Bioresource Innovation*. As proposed, the Institute for Bioresource Innovation would become the cornerstone of an Atlantic Canada bioresources cluster including a world-class facility to be located on the campus of the University of Prince Edward Island. The 2003 federal budget included provision of funding for NRC to establish this new regional innovation centre in Charlottetown.

### **Regional Economic Adjustment, Restigouche-Chaleur, New Brunswick**

In 2000-2001, Noranda announced the winding down of the operations of the Brunswick Mine over the next five to seven years. The Brunswick Mine is a major contributor to the economy of northeastern New Brunswick with a total GDP contribution of \$126.3 million annually, and direct and indirect jobs estimated to be over 3,400. The major effects of the closure of the mine will be felt in the Restigouche and Chaleur regions, which are experiencing

unemployment rates in the range of 20%. The Noranda Smelter in Belledune, which receives approximately 55% of raw materials from the mine, will also be subject to rationalization following the mine closure.

As a result of this announcement, ACOA, in partnership with other community economic development organizations in the region, initiated an in-depth analysis of the economic effects of the mine closure on the region to help SMEs prepare for changes resulting from the closure of the mine. Direct and indirect impacts of the closure were identified, together with an action plan targeting 60 affected companies in the Restigouche-Chaleur region. This plan will result in economic development officers working directly with the companies to carry out business diagnostics, business planning, mentoring and coaching. The aim is to help these companies refocus and diversify their operations toward new customers and markets.

### **ACOA as Regional Hub**

Increasingly, government initiatives cross departmental lines. The Agency has a key role in supporting the Government of Canada's horizontal policies and programs, including government-wide initiatives emerging from the federal Speech from the Throne and the federal budget process. The concept of ACOA as a "regional hub"

centres on the Agency's capacity to act as an agent for the delivery of a range of federal initiatives in the Atlantic region. It involves partnerships with other federal departments, provincial governments, municipalities, universities and the private sector. It entails operating at the level of policy initiatives as well as the delivery of programs and services on behalf of other departments and agencies.

Examples of program delivery on behalf of partners would be the federal infrastructure initiatives. These have been a feature of federal programming since the early 1990s, and have mostly related to improving municipal infrastructure with funding on a cost-shared basis. Under the agreements negotiated with each province, ACOA receives and evaluates proposals on behalf of the federal government. The current program includes initiatives to improve environmental quality through investments in "green" municipal infrastructure (water and solid waste disposal systems).

*"The Institute for Bioresource Innovation will become the cornerstone of an Atlantic Canada knowledge-based bioresources cluster."*

*From A Plan to Establish an Institute for Bioresource Innovation,  
University of Prince Edward Island,  
September 2002*

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As part of its regional hub role, ACOA has also initiated agreements and Memoranda of Understanding with other federal departments, some of which include funding provisions. An example is the \$10-million agreement with Canadian Heritage to co-ordinate the design and delivery

of a certain range of federal heritage initiatives in Atlantic Canada. Arrangements such as this enable ACOA to draw on the economic development aspects of other departments' mandates so as to mobilize and harness the federal government's efforts in Atlantic Canada more effectively.

## OVERVIEW

*A key means of achieving more employment and economic opportunity in Atlantic Canada is to ensure there are more entrepreneurs.*

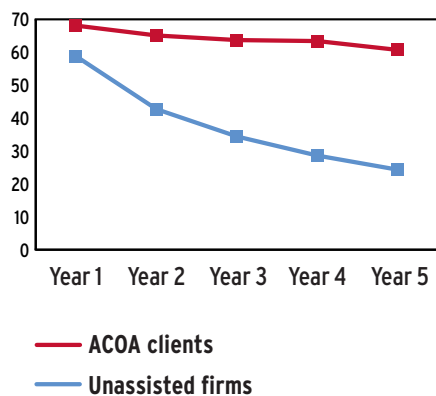
It is widely recognized that small and medium-sized enterprises (SMEs) are at the heart of the Atlantic economy. Yet the use of the technical term “SMEs” tends to mask that what we are really talking about are people who are entrepreneurs. These are the men and women, our neighbours, people in our communities, who start and grow businesses, creating employment for themselves and for others.

A key means of achieving more employment and economic opportunity in Atlantic Canada is to ensure there are more entrepreneurs. The Agency’s long-term focus on fostering more and better entrepreneurs is a deliberate strategy that recognizes that before there can be an exporter, before there can be an innovator, there must first be an entrepreneur.

This is why ACOA has made the growth of entrepreneurship and business skills development a strategic priority. The purpose is to provide Atlantic Canadians with increased opportunities to develop the motivation and business skills required to start and successfully grow their own businesses.

Figure 7

**Start-up Firm Survival Rates:  
All Industries  
Percentage of firms  
surviving in each year  
(Percentage)**



Source: Statistics Canada Employment Dynamics database

Start-up firm survival rates are shown in **Figure 7**. The five-year survival rate of ACOA-assisted firms is two and one-half times the survival rate of non-assisted firms.

The pattern of survival is broadly similar across sectors, but small companies (with fewer than 20 workers) benefit more from ACOA assistance.

ACOA’s approach is grounded in the knowledge that the right tools and business environment can facilitate the growth of entrepreneurship and business skills. Typically, people who pursue entrepreneurship have had formative experiences, role models and learning opportunities that fostered the motivation, attitudes and skills that led them to the creation of a business. It is these experiential opportunities to explore entrepreneurship and develop business skills that ACOA supports and encourages.

Historically, ACOA’s approach has emphasized raising the profile of entrepreneurship as a viable career alternative, particularly among young people. This includes working at all levels of the education system as well as undertaking a variety of awareness and promotion activities. The aim is to grow the pool of people who have the motivation to explore entrepreneurship.

Over the past five years, ACOA’s approach to entrepreneurship has evolved based on experience, research and client feedback. The historical emphasis on awareness and promotion is now complemented by a strong business skills development agenda. This evolution of ACOA’s strategy is illustrated in the recent implementation of the Entrepreneurship and Business Skills Development Partnership. This \$59.6-million component of the AIP is composed of the following three elements:

- The Innovation Skills Development Initiative (ISDI) will enable SMEs to undertake training or hire the skilled workers needed to flourish in the global, knowledge-based economy. It focusses on innovation, R&D, technology commercialization and the ability to adopt technologies.
- The Women in Business Initiative (WBI) is designed to improve the growth and competitiveness of women-owned businesses and increase their representation in Atlantic Canada’s emerging growth sectors. The WBI focusses on strengthening management capabilities and business development skills of women business owners, improving their access to capital and business





support services, and increasing the involvement of women-owned business in exports and knowledge-based industries.

- The Young Entrepreneur Development Initiative (YEDI) is designed to enable more young Atlantic Canadians to develop the attitudes and business skills needed to successfully launch and grow a business. Through YEDI, aspiring entrepreneurs will have new opportunities to translate their intentions into reality, and existing young entrepreneurs will be able to develop the business skills needed to survive and grow.

## **STRENGTHENING THE ENTREPRENEURIAL CULTURE IN ATLANTIC CANADA**

ACOA's investment in entrepreneurship development in Atlantic Canada gives particular emphasis to formative influences in education, to public awareness and understanding of entrepreneurship, and to specific and practical steps by small businesses to enhance the development of the business skills necessary for survival and growth. Following are some profiles of ACOA's investments in this strategic priority during the 1998-2003 period.

### **Entrepreneurship Education**

In order to nurture an entrepreneurial culture, it is important to expose young people to the idea of entrepreneurship at an early age, as they form their attitudes, develop skills and make career choices. This approach has led ACOA to a number of initiatives designed to offer students at all levels an exposure to entrepreneurship as a viable career option.

Through a number of projects with the Atlantic Provinces Education Foundation, which represents the four provincial departments of education, ACOA has invested in the development of entrepreneurship educational resources and related teacher training. The provincial departments of education estimated that approximately 250,000 students per year within the public school system in Atlantic Canada had the opportunity to be exposed to entrepreneurial values and concepts in the classroom. This represented over 60% of the total student population.

With the Agency's encouragement and support, the Atlantic Colleges Committee for Entrepreneurial Development Inc. (ACCED) was established to produce resources for instructors, foster professional development of entrepreneurship, and implement community entrepreneurship development initiatives through the colleges. As a result of ACCED's work, a total of 467 college instructors have been trained in the skills required to create an entrepreneurial learning environment.

*"ACCED values the close co-operation between the colleges and the various levels of government. Both instructors and students benefit by knowing more about entrepreneurship and how that translates into being more 'entrepreneurial' in the classroom."*

Annette St-Onge, Executive Director, ACCED

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## Increasing Awareness and Information

Research has shown that young Atlantic Canadians benefit from exposure to role models who help them to understand that they can create opportunities for themselves by starting a business. Young people will tend to take their cues from peers and their overall environment as they make up their own minds about what they perceive to be their life options.

With this in mind, ACOA has supported the development of two complementary initiatives to promote awareness of entrepreneurship through television productions. One series profiles young entrepreneurs from Atlantic Canada on the award-winning CBC television series *Street Cents*. The other involves production and televised broadcast on Radio-Canada of vignettes of young Atlantic Canadian Francophone entrepreneurs. In both cases, the Internet is used strategically to supplement television airtime.

Both of these initiatives have educational elements including visits to schools and colleges to promote entrepreneurship as a career choice and development of resources for use by teachers. Many thousands of young people from Atlantic Canada, their parents and their teachers, have now been exposed to positive and realistic messages about what it means and what it takes to be an entrepreneur.

It is encouraging to see how young Atlantic Canadians react to seeing their peers pursuing entrepreneurship. For example, the entrepreneurship segment of *Street Cents* is the most popular part of the show, always generating plenty of e-mails and feedback from young viewers. Considering that Atlantic Canadians make up more than 21% of the total national audience for *Street Cents*, the power of this sort of role modelling is evident and profiles young Atlantic Canadian entrepreneurs on a national stage.

For the *Street Cents* program, ACOA's partners included CBC Television (Atlantic), as the proponent, as well as Industry Canada's School Net, the Canadian Securities Commission, the Counselling Foundation of Canada and the Insurance Institute of Canada. For the Francophone

vignettes program, ACOA's partners were *le Centre Assomption de recherche et de développement en entrepreneuriat* at the *Université de Moncton*, HRDC and *TelVision Ltée*, a private sector production house.

## Youth Ventures

To build an entrepreneurial culture, it is necessary to go beyond merely creating awareness of it as a career option. Once that spark is ignited and an interest exists, it is important to provide opportunities to explore the start-up of a business in a practical and hands-on way. In other words, at some point, it is time to stop thinking about entrepreneurship and time to start doing.

The Youth Ventures Program is designed to promote entrepreneurial awareness among the young people of Newfoundland and Labrador and to build a stronger bridge between the education system and

the business world. The program, which is delivered by the Provincial Association of CBDCs, helps young people start a summer business by providing access to business counselling and business plan development. The concept for Youth Ventures was developed in St. Anthony, and since then, has been delivered at various sites throughout the province. Through the program, young people can either finance a business with their own funds or apply for a student business loan from the Business Development Bank of Canada.

Since 1998, the program has attracted on average 330 participants annually, resulting in approximately 220 student ventures each summer. During the 2002 venturing season, 460 individuals participated in the program, creating in excess of 300 summer-time student businesses.

The Youth Ventures Program was a partnership between ACOA and the Provincial Association of CBDCs, the Business Development Bank of Canada, Y-Enterprise Centre, Red Ochre Regional Economic Development Board, Nortip Inc., HYRON Regional Development Board, and the provincial departments of Education, and Industry, Trade and Rural Development.

*"Youth Ventures has helped me become more independant and taught me how to relate with the public."*

Roland Reid, Moose Design T-Shirts, Rocky Harbour, NL

*"The program can help you express yourself creatively through a business."*

Chelsea Howard, Dorset Spirit Stones, Baie Verte

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## I Want to be a Millionaire

To ensure as many young people as possible are able to recognize and successfully pursue business ideas, it is important to provide opportunities to learn about entrepreneurship in a fun and supportive environment. Exposure to entrepreneurship at an early age also helps avoid the all-too-common situation where young people, seeing no other option, head for the larger cities in search of jobs. This is a particular concern for the many rural and small towns that make up Atlantic Canada.

In Prince Edward Island, the I Want to be a Millionaire program is directed at in-school youth ages 8 to 16 and affords a hands-on experience in setting up and running a business through the summer months.

In addition to the experience of starting and running their own businesses, participants gain confidence and learn valuable skills such as maintaining accurate financial records, public speaking, marketing, time management, Internet and other business management skills. Community business leaders take part in the program, which is delivered in partnership with participating CBDCs.

Over the last five years, this initiative has resulted in the start up of 410 new businesses on Prince Edward Island.

## University Business Development Centres

A broad support network is needed to support those individuals who are pursuing the start-up and growth of business. This is where it becomes crucial to provide support services and business skills development opportunities so that budding entrepreneurs can maximize their chances for success. A University Business Development Centre (UBDC) is an example of how entrepreneurship can be further nurtured.

UBDCs are unique vehicles for facilitating entrepreneurship and business skills development. They involve the local community, the participating university and the student body in the development of a more vibrant entrepreneurial culture. UBDCs offer low-cost counselling and consulting services to aspiring and existing entrepreneurs and business owners in the communities they serve. They also offer opportunities for the students of their home universities

to work with entrepreneurs and businesses. The UBDCs also undertake a variety of entrepreneurial, economic development and skills development projects.

*"We're quite a bit more cautious with the money we make than when Mom and Dad hand it out."*

Past Millionaire participants Jordan Stetson, 10, and his sister, Michelle, 8, of Freetown, PEI, who ran their own hog farming business in 2002

There are five ACOA-supported UBDCs in Nova Scotia, located at Acadia University, Mount Saint Vincent University, St. Francis Xavier University, Saint Mary's University and Université Sainte-Anne.

From January 1998 to August 2002, the five UBDCs counselled over 4,500 clients. This contributed toward the creation and maintenance of approximately 800 businesses and the creation of over 1,200 full-time sustainable jobs. As well, student participation and exposure to entrepreneurship through UBDC activities has grown. In the 1998-1999 academic year, 400 students received entrepreneurial guidance. For the 2001-2002 academic year, about 4,000 students from all disciplines of the university were actively involved in the centres.

*"The UBDCs provide mutually beneficial links between the university and the business communities. The result is an enhanced entrepreneurial spirit between these sectors and the opportunity for commercialization of innovation."*

Chris Pelham, Executive Director, Acadia Centre for Small Business and Entrepreneurship, Acadia University

## Business Skills Development - ProfitLearn

ACOA has recognized that entrepreneurs constantly need to acquire new business management skills as they start and grow their businesses. In New Brunswick, ACOA has worked with the New Brunswick Training Group Incorporated (NBTGI) to deliver management skills training. The NBTGI is a self-sufficient organization that has a strong roster of experienced business trainers and has developed ProfitLearn as a vehicle to deliver this training.

ProfitLearn brings together business trainers and entrepreneurs in workshops enabling participants to develop business skills in a cost-efficient manner, while at the same time allowing for a degree of networking. ProfitLearn also offers one-on-one post-training consultation sessions to ensure that new skills and techniques are practised.

The main areas of training are marketing and sales, strategic planning, human resources development, financial management, management and operations, and information technology. ProfitLearn also offers a Web site that includes a diagnostic for entrepreneurs, access to experts/consultants, and information of interest to entrepreneurs. NBTGI works closely with 25 marketing partners, including economic development agencies in the province. The CBDCs, Community Economic Development Agencies, local Chambers of Commerce and other economic development agencies work with NBTGI on the planning and delivery of the training sessions to new and existing entrepreneurs. The growth of ProfitLearn has been impressive. Currently, over 1,000 entrepreneurs attend training through ProfitLearn each year. Participants rated

the training sessions as “Excellent” (60%) or “Very Good” (32%). The program is client driven and has enjoyed success throughout the province in every geographic region and in all sectors.

*“The ProfitLearn workshops were very informative and motivating. My business is successfully growing because of the many things I learned.”*

Susan Robichaud, owner of Miramichi-based  
Ink Spot Marketing and Design.

#### **Business Skills Development - Virtual Media Productions Ltd.**

ACOA's support for the development of entrepreneurship and business skills extends to the individual firm. To understand why ACOA is involved in this aspect of business skills development, it is important to understand that almost three-quarters of Atlantic businesses have fewer than five employees. This means that a firm's ability to survive and grow is often limited by the internal resources and expertise available. In other words, not every small firm is going to possess the marketing, trade or innovation experience it needs to grow. ACOA has a role to play in helping firms like Virtual Media Productions Limited (VMP).

To help implement its business strategy, VMP approached Enterprise Cape Breton Corporation (which delivers ACOA



programming in Cape Breton) to develop its marketing capacity. VMP wanted to launch an aggressive marketing campaign to promote the company to markets outside of Atlantic Canada, particularly New England and New York. Through this project, the company was able to engage a full-time marketing manager to develop and implement the promotional activities. The firm has since conducted promotional and advertising campaigns both through the media and through travel and trade shows. VMP is proving itself as a professional animation company that is expanding into new markets, creating wealth and jobs in Cape Breton as it grows.

VMP has completed two independently produced, computer animated television shows. The first was *Little Buck's Christmas*, which was broadcast on CTV for the first time in December 2000. The second was *Evil Schmeevil*, a Halloween special aired by Teletoon in December 2001. *Little Buck's Christmas* has been picked up for distribution by one of the world's largest distributors of television programming, Peppermint.

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Founded by two youth entrepreneurs, VMP has experienced continual growth over the last several years and currently operates with a staff of 15.

### **Federal Plan for Gender Equality**

In 2000, ACOA undertook a structured review that identified the key needs of women entrepreneurs. The analysis led to the creation of the three-year, \$17-million Women in Business Initiative (WBI), announced by the Minister of State for ACOA in October 2002. The goal of the WBI is improved growth and competitiveness of women-owned businesses and their greater representation in Atlantic Canada's emerging growth sectors. The WBI focusses on business management skills, improved access to capital and business support services, and exporting and innovation.

Since October 2002, ACOA has established a Women in Business Team with dedicated personnel across the Atlantic region; partnerships with such organizations as the Newfoundland and Labrador Organization of Women Entrepreneurs, the Prince Edward Island Business Women's Association Inc., and the Atlantic Association of Community Business Development Corporations; a roster of qualified consultants to provide consulting services under the WBI Consultant Advisory Service; and, a Communication Strategy and communication collateral materials to promote the initiative.

OVERVIEW

ACOA's vision for innovation in Atlantic Canada is to create a region that is recognized for its innovative capacity and its competitiveness in global markets, with an environment that contributes to SME innovation.

Realizing this vision means that ACOA must face some fundamental challenges. Some of the more prominent ones include ensuring that the key components of the region's innovation system are linked to promote better interaction among the innovation players, and facilitating the development of strategic sectors/clusters. As well, it is a challenge to ensure a strengthened SME capacity to innovate, with better access to risk-oriented financing and with the ability to develop and commercialize new ideas. It also includes tackling the critical human resources constraints experienced by innovative firms, especially those in the knowledge-based economy, and enhancing opportunities for the region to both retain and attract highly qualified graduates.

Finally, it is a challenge to ensure that the benefits of research carried out in the region are realized to a greater extent by Atlantic business and that the region is well recognized for its innovative role, contributing to both the development and access to benefits of national policy and programs.

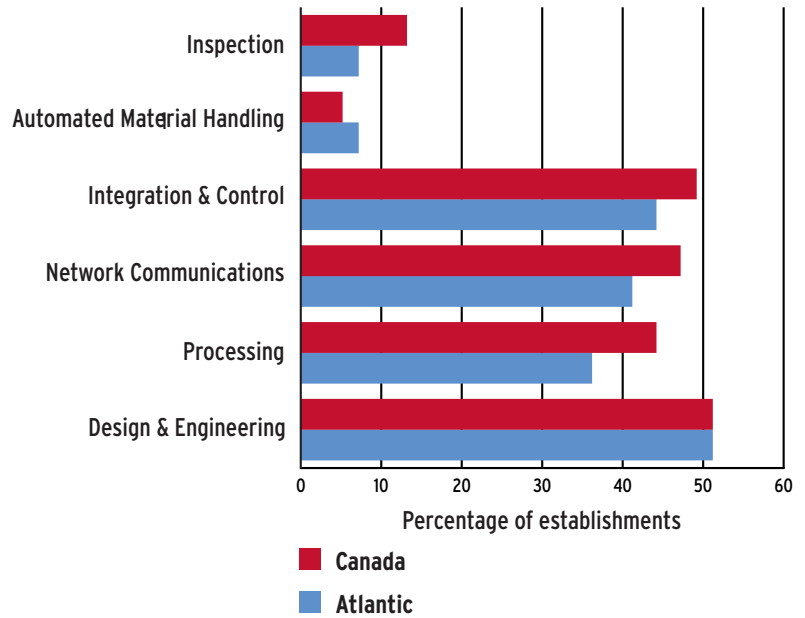
As noted in **Figure 8**, the region has a much lower rate of adoption of advanced technologies by manufacturing firms. Only 26% of manufacturing establishments in Atlantic Canada use at least one of 22 advanced technologies in their operations, compared with 35% for Canada.

*"In the 21<sup>st</sup> century, our economic and social goals must be pursued hand-in-hand. Let the world see in Canada a society marked by innovation and inclusion, by excellence and justice."*

The Right Honourable Jean Chrétien, Prime Minister of Canada  
Reply to Speech from the Throne, January 2001

Figure 8

Atlantic Canada Trailing in the Adoption of Advanced Manufacturing Technologies



Source: Statistics Canada, Custom Tabulation

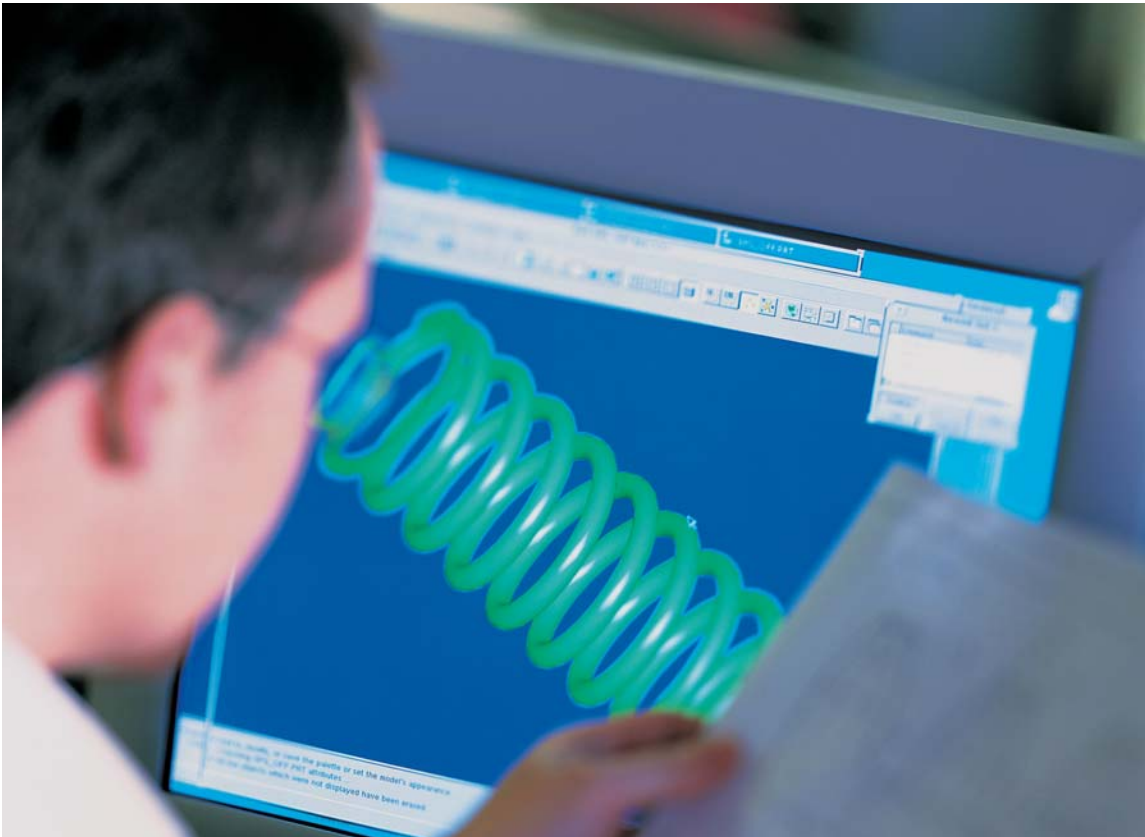
Research has shown that the most widespread obstacle to introducing improved product and process technologies has been the high cost of development (63%)<sup>7</sup>. This was followed by inability to devote staff to projects on an ongoing basis because of production requirements (61%) and lack of skilled personnel (38%). ACOA has been very active in encouraging productivity enhancements by addressing these obstacles.

ACOA support for the efforts of firms to overcome these constraints has resulted in

significant economic growth from increased sales, higher productivity and more highly skilled and better-paid job opportunities. For example, a recent evaluation of the Business Development Program (BDP)<sup>8</sup> reports that firms undertaking innovation projects reported a 95% increase in wages over the 1998-2001 period compared with 40% for all BDP-assisted firms.

<sup>7</sup> Survey of Innovation - Statistics Canada, 1999.

<sup>8</sup> Evaluation of ACOA's Business Development Program, ACOA, February 2003.



Concerning BDP support for skills training, the evaluation reported that most assisted SMEs indicated the investments made a difference to their bottom lines and growth strategies.

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*In June 2000, ACOA launched the five-year Atlantic Investment Partnership, a key thrust of which is to strengthen the capacity of Atlantic Canadians to innovate and compete in the global, knowledge-based economy.*

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While attribution is difficult to measure, it is noteworthy that productivity gains within the Atlantic manufacturing sector have improved relative to the Canadian average over the past several years. Notwithstanding the challenges, productivity has kept pace with the national pace over the 1997-2001 period. Growth in the region's labour productivity averaged 1.5% over this period, compared with 1.5% for Canada. Gains in the resource sectors, especially in the oil and gas extraction industry, provided support to overall

productivity growth in the region. Also, improvements in labour productivity within the food and paper industries in particular have resulted in relatively strong labour productivity growth in Atlantic Canada's manufacturing sector – increasing by an annual average of 0.6% between 1997 and 2001, greater than the 0.1% rate registered for Canada. However, despite recent improvements in the performance of the manufacturing sector, labour productivity in Atlantic Canada, or value-added per employed worker, remained at 81% of the national level in 2001.

In June 2000, ACOA launched the five-year Atlantic Investment Partnership (AIP), a key thrust of which is to strengthen the capacity of Atlantic Canadians to innovate and compete in the global, knowledge-based economy. The major investments under the AIP are: \$300 million for Innovation; \$110 million for the expansion of National Research Council activities in the region; \$64 million for Trade and Investment; \$59.6 million for Entrepreneurship and Business Skills Development; and \$135 million for Community Economic Development. Complementing the AIP was a \$31.4 million top-up to the Canada-Newfoundland COOPERATION Agreement.

One of the investments, the AIF, is designed to strengthen innovation capacity through new investments in R&D activities that lead to the commercialization of new products, services

or technologies in economic sectors that have demonstrated potential for growth. An independent Advisory Board was established for the AIF and comprises knowledgeable individuals with experience in R&D and technology. Funding was available through a Request for Project Proposals process.

The other part of AIP that is playing a key role in innovation within the region is the Innovation Skills Development Initiative (ISDI) under the Entrepreneurship Business Skills Development Partnership. ISDI is designed to encourage and support innovation capacity building by developing a firm's innovation and technology management capabilities. Funding is on a project-by-project basis for ISDI, with applicants applying for funding under the BDP. Elements of SCIF and trade investment may also involve innovation initiatives. Further details on the AIF investments to March 31, 2003 are reported in Chapter 3.

The BDP complements the AIP by continuing to focus on SMEs and offering access to capital in the form of interest-free, unsecured loans, with provisionally repayable loans in areas such as SME innovation. The BDP also provides non-repayable contributions to not-for-profit organizations that provide support services for SME innovation. The Agency has also funded a number of projects at Atlantic universities to assist in bringing research from the laboratory to commercialization.

## INVESTING IN INNOVATION

The AIF is providing a major stimulus to the scope and pace of innovation in the region and supports the Agency's expanding role in building partnerships in innovation. R&D efforts in the region are much lower than national levels. During 2000, total expenditures on R&D in Atlantic Canada as a percentage of GDP were 1.1%, compared with 1.9% for Canada. The region is much more reliant on the public sector, including government and education institutions, for both the funding and performance of R&D.

The private sector funds only 18% of all R&D activity in Atlantic Canada, a much smaller proportion than the national figure of 42%. The federal government, in particular, funds a significant proportion (34%) of R&D in the region, compared with 18% for Canada. Higher educational institutions, particularly universities, account for the largest share of Atlantic R&D funding (40%) versus 18% for Canada as a whole.

Following is a profile of five examples of investments in innovation undertaken by the Agency in the period 1998-2003.

### Genome Atlantic

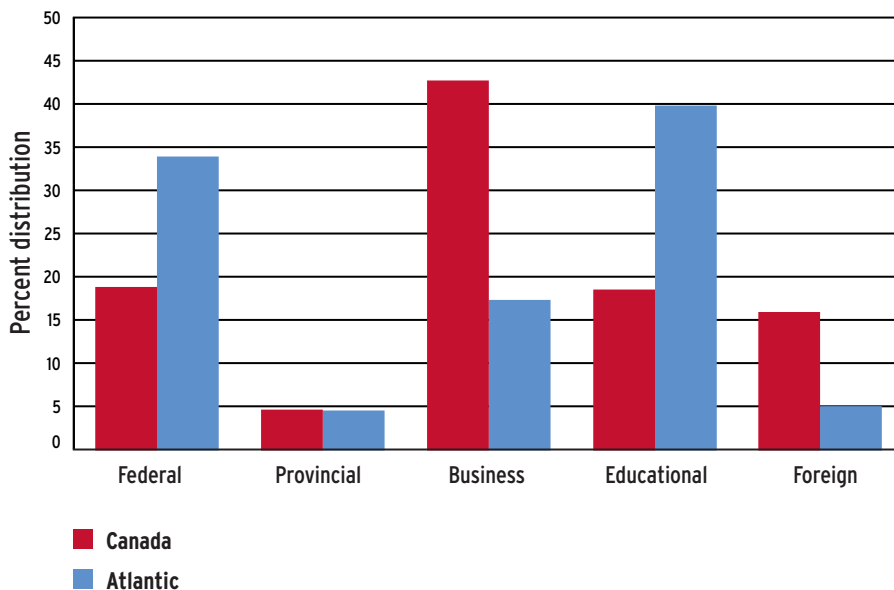
Incorporated in July 2000, Genome Atlantic is centred in Halifax and is one of five regional centres established

across Canada in conjunction with Genome Canada, a not-for-profit corporation spearheading the national effort to make Canada a world leader in genomics research. Genome Atlantic is a not-for-profit consortium of individuals representing university, government and other research partners in the Atlantic region. It aims to achieve world leadership in select areas of genomics, particularly relating to microbes, potatoes and spruce.

Once funding for Genome Canada was announced in the 2000 Budget, Genome Atlantic was established by Dalhousie University, the University of New Brunswick,

Figure 9

### R&D Funding by Sector Atlantic Canada and Canada, 2000



Source: Statistics Canada



the University of Prince Edward Island, Memorial University of Newfoundland, the National Research Council and Genome Canada. Genome Canada funds 50% of the total costs of R&D projects that are considered by an international review panel to be world-leading genomics research. To date, Genome Atlantic has been awarded over \$15 million from Genome Canada to undertake four large-scale genomics projects and establish a DNA Sequencing facility in Halifax. In July 2002, Genome Atlantic was awarded an additional \$9 million from the AIF to match the contribution received by Genome Canada.

Genome Atlantic will establish a cluster of genomics expertise and world-leading science that will be vital to building the region's capacity to innovate as well as to attract and retain world-class researchers in this important field. In addition to enhanced R&D capacity and increased research discoveries, Genome Atlantic will provide a much-needed commercialization vehicle that will encourage the protection and exploitation of intellectual property and the creation of spin-off companies to commercialize new discoveries.

#### **Logging Environmental Data in the Oceans - LOTEK Wireless Inc., Newfoundland and Labrador**

LOTEK Wireless Inc. has created a device with applications for marine scientists all over the world. The company has developed the world's smallest geolocation data storage tag to help track salmon moving in the open ocean.

Geolocation data storage tags are microprocessor-controlled tags that record data such as water depth, temperature and light levels, and enable researchers to determine the location of the readings. Scientists have been tagging marine animals for over 20 years. Although

*"This contribution from AIF is critical to the innovation process in Atlantic Canada and will help improve the region's competitiveness as we use knowledge in a focussed manner to create a robust and innovative economy."*

Joe Gillis, Genome Atlantic's CEO

the United Kingdom. As a result of this work, LOTEK received the 2002 Canada Export Award for Innovation and Technology.

#### **Innovation for Environmental Quality - Rawdon Technologies Ltd., Cape Breton**

Rawdon Technologies Ltd., of Sydney, is one of 430 environmental companies that make up one of the fastest growing industries in Nova Scotia. Rawdon Technologies offers significant technological advancements in the field of water and waste-water treatment. The company was established in November 1998 as a joint venture of three firms, Lynk Electric Limited, of Sydney, ABL Environmental Consultants, of Dartmouth, and Trihedral Engineering Limited, of Bedford.

Rawdon was instrumental in the success of the Birch Grove Water Treatment facility. Birch Grove is a fully automated plant monitored and controlled by Cape Breton Regional Municipality's operators through the municipality's main

Supervisory Control and Data Acquisition system. This system is unique because it was designed, engineered and manufactured entirely in Nova Scotia. The Rawdon equipment is designed to be operator-friendly and enhanced the use of the dissolved air flotation process.

#### **Institut de recherche médicale Beauséjour, New Brunswick**

The *Institut de recherche médicale Beauséjour* is a not-for-profit medical research facility dedicated to developing

*"In our industry significant research investments are essential for the development of new products. We thank ACOA for its support of the research and development efforts leading to the creation of this award-winning technology and innovative product."*

Jim Lotimer, CEO, LOTEK Wireless, NL

*“ACOA’s investment enabled us to firmly establish our research infrastructure. This allowed us to leverage private and public sector funding. Today, we are able to compete for the best people and take advantage of regional and national funding programs in order to carry out cutting-edge research.”*

Dr. Rodney Ouellette, Scientific Director, Institut de recherche médicale Beauséjour

and promoting scientific advances and commercialization in biotechnology, applied bio-therapeutics and genetics. With a wide range of research and analysis capabilities, from DNA synthesis to cell culture and in vivo models, the institution’s primary focus is the understanding and treatment of cancer.

Established in 1998 with assistance from ACOA and supported through the collaboration of the *Université de Moncton*, the *Corporation Hospitalière Beauséjour* and the *Fondation de l’Hôpital Dr. Georges-L. Dumont*, the facility is a prime example of how partnerships can work to bolster the region’s research capacity as well as promote both scientific discovery and the commercialization of new technologies.

The *Institut de recherche* currently employs 25 highly qualified personnel including researchers, medical doctors, nurses, technicians and graduate students.

#### **Atlantic Participation in the Canadian National Site Licensing Project**

In 1999, the Canadian Association of Research Libraries initiated a \$50-million project to enable all members of the association, by means of a digital data base, to access a wide range of technical and scientific publications thereby avoiding the prohibitive cost of subscribing to them individually.

The Atlantic Canada portion of the national project is co-ordinated by the Association of Atlantic Universities and has been supported by the Canada Foundation for Innovation, the four Atlantic provincial governments and all of Atlantic Canada’s public universities and colleges. The project will provide affordable and accessible digital information for both on- and off-campus researchers in Atlantic Canada. It will clearly serve to increase both the quantity and quality of research conducted in the region and will better enable the universities and colleges to attract well qualified staff and students.

This initiative has also enabled industries and businesses throughout the Atlantic region to access state-of-the-art technology. This represents a critical link in ACOA’s innovation strategy to increase activity in and to build capacity for innovation, research and development.

*“The Canadian National Site Licensing Project has helped us build R&D capacity. The resulting new information infrastructure has put researchers in smaller universities on a nearly equal footing with those working in larger, more affluent universities in the country. This has been particularly important to regions like Atlantic Canada, where there is a larger proportion of smaller universities than in other parts of the country.”*

Dr. David Pink, St. Francis Xavier University, Antigonish, Nova Scotia, Member of the Board of the Canada Foundation for Innovation



# COMMUNITY ECONOMIC DEVELOPMENT

## OVERVIEW

*Approximately 46% of the population in Atlantic Canada lives in rural communities and the economic strength of these communities is an essential part of the economic health of the Atlantic region.*

Community Economic Development (CED) is a key component of the federal regional development strategy. Within this strategic priority, ACOA's focus is to work with regional and local partners to build community capacity to create viable opportunities for economic development.

ACOA's CED objectives are to: strengthen the co-ordination and co-operation between the Atlantic CED partners; increase the availability of business capital in rural communities; create sustainable jobs in these communities; strengthen the community strategic planning process; and encourage community ownership and empowerment in CED activities.

Approximately 46%<sup>9</sup> of the population in Atlantic Canada lives in rural communities<sup>10</sup> and the economic strength of these communities is an essential part of the economic health of the Atlantic region. Local involvement has been a cornerstone of ACOA's community-based economic development strategy. The 41 Community Business Development Corporations (CBDCs), community controlled non-profit organizations located across Atlantic Canada, have been effective delivery partners in the provision of business capital and counselling to rural communities throughout Atlantic Canada. From April 1, 1995 to March 31, 2002, the CBDCs issued 9,651 loans totalling \$259 million to businesses in their communities, which levered an additional \$253 million in private sector investment financing.

In addition, the Atlantic Investment Partnership has allocated \$135 million over a five-year period for community economic development, specifically targeted to rural development through the Strategic Community Investment Fund.

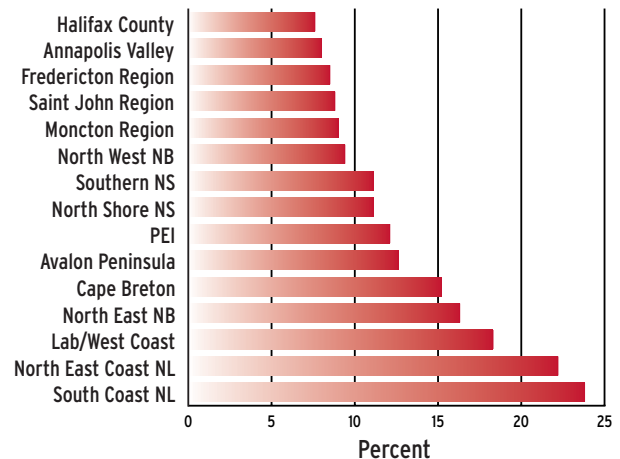
The Business Development Program also continues to invest heavily in rural initiatives, with approximately 65% of assistance directed to rural businesses or economic development organizations outside metropolitan areas.

The Agency remains active in the co-ordination of federal government activity in communities throughout the Atlantic. Through its partnership with the 52 Regional Economic Development Organizations (REDOs) in Atlantic Canada, ACOA has fostered a co-operative environment in the areas of community enterprise and business development. This network of REDOs is made up of 20 Regional Economic Development Boards in Newfoundland and Labrador; 13 Regional Development Authorities in Nova Scotia; 15 Community Economic Development Agencies in New Brunswick; and 4 Community Economic Development Corporations in Prince Edward Island. In all cases, these organizations are incorporated, under provincial legislation, as private sector not-for-profit corporations reporting to a local Board of Directors. They are responsible for the development and implementation of co-ordinated strategic and operational plans for the specific area of the province covered by their mandates.

The role and structure of the Atlantic REDOs have evolved according to experience and circumstances. ACOA has been an active player in building the CED network in the region providing information, expertise, professional technical support and targeted funding.

Figure 10

### Unemployment is Predominantly a Rural Issue - 2002 Unemployment Rates



Source: Statistics Canada - Labour Force Survey

<sup>9</sup> Statistics Canada, 2001 Census

<sup>10</sup> The population for rural areas is defined as the provincial residual or the total provincial population minus the population for urban areas. Urban areas are defined as those areas that have a minimum concentration of 1,000 persons and a population density of at least 400 persons per square kilometre.



## COMMUNITY ECONOMIC DEVELOPMENT - THE CONTEXT

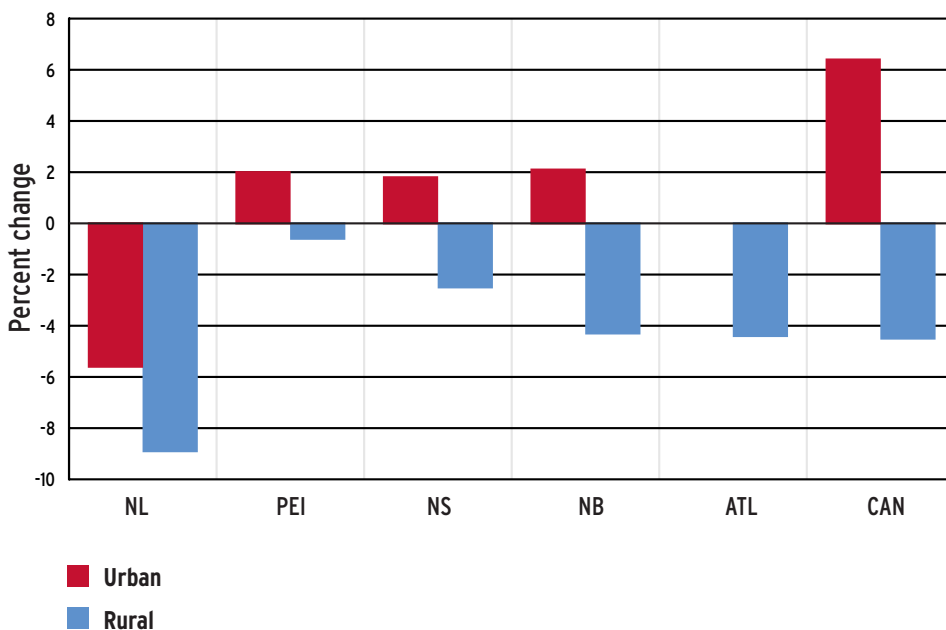
While the overall economy of the Atlantic region has fared quite well over the past five years, unemployment and rural depopulation remain significant challenges for

Atlantic Canada. Among rural areas, unemployment rates remain quite high in Cape Breton, northeastern New Brunswick, and areas beyond the Avalon Peninsula in Newfoundland and Labrador.

As noted in **Figure 11**, population gains in urban areas within the Atlantic provinces have been modest, while

Figure 11

### Population Growth - Urban/Rural Atlantic Canada and Canada, 1996-2001



Source: Statistics Canada, 2001 Census

rural areas recorded declines between 1996 and 2001. The relative lack of employment opportunities within rural areas has contributed to out-migration of young people as they pursue post-secondary education and better job prospects. This urbanization trend has also been evident for the country as a whole. In Newfoundland and Labrador, much sharper declines were recorded in both rural and urban areas, reflecting a continuation of the adjustments resulting from major fisheries declines early in the 1990s. With the substantial loss in

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Newfoundland and Labrador (7%), the overall population in Atlantic Canada declined by 2.1% between 1996 and 2001, compared with a 4% increase for the country as a whole.

## **ACOA - WORKING FOR COMMUNITY ECONOMIC DEVELOPMENT**

ACOA's involvement in CED takes place within a framework of priorities and activities that are adapted to local needs and opportunities. For the Agency, CED represents a myriad of partnership arrangements and dynamic networks that are the lifeblood of the CED process in Atlantic Canada. Following are examples of ACOA's work in CED across the region.

### **Community Economic Development Workshops, Newfoundland and Labrador**

Effective January 2000, municipalities in Newfoundland and Labrador were granted legislative authority to undertake economic development within their communities. ACOA responded to an initiative of the Newfoundland and Labrador Federation of Municipalities to help prepare municipalities for their role in economic development through a CED workshop.

This initiative was a multi-year, collaborative information and training project. It has adopted a three-phased approach:

- Phase I involved a series of workshops based on reorienting and reorganizing the knowledge-base of community economic development;
- Phase II comprised a series of Practical - Skills Development workshops; and
- Phase III involved workshops on Applications - Learning from Best Practices, drawing on lessons learned from a series of study tours on local government involvement in community economic development in five jurisdictions (Iceland, Scotland, Sweden, Kentucky and Northern British Columbia).

This initiative continues to have many positive results. At the request of the Federation of Canadian Municipalities, a presentation was made at the 2001 Annual General Meeting on this initiative as an example of direct federal/local government collaboration. The Organisation for Economic Co-operation and Development also highlighted this initiative in its *Territorial Review of Canada (2002)* as a successful federal regional policy approach to stimulating local development.

At the local level, the initiative has benefited about 200 of the 291 incorporated municipalities in Newfoundland and Labrador. The fact that the workshops were all delivered by elected municipal councillors has been very important. Rather than hiring an outside facilitator, councillors themselves invested the time and effort to learn and present the materials to each other.

This initiative has allowed ACOA to work with local and regional stakeholders in support of integrated economic development planning and implementation. Through supplying timely, pertinent and needed information, it has assisted local governments to become active and valuable partners in this process.

### **Information Technology Operations Facility, Yarmouth, Nova Scotia**

Register.com, founded in 1994 in New York to register domain names on the Internet, and the community of Yarmouth, Nova Scotia, founded in 1761 to provide a domain for settlers, have become friends and partners. The partnership took a few years to solidify and involved many participants from economic development agencies, municipalities, educational institutions, elected decision makers and government. The result of the co-operation is a successful call centre in Yarmouth, providing satisfying and stable employment for over 200 individuals in the new economy and securing a place on the map for the Southwest Shore region of Nova Scotia. ACOA's contribution of \$950,000 was provided to the Yarmouth and Area Industrial Commission, which remains owner of the IT building where the call centre is in full operation. The building is considered to be a key piece of community infrastructure, and serves as evidence of the community's ability to create impressive innovative solutions to business opportunities. David Hill, Director of Canadian Operations for Register.com, noted that employee turnover rates are well below the industry average.

The project to provide a facility for Register.com also enabled the community to upgrade its communications infrastructure, which is being used to attract new complementary operations requiring high-speed data connectivity. Frank Anderson, Chief Executive Officer of the Southwest Shore Development Authority and prime mover to create this success story, notes that the benefits to the community and region will accrue for many years to come. They are now using this co-operation to promote the Southwest Shore region of Nova Scotia as a good place to live and invest.

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### Sydney Mines Renewal Association, Cape Breton

September 2002 marked the announcement of the third and final phase of a community-driven, commercial-core revitalization project in Sydney Mines.

Spearheaded by the Sydney Mines Renewal Association (SMRA), in partnership with all levels of government and the private sector, infrastructure improvements to enhance the image and economic viability of the downtown core were a welcome announcement for the people of Sydney Mines.

The town of Sydney Mines has been severely impacted by the closure of the coal industry on Cape Breton Island. The Sydney Mines Renewal Association is endeavouring to turn the fortunes of this community around.

SMRA comprises clergy from five main churches within the community and was established in 1998. Its focus is to foster economic development and renewal projects in the downtown core of Sydney Mines and to improve the social and economic well-being of the entire community.

Community support and participation in the revitalization project has been overwhelming. To date, approximately 24 businesses in Sydney Mines have committed to the community façade improvement program and are undergoing business enhancements. Two Green Area Enhancement and eight Signage projects are currently underway, with more projects scheduled to commence in the fall of 2003.

### Eastern Kings Community Enhancement Corporation, Prince Edward Island

This CED project involved the restoration of an historic building in Souris, Prince Edward Island. The Matthew McLean building was built in 1869 by local entrepreneurs Uriah Matthew and John McLean and served as a major commercial centre for eastern Prince Edward Island for more than 100 years.

The Town of Souris purchased the building in 2000 and the Eastern Kings Community Enhancement Corporation, a local volunteer development group, assumed the

responsibility to refurbish it completely. Part of the space will be used for an interpretive exhibit highlighting the history and culture of the area. A significant amount of space has been leased on a long-term basis to the provincial government for a Visitors' Information Centre and to two private sector businesses – a craft shop and a restaurant.

ACOA worked closely with the Province of Prince Edward Island, Human Resources Development Canada, the Town of Souris and the Eastern Kings Community Enhancement Corporation as this project was planned, financed and implemented. This was a highly successful community project that garnered much interest from residents and visitors in the area. The project itself was identified in a strategic tourism plan prepared for the area and the volunteers who worked on the project did an excellent job, which has encouraged others in the area to become involved in community development projects.

*"A revitalized downtown core is the cornerstone to future economic opportunities for Sydney Mines. Without the partnerships with all levels of government as well as private property owners, our dream could never have been realized."*

Rev. Karen Ralph, Chair of Sydney Mines Renewal Association

### CED Symposium

In New Brunswick, through a consultative approach with ACOA, the Province of New Brunswick and the key economic development stakeholders, a new CED model was implemented in 2002-2003 and 15 Community Economic Development Agencies

(CEDAs) were created to replace the 13 Regional Economic Development Commissions (REDCs). This new model involved a higher level of community input with a greater emphasis on strategic planning and increased accountability. It was anticipated that communities would be better able to strengthen their economic base in a sustainable and strategic manner through this revised approach.

Given the new CEDA environment, as well as ongoing challenges of community economic development, ACOA's regional office in New Brunswick organized a symposium in 2002 to bring together the economic development partners with the objective to provide ideas and enhance awareness to stimulate development, investment and job creation. A key message of the event was to encourage communities to take the lead and responsibility for their own economic development. Close to 200 economic development professionals participated in the event, which provided momentum for the new CED approach and an excellent networking opportunity.

The event brought together the three levels of government, community representatives and volunteers to exchange information, hear success stories from other jurisdictions and discuss new ideas for building strong prosperous communities.

*"This technology gives the network of 41 Community Business Development Corporations, located in rural communities throughout Atlantic Canada, the most progressive computerized administrative and loan management systems among the Community Futures Development Corporations across Canada."*

Basil Ryan, Chief Executive Officer,  
Atlantic Canada Community  
Business Investment Fund

### **The Exceptional Assistant**

As part of ACOA's commitment to long-term, community-based economic development, the Agency made a contribution of \$1.3 million to implement The Exceptional Assistant (TEA) on a region-wide basis. This Internet-based software technology will manage and streamline computer-

ized administrative and loan management processes. The project will assist CBDCs in providing better and faster service to SME clients in their communities.

### **Seed Capital ConneXion Program for Young Entrepreneurs**

Throughout Atlantic Canada, ACOA continues to provide loans to young entrepreneurs through its Seed Capital ConneXion Program for Young Entrepreneurs. To ensure the greatest possible rural access, the program is delivered by the 41 CBDCs (and six other delivery agents in urban areas). About 80% of the loans have been made in rural areas. More information on this program is available on ACOA's Web site at:

<http://www.acoa-apeca.gc.ca/e/financial/capital.shtml>.

1998-1999 to 2002-2003 Seed Capital ConneXion Program for Young Entrepreneurs:

- issued nearly 2,147 loans;
- provided \$21.8 million in assistance; and
- achieved \$45.7 million additional leveraging.

An example of the Seed Capital ConneXion Program for Young Entrepreneurs at work is the Pilothouse Café and Cottages project<sup>11</sup>. Brian Johnson and Johanna Verhagen are realizing their dream, which they were not sure would come true following the nightmare of September 11, 2001. After nine months of research and planning, Brian and Johanna were about to begin renovations and construction on their café and five cottages in St. Margaret's Bay when they suddenly found themselves in the shadow of a dismal forecast for this year's Nova Scotia tourism industry.



<sup>11</sup> Summer 2002 Issue *Youth Seed ConneXion*, Nova Scotia Association of CBDCs.



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Believing in their idea, they persevered. They received encouragement and assistance through the Seed Capital ConneXion Program, a business assistance program for young people that they accessed through Blue Water Business Development Corporation in Musquodoboit Harbour.

Through this program, they got “great business advice, and the kind of support and encouragement you need through the learning process.” Johanna learned to use guest management/reservation software through a training grant from Seed Capital ConneXion Program. Brian supervised the large-scale renovations that would transform the old, landmark property.

In May 2002, Brian and Johanna opened Pilothouse Café & Cottages. To their relief, they have enjoyed a high percentage of bookings much earlier than they had expected. They look forward to employing even more local suppliers and talent to contribute Maritime flavour, décor, and hospitality to their new venture. In the meantime, they credit their Blue Water connection, John Cooke, with “taking support to another level.” Says Brian, “He sent us articles, believed in our idea, and always does more than he has to. At Blue Water, they seem as excited as we are.”

## OVERVIEW

*ACOA has fostered an unprecedented, co-operative, regional approach to tourism development and marketing in Atlantic Canada.*

As an economic sector, tourism offers significant wealth and job creation opportunities and builds on exhibited regional strengths, especially the attractive natural environment of Atlantic Canada with its coastal beauty and rural landscapes.

As an economic engine, tourism now generates \$3.16 billion annually in “export revenues,” \$500 million a year in tax revenues and 100,000 jobs for Atlantic Canadians. As a percentage of GDP, tourism contributes significantly more to the economy of Atlantic Canada (5%) than it does to the national economy (2.5%).

From an economic perspective, tourism demand refers to the activities of persons travelling to and staying in places outside their usual environment for not more than one consecutive year. It includes leisure time spent touring and sightseeing, visiting with friends and relatives, or taking a vacation. Tourism demand also includes people participating in conventions, conferences and in other kinds of business or professional activities. Tourism supply is a composite of service providers that collectively deliver a travel experience. Tourism supply includes transportation and accommodation providers, restaurants and retail shopping outlets, entertainment and recreation facilities, and other providers of visitor and visitor-related services.

Between 1998 and 2002, tourism projects delivered to SMEs in Atlantic Canada were mainly through the Business Development Program (BDP), COOPERATION agreements with the provincial governments, and the Canadian Fisheries Adjustment and Restructuring Initiative.

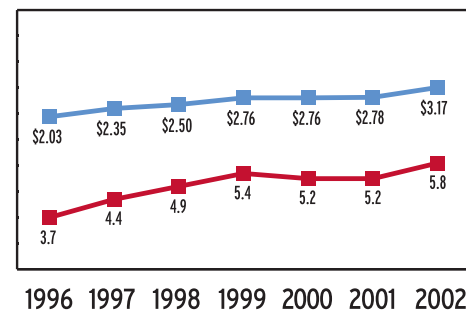
ACOA is a catalyst for tourism innovation in Atlantic Canada. Through its partnerships with tourism industry associations, private sector groups and other governments, ACOA has fostered an unprecedented, co-operative, regional approach to tourism development and marketing in Atlantic Canada. The Agency’s leadership has helped to focus the tourism industry’s attention on strategic tourism investments and activities that increase profitability, investment and wages in the tourism sector.

ACOA’s strategic approach to tourism involves support to projects that:

- extend the tourism season;
- enhance the quality and appeal of the region’s tourism products and experiences;
- increase revenues and employment derived from the tourism sector; and
- ensure the sustainability of tourism in Atlantic Canada.

Figure 12

## Tourism Revenues and Visits



— Visits (Millions)  
— Revenues (\$ billion)

Source: NL, NS, NB, PE Tourism Departments

ACOA’s leadership has contributed to significant growth in tourism in the Atlantic region. Non-resident tourism in Atlantic Canada increased by 57% from 3.7 million province visits in 1996, to 5.8 million in 2002. Tourism-related revenues have increased by 57% from \$2.03 billion in 1996, to \$3.17 billion in 2002. Tourism-related employment increased by 45% from 69,000 jobs in 1999 to 100,000 in 2002.

ACOA is recognized as a leader in developing regional co-operation and co-ordination among stakeholders in the tourism sector. Region-wide initiatives are strategically important as a means of pooling resources and expertise and as a vehicle for more effective global marketing and development of quality products. Three examples are profiled below: the Atlantic Canada Tourism Partnership, the Best Practices Missions and the Atlantic Canada Technology Initiative.

## THE ATLANTIC CANADA TOURISM PARTNERSHIP

The Atlantic Canada Tourism Partnership (ACTP) has a mandate to build strong industry-government relationships



Nova Scotia Tourism and Culture

to market Atlantic Canada as a tourism destination in international markets. Marketing strategies aimed at the New England and mid-Atlantic region of the United States, Europe and Japan build upon and enhance the brand equity established by provincial partners and major industry players (transportation providers, travel agents, tour operators, destination marketing organizations) in targeted international markets.

The ACTP is a nine-member partnership comprising ACOA, the four provincial tourism industry associations and the four provincial government departments responsible for tourism. Other ad-hoc, co-operative marketing partnerships with the Canadian Tourism Commission and travel trade operators are also facilitated through ACTP. ACTP completed its third consecutive, three-year project in March 2003.

On average, 83% of ACTP's budget is directed to marketing initiatives in the New England and mid-Atlantic regions of the United States. Twelve percent is directed to selected European (the United Kingdom and German-speaking countries) and Japanese markets. The balance of ACTP's budget (5%) is for the administration of the partnership and delivery of its programs.

Since 1994, the ACTP has generated 662,000 tourism-related information requests that resulted in 159,000 visitor parties who spent \$173.2 million while vacationing in the region.

ACTP has resulted in a significant return on the expenditure of public funds. Each three-year agreement generated approximately \$9.00 in tourist expenditures for every \$1.00 of media purchased.

ACTP is an Atlantic-wide promotional program complemented by province-specific and industry-specific initiatives. ACTP also provided tourism industry stakeholders with a forum for discussing common issues, conducting market research, adopting regional policy positions and developing joint action plans for tourism.

*"The Canadian federal government, through the Atlantic Canada Opportunities Agency, attracted four provincial governments and members of the tourism industry associations in each province to the table to create a unique and successful partnership that brings a co-ordinated, regional approach to marketing the Atlantic region in export markets."*

*A Case Study of the Atlantic Canada Tourism Partnership 2000-2003*  
Neil Tiley, Project Director, Extension Community Development Co-operative

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## BEST PRACTICES MISSIONS

Best Practices Missions are learning-based group trips that allow tourism operators from Atlantic Canada to interact with operators outside the region who offer leading-edge products, destinations and experiences. Each mission focusses on a particular theme, which is chosen based on demand for tourism product development within that area of tourism. Participants travel to a destination outside of Atlantic Canada to learn from highly successful operators with tourism products similar to their own. The missions incorporate detailed itineraries that focus on educational seminars and tours of tourism businesses that have been successful in attracting and retaining strong visitation through quality tourism experiences. Past themes have included heritage destinations, culinary tourism, marine/seacoast destinations, trail packaging, birding destinations, outfitter diversification and Aboriginal tourism.

Best Practices Missions enhance the Atlantic region's competitiveness by focussing on in-demand and emerging tourism products that provide the travelling public with the best possible experience. The ultimate goal is that mission participants will return to this region and contribute to improved tourism in Atlantic Canada.

Best Practices Missions bring a co-ordinated, regional approach to improving the product readiness and competitiveness of Atlantic Canada's tourism businesses. The missions encourage investments in tourism products that emphasize seasonality, quality and productivity in the tourism sector.

## ATLANTIC CANADA TECHNOLOGY INITIATIVE

The Atlantic Canada Technology Initiative (ACTI) was a two-year pilot project (2000-2002) directed at integrating information technology (IT) into the tourism industry in Atlantic Canada. ACTI brought a co-ordinated regional approach to assist the region's tourism industry in adopting e-commerce and Internet technologies.

ACTI assisted private sector tourism operators in areas such as Web-based resources, business-to-business technology, business-to-consumer technology, e-commerce and marketing through technology. The activities of the ACTI centred around three core initiatives involving education and training, technical support, advocacy and promotion. Education and training included workshops and seminars covering various aspects of Web and business-based information technology. Technical assistance included in-house support to the region's four tourism industry associations as well as support to tourism sub groups and individual tourism operators. Advocacy and promotion included activities that enhanced the tourism industry's awareness and knowledge of the benefits of information technology and encouraged tourism operators to adopt or enhance IT capabilities.

*"The Atlantic Canada Technology Initiative has had a great impact on the ability of our sector to be competitive in the on-line and worldwide marketplace."*

Jan Wheeler, President, Nova Scotia  
Bed & Breakfast Association

ACTI was a partnership involving of ACOA and the four tourism industry associations in Atlantic Canada. The four provincial departments responsible for tourism also participated in the ACTI project by supporting education, training and research initiatives consistent with provincial strategies. The ACTI involved an investment

of \$800,000, cost shared between ACOA (60%), the industry (35%) and provincial governments (5%).

The ACTI was an effective, grassroots project that surpassed all of its goals and objectives. The Atlantic tourism industry has made significant advancements in its adoption of Internet technologies and e-commerce as a result of ACOA's support of the project:

- 80% of the Atlantic region's tourism businesses had adopted computer technology as a business tool by 2002, compared with 64% in 1999.
- 79% of the Atlantic region's tourism businesses were connected to the Internet in 2002, compared with 17% in 1999.
- 87% of the Atlantic region's tourism businesses were involved in business-to-consumer e-commerce and 65% involved in business-to-business e-commerce in 2002, compared with 42% for both in 1999.

Progress in the adoption of Internet technology involved the delivery of 32 technology-related workshops, 8 Web-based discussion forums, direct communications with 4,000 operators and a Web-based help desk / information resource, used by 2,400 tourism operators.

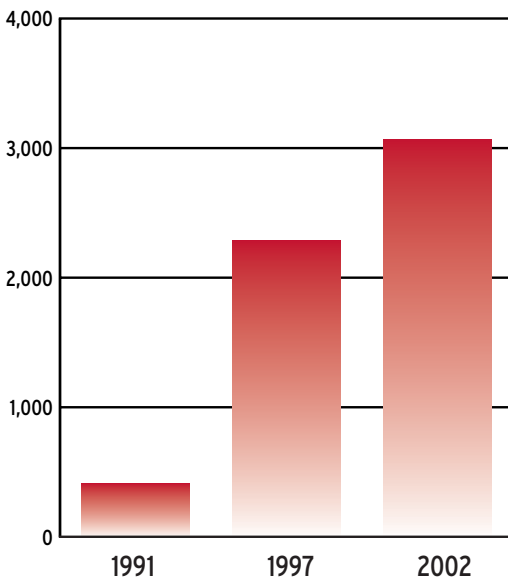
## TOWARD QUALITY ACCOMMODATIONS

Tourist visitations to Atlantic Canada increased by 57% between 1996 and 2002, creating incremental demand for roofed accommodations. Recognizing the need for sustainable development and a focus on SMEs, ACOA's BDP has offered assistance for the establishment, expansion and modernization of quality tourist accommodations having the potential: (i) to attract new visitations to the region; (ii) to extend length-of-stay; (iii) to increase tourism related spending; and (iv) to improve the travellers' satisfaction with the region's accommodations.

ACOA's strategic approach to roofed accommodations was premised on the Canada Select Star Grading Program. In addition to the regular program criteria, eligibility for ACOA assistance required that applicants achieve a minimum, three-star Canada Select accommodation rating for new establishments, and a minimum, one-half star increase for applicants seeking to expand or modernize existing roofed accommodations.

Figure 13

### Accommodations Graded in Atlantic Canada



Source: Atlantic Canada Tourism Grading Authority

Partnerships were engaged with the Atlantic Canada Tourism Grading Authority (established in 1990 and mandated to promote / standardize the grading of roofed accommodations in Atlantic Canada) and the four provincial tourism industry associations responsible for delivery of the Canada Select program in order to ensure the effective implementation of the grading standards.

With the number of graded accommodations increasing from 415 in 1991 to 3,063 in 2002, the tourism industry's ability to grow, prosper and remain competitive nationally and internationally was substantially strengthened.

Overall, ACOA investments in this area have:

- increased the availability of year-round tourist accommodations in Atlantic Canada;
- contributed to extended lengths of stay;
- increased the availability of roofed accommodations in strategic geographic areas;
- provided access to the small conventions market; and
- contributed to the development of sustainable tourism communities in Atlantic Canada.

Following are profiles of two projects that exemplify the Agency's strategic approach to the development of accommodations in Atlantic Canada.

**Quaco Inn, St. Martins, New Brunswick**  
St. Martins' Quaco Inn has welcomed thousands of visitors since the early 1980s. Since 1993, ACOA has worked with Quaco's owners to develop and upgrade the more than century-old facilities. Most recently, in 1999, the Agency helped innkeepers Rudy and Kather Miller-Zinn to add a gothic-style building to the establishment. The addition helped the Inn to maintain its four-star rating under the province's new grading system and to accommodate ever-growing visitor demand.

*"The Newfoundland and Labrador Accommodations Rating Council has been a real success story. In 1993, we were given ACOA funding and by 1997, the Council became self-sufficient. The Star rating of Newfoundland and Labrador accommodations has increased by 72% over the 1994-2001 period."*

Bruce Sparks, Chairman, Newfoundland and Labrador Accommodations Rating Council

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### Rosewood Cottages, Hubbards, Nova Scotia

Rosewood Cottages, owned and operated by Phyllis Hind Holdings Ltd., is a waterfront property comprising 1.25 acres of land in the resort area of Hubbards, Nova Scotia.

The project investments involving repayable assistance from ACOA were in two parts: first, construction of two 2-bedroom cottages and, second, renovations that included winterizing several cottages and converting a house located on the property to a five-room inn.

The Rosewood Cottages investment has increased the availability of year-round tourist accommodations in the Hubbards area along Nova Scotia's picturesque South Shore. The availability of quality accommodations, which fit the market demand for seaside cottages, contributes to extending visitors' length of stay in the province, especially in the local community of Hubbards. The winterization of the cottages has enabled the business to expand its operating season through the shoulder and winter months bringing visitors to the Hubbards area during a typically low period of tourism activity in the year. The investments enabled the client to increase its Canada Select rating to a four-star level.

*This last expansion enabled us to develop and accommodate new group markets and extend our season well beyond two summer months."*

Rudy Zinn  
Quaco Inn, St. Martin's NB

The College of Piping and Celtic Performing Arts of Canada in Prince Edward Island and the Colony of Avalon Archaeological Site in Newfoundland and Labrador exemplify ACOA's strategic approach to cultural and heritage tourism in Atlantic Canada.

organizations, non-profit organizations and museums. All are key stakeholders in the strategy to expand and modernize the region's cultural and heritage experiences.

ACOA's investments in cultural tourism have:

- contributed to extended lengths of stay in Atlantic Canada;
- increased the availability of experiential cultural and heritage products in strategic geographic areas; and
- successfully contributed to the development of sustainable tourism communities in Atlantic Canada.

### The College of Piping and Celtic Performing Arts of Canada, Summerside, Prince Edward Island

Located in Summerside, Prince Edward Island, the College of Piping and Celtic Performing Arts of Canada was established in 1990. With more than 70% of Islanders being of Scottish or Irish ancestry, it appeared fitting to have the College located in this province. The mission of the College is to provide quality educational programming in the Celtic performing arts. It is the only institution of its kind in North America and is affiliated with the College of Piping in Glasgow, Scotland.

The College includes an outdoor amphitheatre, library/resource centre, mirrored dance studios, a practice hall, classrooms, soundproof practice rooms and a gift shop. The student body of the College has grown from just 30 in 1990 to more than 300. While the College is in the business of producing Celtic performing artists, it plays a major role in providing a quality cultural tourism product, which contributes significantly to the economic impact of tourism in Prince Edward Island. The concerts alone provided a cultural experience for over 7,800 visitors to Prince Edward Island in 2001. ACOA made a major investment involving a three-year marketing plan for the College, as well as development of interpretative displays and complete exterior upgrades to enhance the attractiveness of the facility to tourists. Other funding partners include the City of Summerside, the Prince Edward Island Department of Development and the R. Howard Webster Foundation.

## SHOWCASING ATLANTIC CANADA'S HERITAGE AND CULTURE

Cultural and heritage tourism presents great opportunities for the tourism industry in Atlantic Canada. Provincial tourism statistics indicate 37% of all trips to Atlantic Canada include a cultural/heritage component, and the market is growing at a rate of 8% a year.

Recognizing the significance of Atlantic Canada's culture and heritage experiences, BDP offered assistance for the establishment, expansion and modernization of interactive cultural and heritage experiences that support ACOA's strategic approach to tourism.

As part of this regional approach, partnerships have been forged with Canadian Heritage, Parks Canada, the four provincial government departments responsible for tourism, and various municipal governments. Partnerships with the private sector have involved destination marketing

In 2002, the College's Celtic Festival was honoured as a Provincial Attractions Canada winner in the categories of Cultural Event and Attraction of National or International Significance. The College was able to expand its summer concert series to five evenings per week in 2002, and attendance increased by 19% over the previous year. Concert revenues increased by 32% and gift shop sales increased by 10.9% when compared with 2001. The College has also been named to the American Bus Association's Annual List of the "Top 100 Events for 2003."

### **Colony of Avalon Archaeological Site Development, Newfoundland and Labrador**

The Colony of Avalon Foundation was incorporated in 1995 as a non-profit, community-based organization mandated to investigate, preserve and develop the archaeological remains of Lord Baltimore's Colony of Avalon, and other 16<sup>th</sup> and 17<sup>th</sup> century remains in Ferryland, along the south coast of the island of Newfoundland. The Colony of Avalon Foundation includes over 200 members. Since 1996, ACOA has contributed approximately \$3 million toward the development of this site.

Excavations have unearthed the remains of eight structures and revealed extensive defensive works and over one million artifacts. Some of the 17<sup>th</sup> century structures excavated include: the Forge, built by the first settlers in the summer of 1622; a warehouse located on the original waterfront and dating from the early years of the settlement; and two mid-century dwellings and a barn/byre complex burned by the French in 1696.

The Foundation's efforts to cultivate the Colony of Avalon into a world-class heritage attraction of provincial, national and international importance have exceeded expectations. Tourism-related visits to the site increased from fewer than 2,000 visitors in 1992 to over 22,000 in 2001. Incremental spending by visitors to the Colony of Avalon is estimated at \$1.8 million.

*"ACOA has been very supportive of our endeavours to market the College to students and tourists alike, resulting in a significant return on that investment."*

Scott MacAulay,  
Director of The College of Piping and  
Celtic Performing Arts of Canada

Other economic benefits associated with the site include a \$1.25 million contribution to provincial GDP and about 50 person years of employment. As additional archaeological discoveries are made and new attractions are developed, the economic benefits derived from the site will continue to grow.

## **VALUING NATURE**

Nature tourism presents wide-ranging opportunities for the tourism industry in Atlantic Canada. Provincial tourism statistics indicate that 85% of all trips to Atlantic Canada include a nature-based component. Recognizing the significance of Atlantic Canada's natural tourism products, ACOA has invested in nature-based experiences having the potential: (i) to attract new visitations to the region; (ii) to extend lengths of stay; (iii) to increase tourism-related spending; and (iv) to improve the travellers' satisfaction with the region's tourism offerings.

The development of Isle Madame in Cape Breton and the East Coast Trail initiative on Newfoundland represent two examples of ACOA's strategic investments in nature-based tourism.

### **Development of Isle Madame Association Inc.'s, Cape Auget Eco-Trail, Isle Madame, Cape Breton**

In February 1995, Development Isle Madame Association (DIMA) was born of a strategic planning exercise, initiated upon the collapse of the ground fishery in the early 1990s, impacting 350 direct and 1,000 indirect jobs, out of a workforce of 1,800. The Association is a community-owned, non-profit limited company that is run by Board of Directors to contribute to the community's goals and priorities. DIMA was instrumental in bringing the idea of eco-tourism to Isle Madame and it was this vision that has helped to make the Cape Auget Trail one of Cape Breton's most visited and scenic hiking trails.

*"The development of the Cape Auget Trail provides yet another reason for visitors to stop and savour all that Isle Madame has to offer."*

Brenda Martell,  
Acting Executive Director of the Development  
Isle Madame Association

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The Cape Auget Trail has elevations as high as 150 feet, along beaches and rocky shores. Historically, significant boundary lines and foundations can be found along the major coves of the area. There are abandoned Acadian settlements that existed for a period of two hundred years. Other notable features include shipwrecks and whale sightings.

*“The changes wrought by the East Coast Trail Association in the landscape of the Avalon and the opportunities that residents and visitors have to enjoy it strikes me as the single best improvement in 'quality of life' that I have observed during my time here.”*

Judith Adler,  
Department of Sociology,  
Memorial University of Newfoundland

The trail connects two national historic sites, 22 communities, two provincial parks, plus ecological reserves and heritage sites. The trail has generated attention from international tour operators and media. The East Coast Trail Association is membership-based and brings to the project an enormous amount of volunteer effort. The Association plans to extend the trail, particularly in the area north of St. John's.

### **The East Coast Trail, Avalon Peninsula, Newfoundland and Labrador**

The east coast of Newfoundland and Labrador's Avalon Peninsula is a remarkable blend of history, nature and scenery, and a perfect place for the hiking enthusiast. The East Coast Trail Association has worked with ACOA, HRDC and the provincial government to create the East Coast Trail, connecting much of the eastern Avalon Peninsula with a network of hiking trails.

The Association has completed the core section of the East Coast Trail, a 220-kilometre, international-calibre hiking trail linking St. John's to the Town of Cappahayden on the province's southern shore.

Work on the trail has included bridging small streams, building boardwalks and stairs, and installing stone work at selected sites. The Association has also designed and installed signage and trailhead facilities.

The cost of the work on this section of the trail was \$1.6 million. Of this amount, ACOA and the provincial government contributed \$1.1 million through the component of the Fisheries Adjustment and Restructuring Measures for Economic Development, a federal-provincial cost-shared agreement.





## OVERVIEW

*Over the past five years, the Agency has assisted over 400 firms attempting to become new exporters*

Over the past few years, strong national and regional economies and liberalized trade agreements have provided the impetus for export growth among Atlantic Canada's business community. With fewer than three percent of the Atlantic region's SMEs involved in export activity, it was fitting for ACOA to take measures aimed at increasing the level of export activity. To increase the numbers of exporting SMEs, a comprehensive strategy focussing on developing exporting capabilities and on identifying and developing market and sector potential was required.

The Agency has introduced an investment component to its strategic priorities aimed at increasing the amount of foreign investment in the region's economy. An Atlantic-wide approach was necessary to ensure that the efforts of Atlantic-based trade and investment partners were working effectively and efficiently toward common objectives.

ACOA's pan-Atlantic Trade and Investment Strategy is built on four economic development tools: the Business Development Program (BDP); the COOPERATION Program; the International Business Development Agreement (IBDA); and the Atlantic Trade and Investment Partnership (ATIP). Through the strategic combination of these instruments, ACOA, together with its partners, strives to increase the region's total export output by: creating greater awareness of exporting as a growth strategy for SMEs; promoting and supporting export skill development among potential and existing exporting firms and business consultants; providing access to financing for SMEs and industry and business associations; and generating more knowledge on the export development needs and sectoral export capability of the region's export community.

Over the past five years, the Agency has assisted over 400 firms attempting to become new exporters. The recent evaluation of the BDP reports that first-time exporters assisted by the BDP are meeting with considerable success, with two-thirds entering the export market and reporting

significant increases in exports and employment. Furthermore, follow-up surveys indicate that close to 80% of BDP clients who became new exporters in 1998 and 1999 are still successfully exporting<sup>12</sup>. By comparison, about one-half of new Canadian exporters continue to export over a three to four year period<sup>13</sup>.

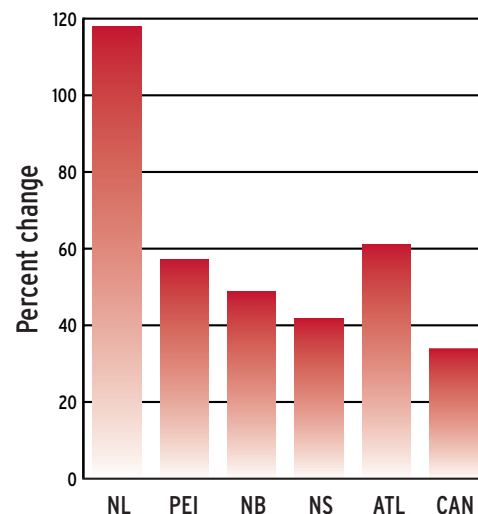
Within its Atlantic Investment Development Strategy, ACOA focusses on four strategic areas: generating and supporting more regionally relevant investment research; enhancing the level of information management and dissemination among key investment stakeholders; raising the region's profile by promoting Atlantic Canada among target audiences as a profitable place to do business; and establishing investment attraction and development partnerships among other federal departments, provincial governments and the private sector.

### MEETING THE COMPETITIVE CHALLENGE - ATLANTIC TRADE AND INVESTMENT STRATEGIES

Exports of primary and manufactured goods increased from \$11.6 billion in 1997 to \$19.7 billion in 2002, a gain of 70% over the five-year period. Foreign exports of commodities now account for 30% of the region's GDP, up from 23% in 1997. Newfoundland and Labrador posted the greatest gains in exports, increasing by 118%, or almost \$3 billion over the period (see Figure 14).

Figure 14

#### Export Growth - Atlantic Provinces and Canada, 1997-2002



Source: Industry Canada, Strategis

<sup>12</sup> BDP Supported First-Time Exporters, ACOA Survey 2002.

<sup>13</sup> Statistics Canada - A Profile of Canadian Exporters 1993-1997, August 2000.



Not surprisingly, oil and gas and refined petroleum accounted for the largest share of the increase over the period.

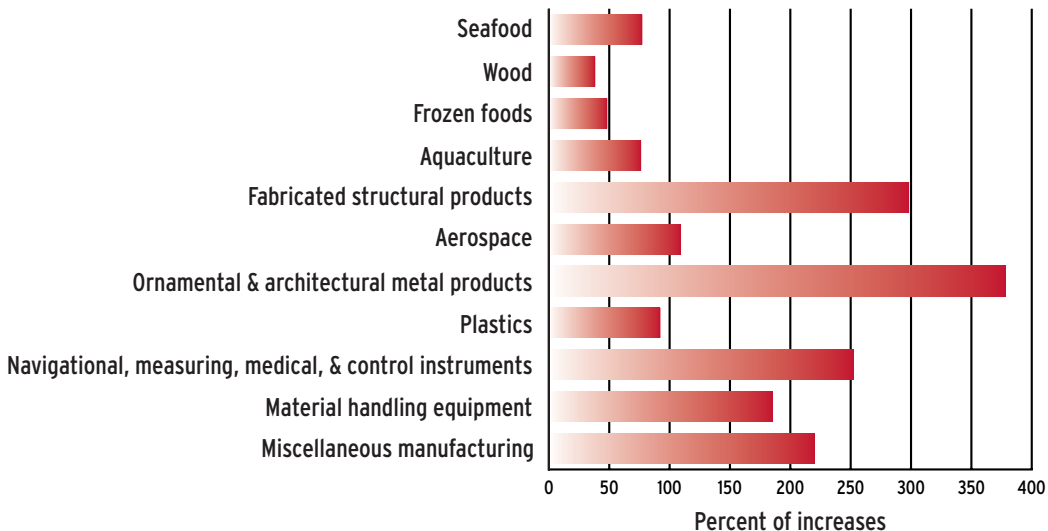
However, very substantial increases were recorded in a wide range of other products, accounting for \$2.94 billion in increased export sales as shown in **Figure 15**.

According to Statistics Canada, there were 1,980 exporters in Atlantic Canada in 2001, up 22% from 1,618 exporters in 1993.

ACOA has played an important leadership and co-ordination role in support of the strategic priorities of trade and investment. During the 1998-2003 period, ACOA has been instrumental in mounting four key region-wide initiatives: Team Canada Atlantic, the \$8-million renewal of the Canada/Atlantic Provinces COOPERATION Agreement on International Business Development (IBDA), the Pan-Atlantic Investment Co-ordination Committee, and the KPMG *Competitive Alternatives Study*.

Figure 15

**Export Growth**



Source: Industry Canada, Strategis

### Working Together - Team Canada Atlantic Trade and Investment Missions

Team Canada Atlantic (TCA) Trade and Investment missions are a part of a regional initiative led by ACOA, under the Agency's ATIP. The TCA missions are led by either the Prime Minister and the four Atlantic Premiers, or the Minister of State for ACOA and provincial ministers. Typically, the missions include up to 60 of the region's most promising exporting enterprises from a variety of business sectors.

The TCA format was designed to increase trade and investment between businesses in Atlantic Canada and strategic foreign markets. Since its inception in 1999, the TCA program has targeted strategic markets along the eastern-U.S. seaboard. A total of seven TCA missions have been held to date, two of which were led by the Prime Minister. Markets visited include New England, Atlanta and New York.

TCA is a co-operative effort involving ACOA, the four provincial governments, the federal Department of Foreign Affairs and International Trade, Industry Canada, Agriculture and Agri-food Canada, and Team Canada (when missions include the Prime Minister). A TCA Secretariat, housed within ACOA, is responsible for co-ordinating and implementing TCA missions in consultation with the organizing committee that comprises all of the TCA partners. ACOA provides approximately 75% of the funding of the TCA missions under the BDP (non-commercial), with the balance of the financing coming from the four provincial governments and the participating companies. A small financial contribution is provided by Agriculture and Agri-food Canada for a specific mission event.

There has been a total of seven trade missions to Atlanta, New England and New York since the TCA program began in 1999. The missions have enabled more than 250 Atlantic Canadian firms to meet with over 1900 U.S. buyers, agents, and business owners from across the United States, helping to generate \$20 million in confirmed sales and more than \$75 million in projected sales<sup>14</sup>.

### Co-operating with partners - Canada/Atlantic Provinces COOPERATION Agreement on International Business Development

The Canada/Atlantic Provinces COOPERATION Agreement on International Business Development (IBDA) is a collaborative effort between the federal government and the governments of the four Atlantic provinces. Partners to the agreement include ACOA, the Department of Foreign Affairs and International Trade, Industry Canada, Business New Brunswick, Nova Scotia Business Inc., PEI Business Development Inc., and Newfoundland and Labrador's Department of Industry, Trade and Rural Development. ACOA is funding the federal share of the agreement at 70%, the Provinces' share is 30%.

An ACOA initiative, the IBDA was initially signed in 1994 for \$2 million over three years. It has been extended twice – in 1997 for an additional \$3 million, and in 2000 for \$8 million with a sunset date of April 2004. Now in its ninth year, the IBDA has supported projects aimed at introducing Atlantic companies to the potential of exporting as

a means of expanding and increasing their sales, developing new markets for existing exporters and increasing sales in existing markets. This has been accomplished through four strategic elements: training and awareness; planning and research; market information and intelligence; and international business development activities.

Priority sectors include building products, environmental industries, informa-

tion and communications technologies, life sciences, ocean industries, plastics, and value-added food products. Targeted markets include the United States, Western Europe, Latin America and the Caribbean, and Japan.

Over 80 projects involving close to 1,300 companies were approved from fiscal year 1998-1999 to 2002-2003, totalling \$4.9 million in funding assistance. The latest survey<sup>15</sup> indicates that 21% have started exporting to new markets, 30% have increased their volume of exporting to current markets, and 48% have identified potential new markets.

*After participating in two Team Canada Atlantic missions to New York City in 2002, PEI's Jerry Bidgood, General Manager, Prince Edward Aqua Farms Inc., estimates his business has managed to generate sales of more than \$250,000. "Once you've cracked the exporting door open, the opportunities are tremendous."*

<sup>14</sup> Source: Team Canada Atlantic Surveys and Follow-up surveys May-July 2003

<sup>15</sup> IBDA Survey, June 2002

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### **Focussing on Investment: The Pan-Atlantic Investment Co-ordination Committee**

In early 2000, the ACOA-led Pan-Atlantic Investment Co-ordination Committee (PAICC) was established in recognition of the advantages of fostering closer co-operation and co-ordination with regard to investment activities in Atlantic Canada. The committee includes ACOA, the four Atlantic provinces, Industry Canada and Investment Partnerships Canada.

One of the challenges of attracting foreign direct investment (FDI) to Atlantic Canada stems from the size of the region in relation to its competitors. The pooling of financial and human resources enables the region to have a greater impact with promotional and awareness FDI initiatives and activities such as marketing, investment missions and incoming investment tours.

The establishment of the committee has led to strategic regional investment initiatives including the following:

#### **2002 Relocation Summit, Washington, D.C.**

The Relocation Summit, a matchmaking event for economic development solution providers and corporate management delegates, was attended by representatives from the PAICC. The conference was limited to 100 senior-level executives from the *Fortune 500* corporations, and representatives from 15 development agencies (including ACOA) and the four Atlantic provinces. The participating company delegates had decision-making authority on a broad range of corporate relocation issues and represented key sectors such as information communications technology, biotechnology, consumer electronics and advanced manufacturing.

Each Atlantic representative participated in various networking opportunities as well as approximately 15 official meetings with corporate management delegates who had indicated they had corporate expansion plans. Follow-up by committee representatives on potential projects and investment opportunities is ongoing.

### **Department of Foreign Affairs and International Trade U.S. Investment Counsellors' Meeting, September 2002**

The PAICC organized, in tandem with the 34th Annual Economic Development Association of Canada Conference, a meeting in Charlottetown, Prince Edward Island, with 14 Department of Foreign Affairs and International Trade U.S. Investment Counsellors. The meeting provided an opportunity to increase the awareness of Atlantic Canada as an investment location, and served to update the counsellors on the region's investment activities. Foreign direct investment testimonials were presented by three U.S. companies with establishments in Atlantic Canada (Urban Machinery, Honeywell and Sepracor) in addition to presentations by ACOA and the four Atlantic provinces.

#### **Investment Media Promotion**

In 2001-2002, ACOA completed a media campaign of investment promotion advertisements in selected U.S. and European site selector and sector magazines. The series of advertisements were produced under the theme "Atlantic Canada: A Profitable Place to do Business." E-business CD cards on the energy and biotechnology sectors and a KPMG Atlantic Canada brochure were also produced for distribution to investment partners and key contacts. A reference document for decision makers and site selectors was also created and distributed through targeted direct marketing. An Atlantic Canada investment Web site has also been created and is found at: [www.acoa.gc.ca/invest](http://www.acoa.gc.ca/invest).

*"Since attending Americana 2001 in Montreal as part of an IBDA-sponsored delegation, Agri Plas Systems has been deluged with expressions of interest from potential trading partners around the world, including New England, California and New Zealand."*

Austin Boyd, President  
Agri Plas Systems 2001, Stratford, PEI

## Benchmarking for Investment - The KPMG Competitive Alternatives Study

*The KPMG Competitive Alternatives* is a biennial comprehensive study comparing business costs in cities with populations of more than 100,000 throughout Austria, France, Italy, Germany, the Netherlands, the United Kingdom, Canada, the United States and Japan.

The Agency participated as a sponsor in both the 1999 and 2001 studies in an effort to ensure the inclusion of Atlantic Canadian communities. Eighty-six cities were featured in the 2001 report, with Moncton and Halifax being the only Atlantic Canadian communities included in the group.

In a subsequent cost model study<sup>16</sup>, six other Atlantic Canadian communities were added to the expanded list of 115 cities in 2001. These were Charlottetown, Fredericton, St. John's, Saint John, Sydney and Truro. Atlantic Canada cities ranked amongst the highest in overall cost competitiveness within Canada and abroad.

The ACOA sponsorship guaranteed access to the details of the study and the corresponding investment cost model. In addition, the Agency hosted an interactive information and training session on the use of the cost model for provincial and federal investment officers as well as the eight Atlantic municipalities covered in the KPMG study.

ACOA, in conjunction with KPMG, produced an Atlantic Canada promotional brochure in early 2002 to highlight and promote the region's cost advantages. The brochure was widely distributed to key investment stakeholders in Canada and abroad and selected Canadian Consulates in the U.S. and Europe. The brochure has been used as a promotional tool of the TCA Trade and Investment missions.

With Canada having the top eight international cities in overall cost competitiveness, including Halifax and

Moncton, this study was a key investment attraction tool for Canada and the Atlantic region. It generated significant profile among the U.S. and European investment communities, highlighting Atlantic Canada as a profitable place to do business. It also assisted federal and provincial officers in developing the skills necessary to optimize their impact on potential investors, and provided opportunities to strengthen strategic relationships with Investment Partnerships Canada, the Atlantic provinces and municipalities.

*"By attending the training session, I gained an in-depth understanding of the study, the methodology, and how to apply the results in our economic development activities," says Ruth Blades, Researcher for Greater Halifax Partnership.*

*"We have used the report extensively, and have found it to be a valuable tool in promoting Greater Halifax as a destination for foreign investment. ACOA's initiatives with regard to the Atlantic KPMG brochure and training session were greatly appreciated."*

## EXPANDING THE EXPORT BASE

With fewer than 3% of Atlantic SMEs currently engaged in export activities, it is vital for the growth of incomes and employment in the region that more companies succeed in the international marketplace as exporters of goods and services. Accordingly, the Agency is giving particular priority to building the export base of businesses in the region through a variety of specific

measures to build export experience and success. Following are profiles of five initiatives on exporting involving ACOA and trade partners.

### Business Networks for Trade Expansion - Newfoundland and Labrador

The Newfoundland and Labrador Business Networks initiative fostered the establishment of business networks to pool their resources in order to seize commercial opportunities beyond the marketing, production or distribution capabilities of individual firms. This initiative has enabled SMEs to pursue specific market opportunities in national and international markets, facilitate the development and commercialization of new technologies, as well as improve the management, marketing and production capabilities of SMEs.

An eligible network was required to have at least three participants with the necessary management competence, commitment, technical capability and financial resources to carry out trade development. Fourteen networks, ranging

<sup>16</sup> The study can be found on the Web at [www.competitivealternatives.com](http://www.competitivealternatives.com)

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from value-added lumber to rope cultured blue mussels to information technology, received support from ACOA.

One such network is the Atlantic Canada International Group Inc. This network comprises the following firms: Baird Planning Associates; Design Management Group; Enterprise Advancement and Education Services; Lewis Engineering; and Aliant Telecom. The network is an export-oriented entity having a geographical focus on Central America, specifically Honduras, as a market for the combined services. Members of the network have invested time and money with market intelligence trips to Honduras and Washington, D.C., and the Canadian International Development Agency (CIDA) is exploring potential international business opportunities. The network was awarded a \$400,000 contract from CIDA to undertake a study into the feasibility of a facility to convert waste materials from woodlots and farms into electric power.

### **Going Global Seminar - Sydney, Cape Breton**

The Sydney and Area Chamber of Commerce is a not-for-profit organization concerned with the economic, social and educational welfare of its citizens. The Board has approximately 425 members and is governed by a council and an executive committee.

To partnership with ACOA, the Chamber sponsored a three-day seminar called "Going Global." The seminar focussed on trade awareness and skills development, international marketing and trade financing as well as trade logistics. "Going Global" was designed to provide businesses and individuals with the necessary skills to compete successfully in the international marketplace.

A total of six sessions were held and benefited 50 participants.

### **Focus on Marketing - Valley Machine Works Ltd., New Brunswick**

Valley Machine Works, located in Nackawic, New Brunswick, is a medium-sized manufacturing firm that specializes in complex machinery for sawmills and other wood processing facilities. Through support under ACOA's

Business Development Program and Atlantic Trade and Investment Partnership, Valley Machine Works has upgraded its marketing efforts with a focus on export markets.

The company has added a marketing manager to implement the marketing plan and developed promotional and marketing tools for trade shows and business development activities, targeting the U.S. eastern seaboard. Valley Machine Works has also formed a partnership with USNR, a U.S.-based manufacturer of machinery and control systems for the wood processing industry. This alliance allows Valley Machine Works to service equipment on behalf of USNR.

*"In today's global marketplace, having the proper skills to sell internationally is not only an asset, it is a must."*

John Nash, President of the Sydney and Area Chamber of Commerce

### **Identifying New Export Market Opportunities - Trade Team PEI**

Trade Team PEI is a partnership of federal and provincial departments in Prince Edward Island responsible for export

trade development. ACOA leads the initiative on the federal side. As part of the team effort to identify new export market opportunities, Trade Team PEI, in co-operation with the Canadian Consulate in Atlanta, organized a trade seminar in October 2000 on Export Opportunities in the southeastern United States.

In working with the Consulate, the sectors of agri-food and seafood, building products, consumer/giftware products, and information technology were identified as having the greatest potential for Prince Edward Island companies. The seminar involved trade officers from the Consulate and buyers from the Atlanta area who were available for one-on-one appointments with Prince Edward Island companies.

Over 70 business and government representatives attended the event. Participants rated the event as being excellent, well organized and cost effective. A subsequent Atlantic Canada trade mission to Atlanta was held in May 2001, reinforcing the Atlantic presence in this expanding export market.

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**Diversifying through Trade - Nova Scotia Boatbuilders Association**

ACOA is partnering with the Province of Nova Scotia and the Nova Scotia Boatbuilders Association (NSBA) to develop and implement a Five-Year Strategic Plan to revitalize the industry. The objective is to increase diversification in the industry from the construction of commercial fishing vessels to custom pleasure craft for export markets. The plan involves a variety of initiatives including education skills training, marketing and promotion, quality assured production, communication and co-operation, R&D/engineering and market research.

*"If we pay attention to quality, standards and the industry's business support requirements, Nova Scotia boatbuilders can service that market for years to come."*

Tim Edwards, Executive Director,  
Nova Scotia Boatbuilders Association

The Association now represents two-thirds of the industry, with 56 member companies – 26 boatbuilders and 30 support companies and 1,500 skilled trades people now working in boat shops and supporting industries. Annual sales exceed \$75 million, including \$20 million in export sales to the U.S. More than 50 individual projects have been implemented by the NSBA, including educational workshops, attendance at international trade shows, development of promotional videos, development of occupational standards and handbooks, and a professional promotional campaign focussed on the U.S. marketplace.





## 10

## OVERVIEW

**Access to capital**

Due to the size of the Atlantic economy, its relative isolation from major markets and its greater reliance on seasonally available resources, the business sector in Atlantic Canada has long faced a challenge in accessing capital. Breaking down these barriers, in association with public and private sector partners, is one of ACOA's strategic priorities.

According to the Conference Board of Canada, "the SME debt market appears to be less developed in Atlantic Canada than in Canada as a whole. Indeed, there may be fewer suppliers, less breadth, fewer providers and few choices. This is an important finding, which may suggest an additional role for government agencies whose mandate is to fill this regional financial gap."<sup>17</sup>

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*The challenges associated with access to capital are even more acute in rural areas.*

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The Agency's Business Development Program (BDP) enables SME investment projects to proceed because unsecured loans made available for eligible projects act much like equity, making the projects "bankable" and leveraging funding from other sources (e.g. lenders, financiers and venture capitalists)<sup>18</sup>.

The challenges associated with access to capital are even more acute in rural areas. Given that 46% of Atlantic Canadians live in rural areas, compared with 20% of all Canadians, the BDP has responded to their special needs. For instance, almost 65% of BDP assistance has been made outside metropolitan areas during a period when the top five chartered banks closed 16% of their branch network in the region, with 45% of these closures taking place in rural Atlantic Canada. Furthermore, research shows that the chartered banks' use of the Canada Small Business Financing (CSBF) in the Atlantic region has declined by 25% over the 1998-2002 period<sup>19</sup>. The BDP's Business Support element has also played an important

role by enabling the CBDCs to make business financing more accessible to rural communities<sup>20</sup>.

With respect to higher-risk growth sectors, such as tourism and aquaculture (where growth in Atlantic Canada has outpaced the rest of Canada), the BDP responds by cultivating strong industry partnerships and providing "patient capital" to address the special financing needs associated with the debt servicing and collateral security constraints faced by SMEs in these sectors<sup>21</sup>.

The BDP has also addressed the access to capital gap for knowledge-based firms that also require patient capital to overcome the longer lead times for development as well as the need for financing soft costs where collateral security is lacking. The BDP has an important role in growing these firms to a size and capability that will attract the interest of the emerging venture capital market in Atlantic Canada<sup>22</sup>.

**Access to Information**

The Canada Business Service Centres (CBSCs) are the direct vehicle for providing access to information for SMEs. There is a CBSC office in each of the four Atlantic provinces and each office is a full-service business information resource accessible free-of-charge. Their knowledgeable, bilingual staff will answer business questions and provide options to help make informed decisions. A recent evaluation concluded that satisfaction rates for the CBSCs are very high, as 85% of CBSC clients were either satisfied or very satisfied with the services provided<sup>23</sup>. In addition, as part of Government On-Line (GOL), the Government of Canada's plan to deliver information, programs and services over the Internet, ACOA is committed to using information and communications technologies to provide on-line access to its information and services. More information on ACOA programs and services can be found on the ACOA Web site at: <http://www.acoa-apeca.gc.ca/e/financial/index.shtml>.

In addition, ACOA implemented the Aboriginal Business Service Network (ABSNS). The Agency and 42 Aboriginal communities and organizations participate with the CBSCs in the development and implementation of this initiative. The ABSNS Working Committee comprises ACOA, the four Atlantic CBSC Managers, and Aboriginal representatives

<sup>17</sup> *SME Business Debt Financing in Atlantic Canada*, 1999.

<sup>18</sup> Evaluation of ACOA's Business Development Program, ACOA, February 2003.

<sup>19</sup> *The Changing Banking Environment in Atlantic Canada and Effects on the Atlantic Market and the Economy in General*, CFO Sustainability Group, August 2002

<sup>20</sup> *Ibid*

<sup>21</sup> *Ibid*

<sup>22</sup> *Ibid*

<sup>23</sup> Evaluation of the Atlantic Canada Business Service Centres, Goss Gilroy Inc., October 2002.



from all four Atlantic provinces. Currently, 41 communities/organizations (16 in New Brunswick, 15 in Nova Scotia, 3 in Prince Edward Island, and 7 in Newfoundland and Labrador) have received the computer hardware, software and training to improve their capacity to access CBSC/ABSN databases. One additional community in Newfoundland and Labrador (Hopedale or Davis Inlet) will join the network when efforts to select a host and resolve connectivity issues are successful. ACOA and the CBCs are continuing their collaboration with the Atlantic ABSN Working Committee and concentrating efforts on the development of Aboriginal-specific information products, completion of their regional presence on the Web, and providing additional training in order to more fully address the Aboriginal business information needs.

## ENHANCING ACCESS TO CAPITAL FOR ATLANTIC SMEs

According to a 1999 analysis by the Conference Board of Canada, the BDP represents about 5% of total business financing in the region<sup>24</sup>. In the business sectors eligible for the BDP, primarily manufacturing, tourism and business

services, it is estimated that the BDP provided about 15% of total business financing in the region.

In addition to the BDP, ACOA has been involved in partnerships specifically designed to enhance access to capital for Atlantic SMEs.

### Venture Capital - ACF Equity Atlantic Inc

ACF Equity Atlantic Inc. (ACF) is a venture capital partnership between three groups: ACOA; the four Atlantic provincial governments; and private sector lenders, namely, the Bank of Montreal, Bank of Nova Scotia, Toronto-Dominion Bank, Royal Bank, Canadian Imperial Bank of Commerce, National Bank of Canada, Hong Kong Bank of Canada and la *Fédération des*

*"ACOA's participation in the formation and funding of ACF was critical to the Fund attaining necessary critical mass (\$30 million) to be viable. Without its support, the Fund simply would not have happened."*

Peter Forton, CEO, ACF Equity Atlantic Inc.

*Caisses Populaires Acadiennes Ltée*. Each group participated in the capitalization of the fund with a \$10-million contribution. The \$30-million fund operates at arm's length from government and investment decisions are based on business case analysis by independent staff at ACF.

ACF, with its focus on innovative, high-knowledge companies, has been a significant factor in the five years since its inception in 1997, helping put the Atlantic region on the Canadian map in terms of venture capital activity.

<sup>24</sup> Sources of SME Business Debt Financing in Atlantic Canada by Theresa Shutt and Pierre Vanasse, The Conference Board of Canada, March 1999.

This activity over the five-year period from 1998 to 2002 saw \$270 million of venture capital activities in Atlantic Canada, more than three times the investments over the preceding five-year period. As a known and respected investor in the Canadian venture capital marketplace, ACF has leveraged its capital more than five times, investing in venture capital transactions of over \$100 million to date.

### **Business Financing in Rural Areas - the Atlantic Association of Community Business Development Corporations**

In order to improve access to capital in rural areas and as part of ACOA's commitment to long-term, community-based economic development, the Agency has supported the creation of the Atlantic Canada Community Business Investment Fund to provide an ongoing source of investment capital for small and medium-sized enterprises in rural areas. The partnership is between ACOA and the Atlantic Association of Community Business Development Corporations (CBDCs), which represents the region's network of 41 CBDCs located mainly in rural communities throughout Atlantic Canada. Funding of \$14.1 million over four years has been provided to meet loan requirements of SMEs in rural areas.

The CBDCs are autonomous, not-for-profit corporations, serving all of rural Atlantic Canada supported by ACOA. They assist in the creation of small businesses and in the expansion, modernization and stabilization of existing businesses. They offer both technical and financial services for entrepreneurs in their respective regions.

Technical assistance usually takes the form of information, counselling and advice on small business-related matters. Financial assistance is usually in the form of a loan, but may include equity or loan guarantees.

These financial services are targeted to entrepreneurs who have difficulty securing capital through traditional sources of funding. They do not compete with financial institutions. All loans are repayable and the maximum amount that can be invested in a business is \$125,000. Investment decisions are made by an independent local board of directors sensitive to the needs of the community.

*"This is a new strategic direction for the CBDCs. We can now meet the demand for loans as required, rather than waiting for new appropriations on a fiscal-year basis."*

Basil Ryan, Chief Executive Officer of Atlantic Canada Community Business Investment Fund

A recent evaluation study<sup>25</sup> concluded that the CBDCs are having a strong impact in their communities. The loans and support provided by the CBDCs support the creation and maintenance of jobs by increasing incomes and helping to diversify the local economy. The partnership is working well and effectively serves the small

business development needs of the clients and the community. The CBDCs have a number of strengths, including community involvement, that would be difficult to replicate through any other delivery structure, such as direct delivery by a government organization, without major new investments. The CBDC alliances/networks with banks, credit unions, other regional economic development agencies, municipalities, educational institutions and others, strengthen the outreach of the CBDCs, create a referral network and help harmonize planning at the local level.

### **ASSISTING THE DEVELOPMENT OF ATLANTIC SMEs**

*ACOA's evaluation data of the Community Futures Program showed CBDCs have a strong impact on rural communities:*

- client satisfaction is 94%*
- average of 1.9 jobs were created and 3.3 maintained based on an average loan of \$38,000*

The BDP provides access to capital to enable investments by SMEs in the region. The program was designed to increase the number of successful start-ups, expansions and modernizations. According to the recent evaluation of the program<sup>26</sup>, firms assisted through the BDP have experienced growth in employment four-times greater than that of

<sup>25</sup> Evaluation of the Community Futures Program (delivered through the Atlantic CBDCs), Goss Gilroy Inc., May 2003.

<sup>26</sup> Evaluation of ACOA's Business Development Program, February 2003.

unassisted firms. The growth in payrolls was more than six times that of unassisted firms. After three years, the survival rate of BDP-assisted firms is more than double that of unassisted firms. Following are specific examples of ACOA's involvement in increasing access to capital enabling investments by Atlantic SMEs.

*“With improvements made in technology on a daily basis, the Centre needs to be able to change with the time. This expansion project gives us the opportunity to improve our equipment, train more students, provide better service to the industry and ultimately strengthen our Centres capabilities.”*

Mr. Brian McMahon, CAD Systems Analyst,  
University College of Cape Breton's CAD/CAM Centre

of Cape Breton's (UCCB) CAD/CAM Centre. Established in 1987, the Centre provides support for eastern Nova Scotia enterprises in areas such as CAD programming and operation training, robotics and CAD communications.

The recent expansion of the Centre has increased the UCCB's capacity to stay in tune with industry needs. The upgrades to and expansion of the Centre will provide a timely response to industry requests for greater services such as laser alignment of machines, rapid prototype development of products and access to a high-speed vertical milling machine. This will enable the Centre to increase the number of students trained and develop additional projects in collaboration with industry requirements.

Located near Sydney, UCCB offers a unique combination of degree, diploma and certificate programs. Since becoming the first university college in Canada, UCCB has become a hub for R&D. The CAD/CAM Centre is part of a group of centres at the university that seek to facilitate the transfer of innovation and knowledge to the community for the purpose of economic diversification and commercialization.

### Labrador West Quartzite Limited

Labrador West Quartzite Limited was established to operate a quarry and processing facility to produce high quality quartzite for sale to the silicon metal industry. This facility is expected to produce 75,000 tons of material per year, with the capacity to produce 350,000 tons per year.

Implementation of this project has resulted in the establishment of 10 new jobs in the Labrador West area. In addition, the project will generate export sales of \$10 million over the next three-year period and will develop the quartzite industry in the area.

The total cost of the project was estimated to be \$2,690,000. The company contributed \$580,000 together with funding of a repayable contribution of \$490,000 from the Agency and \$1,620,000 from a commercial financial institution. The company is located in an isolated community, where the participation of the Agency was needed to lever the participation of traditional funding institutions.

### University College of Cape Breton - Expansion of the CAD/CAM<sup>27</sup> Centre

Keeping up with the constant changes in technology has become a way of life for the staff at the University College



### Nova Agri Associates Limited, Nova Scotia

Nova Agri Associates Limited, incorporated in 1985, is owned 100% by Dykeview Farms Limited. The company has approximately 2,000 acres of crops in Nova Scotia's Annapolis Valley, with processing facilities in Canning and Centreville.

<sup>27</sup> CAD - Computer-Assisted Design; CAM - Computer-Assisted Manufacturing

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The core business is storing, grading, packing, processing and marketing fruit and vegetables. The company's principal products are potatoes, onions and high bush blueberries. High bush blueberries are sold fresh and for further processing, 90% of which are sold to export markets in the United States, the United Kingdom and Iceland.

The company, working with Agriculture and Agri-Food Canada and the National Research Council's Industrial Research Assistance Program, developed methodologies and technologies needed to extend the shelf life of cultivated blueberries by as much as 10 weeks. These new storage techniques involved the design of atmospheric conditions appropriate for the berries and the development of the type of containers needed to hold and ship the products. In 2002, the design group was awarded a Technology Partners in Technology Transfer Award.

This is a capital-intensive business, which requires that the business keep pace with new technologies. The company was able to construct this new storage facility with the help of a \$475,000 loan from ACOA.

### **Groupe Savoie Inc., New Brunswick**

With basic hardwood milling equipment and 25 employees, Jean-Claude Savoie started his small sawmill operations in St. Quentin in 1980.

Twenty-three years later, the company – now 450 employees strong – boasts two hardwood sawmill facilities, a pallet plant and a dimension plant, that produces value-added wood components for furniture, kitchen cabinets, giftware and flooring manufacturers. Currently exporting more than 50% of its products to Europe and the United States, Groupe Savoie Inc. has turned its attention toward developing opportunities in Asia and deeper market penetration into European countries such as Germany, Belgium and Norway.

In recent years, ACOA assistance has helped the company to add necessary storage, expand its hardwood mill operations and modernize equipment. Most recently, the Agency provided funding to help Groupe Savoie engage the testing services of the University of New Brunswick's Wood Science and Technology Centre to determine the capability of new equipment on the market to improve efficiencies in pallet production.

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*"We were just a sawmill before,  
and then we looked at adding value  
to what we do. It's everything to our  
business today. ACOA has helped us  
get where we are today."*

Jean-Claude Savoie  
CEO, Groupe Savoie Inc, NB



# ATLANTIC ECONOMIC GROWTH AND ACOA'S IMPACT

## ECONOMIC GROWTH

Real Gross Domestic Product (GDP) increased at an average annual rate of 3.8% over the 1998 to 2002 period, just ahead of the national pace of 3.7%. In total, GDP increased by \$9.2 billion over the period, growing from \$45.6 billion in 1997 to \$54.8 billion in 2002.

*The Atlantic economy grew by an average rate of 3.8% per year over the 1998-2002 period, just ahead of the national pace of 3.7%.*

The mineral fuel industry led the way, accounting for 18% of the gain, followed by commercial services (13% of total growth) and manufacturing (8%).

Figure 16

Percentage Change in Key Economic Indicators - 2002 vs 1997



Source: Statistics Canada

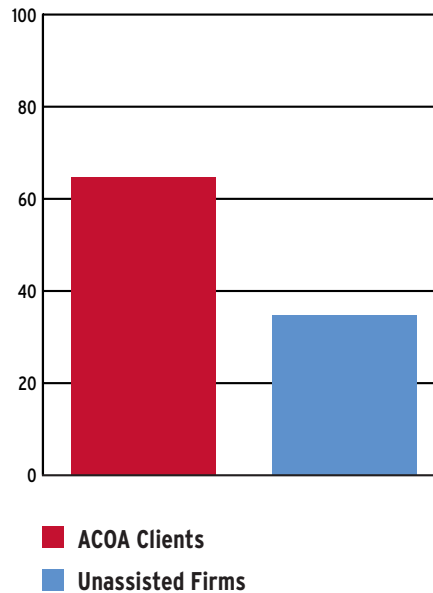
Economic activity over this period was substantially influenced by several major investment projects related to highways, new manufacturing capacity, and the development of offshore oil and gas production. These large projects generated spin-off effects throughout the Atlantic economy, especially in the construction and business services sectors.

Economic growth in the region was also supported by strong output increases in the fishing, transportation, communication and tourism sectors.

Evidence of the contribution of Agency programming to regional income growth comes from Statistics Canada data on the growth of payrolls in ACOA-assisted versus that of unassisted firms. The increase in payroll (a close measure of earned income) in ACOA-assisted firms, was nearly twice that of unassisted firms from 1989-2000.

Figure 17

Increase in Payrolls 1989-2000 All Industries\* (Percent Change)



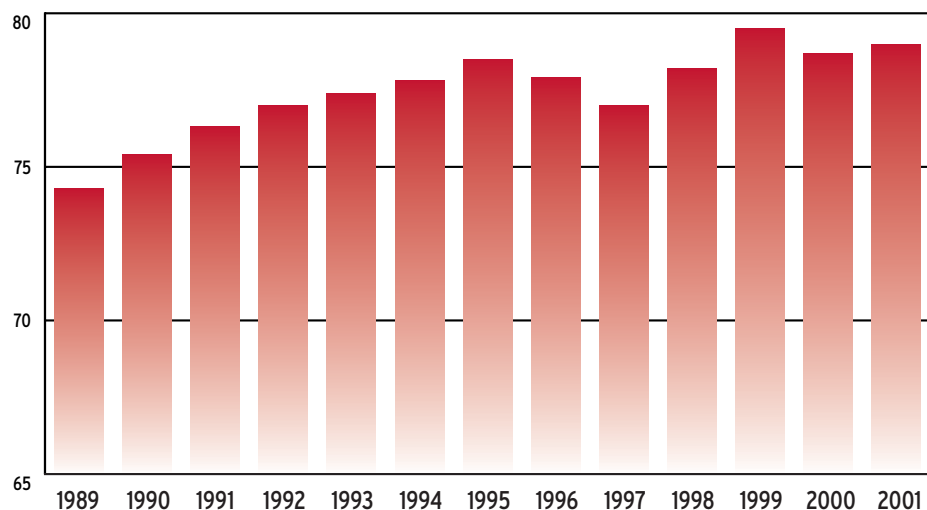
Source: Statistics Canada Employment Dynamics  
\* Excludes government service industries

Earned income per capita in the region increased from 78.2% of the national average in 1998 to 79.0% in 2001. Earned income per capita is now almost five percentage points higher than the 1989 level of 74.3%.



Figure 18

**Earned Income  
Atlantic Canada 1989-2001**  
(per capita as a percent of Canada)



Source: Statistics Canada

There were 112,000 more people employed in the region in 2002 than in 1997, with over 95% of these individuals occupying full-time positions. The region's participation rate increased from 58.5% in 1997 to 62.4% in 2002, a record high.

*Rising confidence within the Atlantic economy pushed the labour force participation rate to record levels over the period – from 58.5% in 1997 to 62.4% in 2002. Even with sharply higher participation rates, over two percentage points were shaved off the unemployment rate, which declined from 13.9% in 1997 to 11.6% in 2002.*

Similarly, the region's employment rate increased from 50.4% in 1997 to 55.1% in 2002. This gain of 4.7 percentage points was considerably higher than the national gain of 2.8, thereby reducing the gap between the region and Canada as a whole.

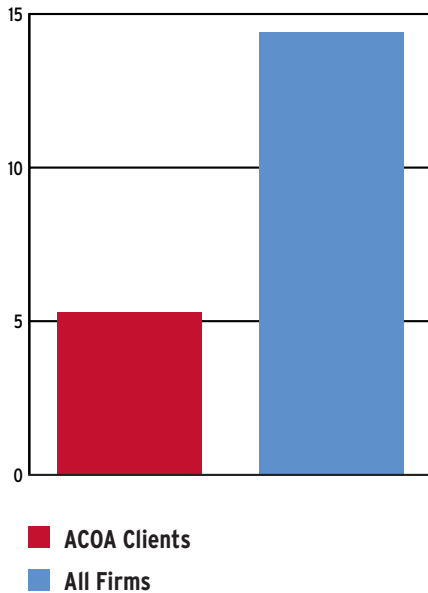
The number of unemployed in Atlantic Canada fell from 152,000 in 1997 to 139,000 in 2002, a decline of 13,000. The unemployment rate dropped from 13.9% in 1997 to 11.6% in 2002, one of its lowest levels since the early 1980s. Over the same period, the unemployment rate for Canada declined from 9.1% in 1997 to 7.7% in 2002. The Atlantic region's economy is becoming much more diversified. In each of the provinces within Atlantic Canada, new export-oriented industries have emerged, generating additional employment and new wealth within the region.

The Atlantic region's economy is becoming much more diversified. In each of the provinces within Atlantic Canada, new export-oriented industries have emerged, generating additional employment and new wealth within the region.

The manufacturing sector has been a strong performer over the past five years. Real manufacturing GDP has increased from \$4.98 billion in 1997 to \$5.95 billion in 2002, while employment has increased by nearly 15,000. Just over one-third of these jobs are attributable to firms receiving ACOA support (see Figure 19). Several industries within the manufacturing sector have contributed to the improved performance.

Figure 19

**Manufacturing Employment Growth  
2002 versus 1997  
(thousands)**



Source: ACOA's Benefits Monitoring Module of CRIMS and Statistics Canada. Gains by ACOA clients are actual incremental job gains.

In Newfoundland and Labrador, the oil industry has become a catalyst for growth within the professional, scientific and engineering industries, as well as the boat-building and metal fabrication industries. The fact that 80% of topsides construction associated with the province's third offshore oil development (White Rose) is being carried out in Newfoundland and Labrador is testimony to the increasing engineering and industrial fabrication capabilities within the regional economy.

The aerospace industry has grown to become a major contributor to the Prince Edward Island economy. Atlantic exports of aerospace products and parts totalled \$118 million in 2002, more than double the value reported in 1997.

In the region's wood products industries, growth rates have been even more impressive. For example, the veneer, plywood and engineered wood products manufacturing industry has experienced nearly 140% growth in exports – from \$103 million in 1997 to \$244 million in 2002.

Other top performing industries within the region's manufacturing sector include the navigational, measurement, medical and control instruments (exports up by 220% to \$80 million over past five years) and the ornamental and architectural metal products industry (exports up by 380% to \$87.1 million).

Another area is the food products industry. Frozen food exports increased 48% to \$435 million over the period, led by increased processed potatoes from Prince Edward Island.

The fabricated structural products manufacturing industry also experienced substantial growth over the period, posting a 200% increase in exports between 1997 and 2002. The manufacturing sector benefited from the addition of new capacity in the paper and rubber industries in Nova Scotia over this period.

Another strong performer in the Atlantic economy over the past five years has been the tourism industry. On the strength of a 35% increase in the number of visitors over the period, total non-resident expenditures grew 37% from \$2.30 billion in 1997 to \$3.16 billion in 2002. Within the accommodations component of this industry, employment has increased by 2,500 over the 1997 to 2002 period.

The region's aquaculture industry has expanded considerably over this period. Exports totalled \$187 million in 2002, up 46% from 1997. Prince Edward Island and New Brunswick, in particular, have experienced strong growth in mussel and salmon aquaculture production. In Newfoundland and Labrador, where there has been considerable effort expended on R&D and extension services over the past five years, the industry is poised to contribute significantly to future growth of the overall Atlantic aquaculture industry.

Overall, the Atlantic economy has performed quite well during the past five years. Considering that Canada itself has performed better than most industrial countries, this period has been a very good one for the region. There is diversification occurring in each of the Atlantic provinces, while new opportunities continue to develop in the natural resource industries and more firms are moving into export markets to expand their businesses.

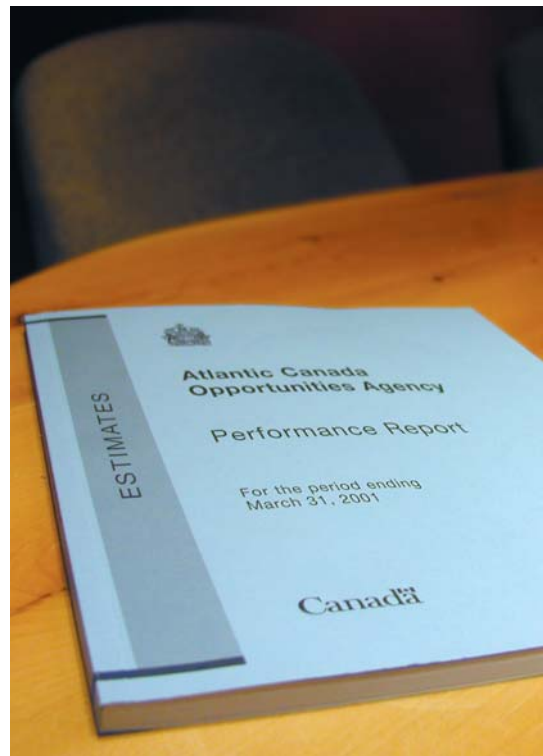
## ACOA's IMPACT

ACOA's direct support to business under the Business Development Program, COOPERATION agreements, Community Futures Program (CF) and Seed Capital ConneXion Program for Young Entrepreneurs results in the direct creation of jobs that 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 of Canada model to estimate the impact on regional earned income as measured by GDP. In this manner, other macro-economic effects, in particular the impact on taxes and total employment, can also be estimated.

It is important to note several features of these estimates:

1. Only jobs actually created are used to calculate benefits. Actual jobs created at the company level are tracked through the Agency's Benefits Monitoring module of the Client Relationship Information Management System (CRIMS) and by independent surveys of clients. For the BDP, the estimates incorporate the fact that clients have achieved about 65% of expected gains<sup>28</sup>. This estimate is conservative as many projects have not reached completion and can be expected to record further gains as they achieve full implementation of their business plans.
2. Jobs maintained, although they do produce real economic benefits, are not included because of difficulties in providing a reliable measure of economic impact.
3. 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.
4. Only the benefits of incremental projects as calculated on the basis of Statistics Canada data on the growth of ACOA-supported firms versus all firms and independent client survey results, are included. For example, for jobs created through BDP assistance, an estimate of 0.84 is used as an incrementality factor, meaning that only 84 of 100 jobs created in a firm are included in ACOA's final count.

5. Benefits include direct employment gains by ACOA-assisted businesses, plus indirect and induced employment as estimated by the Conference Board's model. The indirect impact is generated by ACOA's assisted businesses purchasing goods and services from their suppliers. Induced impacts occur as incomes associated with direct and indirect employment gains are spent and re-spent throughout the economy. This direct and indirect impact, commonly known as the "multiplier," is calculated to be approximately one, meaning that one job is created through these indirect and induced effects for every job created directly by ACOA expenditures.
6. "Double-counting" of employment gains, between ACOA programs and between ACOA and other federal departments and provincial governments, has been accounted for. Surveys have revealed that in 15% of cases, CF projects also receive BDP funding<sup>29</sup>, therefore, the CF employment gains have been reduced by 15%. On projects where ACOA funding is combined with other public funds, the share of total jobs created credited to ACOA is equal to ACOA's share of public monies invested in the project.



<sup>28</sup> Evaluation of ACOA's Business Development Program, ACOA, February 2003.

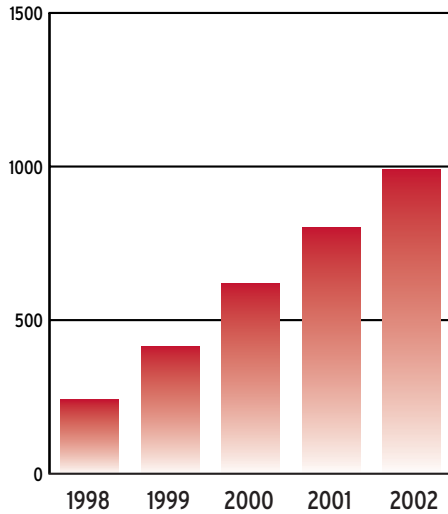
<sup>29</sup> Survey of CBDC clients, ACOA, 1997.

### Impact on Gross Domestic Product

The impact on GDP is shown in **Figure 20**. It is estimated that in constant 1997 dollars, GDP was almost \$1 billion higher annually by 2002 than it would have been in the absence of ACOA's expenditures in direct support of business. Over the five-year period, direct Agency support to business has produced total accumulated annual increases of well over \$5 in GDP gains for every dollar of ACOA expenditure.

Figure 20

#### Impact of ACOA Direct Support to Business on Gross Domestic Product (GDP) Total Increase in GDP (\$ millions stated in 1997 dollars)



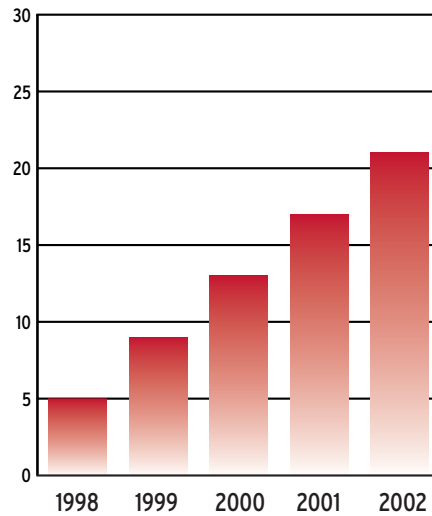
Source: ACOA - See Section 4 for additional details

### Impact on Employment

Total employment in the Atlantic region (**Figure 21**) is over 20,000 higher in 2002 than it would have been without the total net employment gains (direct plus indirect and induced) resulting from the Agency's direct support to small business.

Figure 21

#### Impact on Employment ACOA Direct Support to Business (Thousands of jobs created)



Source: ACOA - See section 4 for methodology

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### Returns to the Taxpayer

**Figure 22** includes 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 due to the additional employment created by assisted firms have not been included.

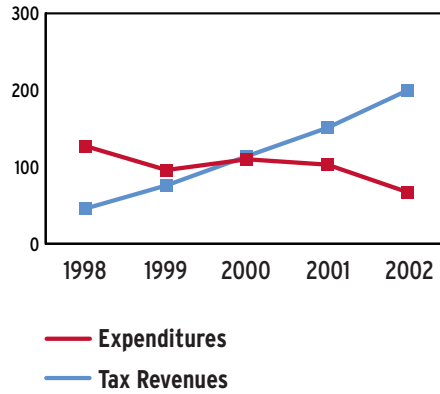
Over the five years from 1998 to 2002, expenditures of about \$500 million have produced tax revenues of over \$600 million.

Net impact calculations do not assume any repayment of ACOA contributions to businesses, which, if included, would lead to significantly greater impacts.

Figure 22

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### Tax Revenues Resulting from ACOA Expenditures\* (\$ millions)



Source: ACOA's Corporate System and CBDC Database

\* Expenditures are the sum of spending under the BDP and COOPERATION programs (in direct support of firms to create jobs), the Community Futures Program and the Seed Capital ConneXion Program for Young Entrepreneurs.

## LOOKING AHEAD

ACOA did not achieve a position of leadership in Atlantic Canada's economic development by standing still. The Agency has reached this point by being flexible and adaptable, by recognizing the changing environment in which it operates, by constantly challenging its staff to do better, and by never resting on its laurels.

One thing that has not changed is ACOA's mandate, which is to increase economic opportunity in Atlantic Canada. This is specified in the *ACOA Act* and remains the foundation of ACOA's work. Pursuit of this mandate necessitates a clear set of strategic priorities, which are periodically revisited and renewed, and which direct the Agency's day-to-day operations. This report is centred on these priorities. New programs are constructed around them, and Agency staff must never lose sight of them.

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*One thing that has not changed is ACOA's mandate, which is to increase economic opportunity in Atlantic Canada.*

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Although this report looks back and gives an account of ACOA's performance over the past five years, it also offers an opportunity to look forward. This is more than just looking into a crystal ball. It is firmly founded on what has happened in the recent past, the programs and initiatives that ACOA already delivers, the current federal priorities, and a host of trends that are already in motion and over which ACOA exercises some control. We cannot turn back time or change the fact that Atlantic Canada's people are, on average, getting older, but we can do more to attract new people to settle in the region, bringing their families and their skills with them. We can encourage innovative practices in small and medium-sized enterprises (SMEs), nudging entrepreneurs and managers in new directions. We can, in a similar vein, support communities as they explore ways to promote their economies and help retain their young people by providing them with job options.

Any look forward can usefully employ the same headings as the strategic priority section of this report.

**Policy, advocacy, and co-ordination** will continue to evolve at the core of everything that ACOA does. Policy work must remain focussed, even within shifting priorities. Priorities have to be set and reviewed frequently, and implementation of policy decisions will be a joint effort throughout ACOA and with its partners. Advocacy will con-

tinue its emphasis on defending Atlantic Canada's interests in national debates and maximizing regional industrial benefits from major federal procurement contracts.

Co-ordination is multi-layered, and encompasses the concepts of both horizontality and ACOA's role as a regional hub. The objective of co-ordination is to promote a pan-Atlantic approach to issues where a commonality of interest can be identified. This necessarily involves working with partners, including provincial governments, other federal departments, municipalities, non-governmental organizations and the private sector. These partners must be constantly engaged, requiring a sharp focus on issues and addressing them in a co-ordinated fashion. New issues are constantly emerging, but one that will occupy ACOA's efforts for some time to come is how Atlantic Canada can attract and retain more immigrants. Another is how to maintain constructive relations with provincial governments now that economic development agreements have been replaced by new development delivery mechanisms.

ACOA will continue to support federal objectives. Delivery of federal programs has become a central part of ACOA's business, and this role will probably expand. Horizontal initiatives, such as the rural agenda and climate change, will continue to demand a regional component, and ACOA will contribute that component for Atlantic Canada. A variety of agreements with other federal departments in the region will co-ordinate economic development efforts.

**Entrepreneurship and business skills development** will remain key to ACOA's efforts at economic development. A central tenet in ACOA's establishment in 1987 was to tap into the entrepreneurial pool that exists in the region, and provide individuals with the necessary tools to begin to realize their dreams. Developing these skills is critical to economic growth, and ACOA needs to develop and sustain its partnerships with universities and colleges to foster this growth. Managing innovation in enterprises needs special attention, as does Aboriginal development. Two components of the Entrepreneurial and Business Skills Development Partnership of the AIP will emphasize management skills development for women and young people.

**Innovation** is firmly planted at the forefront of the economic development agenda, not only in Atlantic Canada but also in Canada as a whole. AIF, in its two rounds of proposals, was greatly oversubscribed, demonstrating a keen desire among the region's universities, research institutes and businesses to undertake groundbreaking

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research. However, it is already time to think of a successor to AIF that must continue to emphasize building Atlantic Canada's R&D and innovation system and capacity, enhancing its population of qualified personnel, and improving their ability to take new products and processes to markets.

**Community economic development** represents a particularly interesting mix of challenges. ACOA programming has traditionally leaned more toward rural communities and small towns that are home to so many of Atlantic Canada's people and where development needs were more urgent. Cities have recently come to the forefront of policy debate in Canada as they exercise an influence on economic growth out of proportion to their share of population and are usually the centres of growth of the new economy. They also serve as centres of learning, health care, R&D, culture and entertainment and provide many of the business and personal services that Atlantic Canadians have come to take for granted. ACOA must recognize the importance of cities in economic development while not neglecting its rural and small town clients.

Increasingly, economic development overlaps with social development in communities. ACOA's mandate is economic development, but often this cannot work well without engagement in issues that have a social aspect. In its 2003 Budget, the Government of Canada signalled a re-emphasis on social programs and ACOA will support this where economic applicability can be demonstrated. This will take on an extra emphasis as we try to attract more immigrants to Atlantic Canadian communities to counter the aging population.

**Tourism** in Atlantic Canada will continue to offer opportunities for economic growth. This growth will be based on the region's natural environment, cultural diversity, human history and well-developed visitor infrastructure, including for business travel and conventions. Like trade and investment, further growth in tourism will rely significantly on the United States, but the government private sector Atlantic Canada Tourism Partnership will continue to push marketing and promotion in diverse international markets. Benefits of increased tourism will be felt in many sectors, including accommodation, transportation, retail, food service, arts and culture, and recreation.

**Trade and investment** have become key parts of ACOA's work. Their promotion will continue to be critical to economic development in general. The efforts in all cases, whether to boost export trade or to encourage new

investment from outside, will hinge on the region's relationships with the United States, but will also involve broadening horizons to take in other parts of the world. This will be accomplished via Team Canada Atlantic missions to various markets, by participation in Team Canada missions, and by boosting Atlantic SMEs' skills in export marketing.

**Access to capital** was one of the roles that ACOA was explicitly set up to address in 1987, and it remains critical to the Agency's work. Offering repayable loans to businesses via the BDP will be supplemented by providing access to capital in different ways, such as venture capital funds and locally-based lending delivered by CBDCs. As commercial financial services continue to be withdrawn from many smaller and more remote communities, someone has to fill this gap; ACOA is well placed to help. Access to capital must always have regard for the widely different kinds of businesses it seeks to accommodate, from new technology start-ups to established companies in traditional sectors, all of which have different needs and demands.

These are the pillars of ACOA's structure that underpin its work. This work is to promote economic development in Atlantic Canada. It stresses entrepreneurial development and business skills, offering Atlantic Canadians the chance to expand a range of opportunities for business and employment. It encourages innovation, in new products and processes, and in their adoption by new and established businesses. In this way, the productivity of individual workers increases, making Atlantic companies more efficient and more competitive in global markets. There is the opportunity to increase export sales and to move into new markets.

None of this happens without direction and good management, and different kinds of support. Much of this comes from individual entrepreneurs and the management teams they put together. At the operational level, ACOA employees help in building these teams, offering capital and advice, and in opening doors that are otherwise closed. At the strategic level, ACOA Advisory Board members, who are successful entrepreneurs and business professionals in their own right, provide direction and support through expert advice to the President and Minister responsible for ACOA on a broad spectrum of Agency policy matters and strategic directions. Together, these two groups of dedicated individuals have helped thousands of Atlantic Canadians over the past five years to realize their dreams of owning and operating successful businesses and improving not only their own lives, but also the communities in which they live, both for today and the future.

# TECHNICAL APPENDIX ON METHODOLOGY AND APPROACH



## SECTION 4 – TECHNICAL APPENDIX ON METHODOLOGY AND APPROACH

### INTRODUCTION

The following pages contain two sections describing the methodology and approach used in estimating the economic impact of ACOA programming on the Atlantic region's economy, as reported in this Five-Year Report to Parliament. The approach used is a refinement of the methodology used by the Agency in its 1993-1998 Five-Year Report to Parliament.

### PART I METHODOLOGY FOR ESTIMATING ECONOMIC IMPACT

A logic model of the methodology presents in graphic form the **Process** followed in the calculation of the economic impact and identifies the source of data used and instruments of analysis. The model also identifies the **Output**, identifying measures used at each step of the process.

#### Part I – Methodology for Estimating Economic Impact

Process 	Output 
Agency database and Statistics Canada data on investment patterns	<ul style="list-style-type: none"> <li>Project level expenditures, ACOA only and total by province and industrial sector</li> <li>Expenditures broken down by construction investment, machinery and equipment and operating<sup>30</sup></li> </ul>
Statistics Canada tracking data on ACOA clients and program evaluations	<ul style="list-style-type: none"> <li>Incremental direct actual jobs created</li> <li>Incremental impact of projects on investment expenditures, sales, wages and salaries, exports and new SMEs<sup>31</sup></li> </ul>
Statistics Canada data on relationships between jobs, sales, wages and salaries and value-added by industrial sector	<ul style="list-style-type: none"> <li>Incremental direct value-added by industrial sector, by province</li> </ul>
Statistics Canada data on business entry and exit; Agency data on project default rates	<ul style="list-style-type: none"> <li>Incremental value-added by sector, by province adjusted for project failure rate</li> </ul>
Conference Board of Canada's Atlantic Provinces Econometric Model – investment and sector value-added adjusted upward by incremental investment and value-added by sector adjusted for failure rate	<ul style="list-style-type: none"> <li>Total impact including indirect and induced effects on GDP, employment and tax revenues</li> </ul>

<sup>30</sup> It is important that expenditures be segregated into construction investment, machinery and equipment purchases and operating expenditures because the impact on the Atlantic economy differs by category. In the case of machinery and equipment spending, most of the equipment would be produced outside Atlantic Canada, resulting in minimal indirect and induced benefits. Construction investment and operating expenditures would have relatively greater impact, as local labour and materials are employed to a greater extent.

<sup>31</sup> The Auditor General, in his report of November 1995, Chapter 18, defines an incremental project as one that would likely not have proceeded with the same scope, at the same time, and in the same location, without government assistance.



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## Notes concerning the precision of the estimates

### a) The Conference Board Model

The Conference Board Model is an econometric model of the economies of the Canadian provinces. Each provincial model consists of about 20 industry groups. The major advantage of the Conference Board Model is that each province is modeled explicitly. Other available econometric models determine effects using a national model, and then calculate provincial activity by dividing the national activity into fixed shares for each province using historical information. This “allocation” approach is likely to attenuate the effects of programs such as those administered by ACOA, which alter the share of Gross Domestic Product (GDP) accounted for by the Atlantic provinces in any particular industry. The estimates of the effects on the Atlantic region are likely to be more accurate using the Conference Board Model.

The Conference Board Model was selected because of the importance of accurate regional impact modelling. However, the fact that it is not highly disaggregated by industrial sector, 20 industry groups as opposed to over 100 groups for some competing models, poses limitations on precision. For example, there is no breakdown below the manufacturing sector, which means that the average value-added per employee for all manufacturing is used. This average produces a reasonable, if not conservative, estimate, because available data from Statistics Canada indicate that value-added per employee for ACOA clients exceeds the average for all Atlantic manufacturing businesses<sup>32</sup>.

### b) Incrementality

When investment is made in a business, there is always the possibility that the project would have been carried out with or without the government’s help. If the investment would have been carried out anyway, then the only effect of the government’s involvement is to add to the wealth of the entrepreneur. ACOA has contributed to the measurement of incrementality by the use of post-facto survey questions such as: “Would this investment have taken place without aid from ACOA?” and “If this investment would have taken place anyway, would it have been delayed without government assistance?”

Some entrepreneurs will provide answers they think the questioner wants to hear in order to get them out the door, or in order not to prejudice their chances of receiving further assistance. Other business people are fiercely independent and reluctant to admit that government support has played any role in their success. It is reasonable to assume that these two phenomena will balance each other.

To add to the reliability of measurement of what would occur in the absence of ACOA support, it is most helpful to compare assisted firms with unassisted firms. This methodology has the added benefit of eliminating or reducing the impact of external factors faced by all firms (e.g. the stage of the business cycle). The observed difference in performance can be taken as a measure of the incrementality of government assistance<sup>33</sup>.

For this Five-Year Report, in order to provide a robust evaluation of the impact of the BDP, which represents a large proportion of the direct job creation supported by the Agency, Statistics Canada has tracked the performance of ACOA clients versus unassisted firms. The incrementality factor of 0.84 used for the BDP represents that portion of the employment growth of BDP-assisted firms over the 1998-2003 period that is in excess of the growth of unassisted firms.

Supporting this estimate is the finding of the Auditor General in her December 2001 report on ACOA that, “there was evidence that most firms needed the BDP assistance to proceed<sup>34</sup>.”

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<sup>32</sup> Statistics Canada Employment Dynamics.

<sup>33</sup> A very useful analysis of the issue involved in estimating incrementality is provided in the paper *Six Steps to Heaven: Evaluating the Impact of Public Support to Small Business in Developed Economies*, by David J. Storey, presented at Mikkelli Conference on Growth and Job Creation in SMEs, January 7-9, 1998.

<sup>34</sup> Report of the Auditor General of Canada to the House of Commons: Chapter 6, Atlantic Canada Opportunities Agency – Economic Development.

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### Estimated Versus Actual Created Jobs

Through its Benefits Monitoring Tracking Module of the Client Relationship Information Management System (CRIMS), the Agency regularly monitors the BDP actual employment at the client or company level. This data is compared with the benchmark level of employment at the time of receiving support and the level expected as a result of the loan from ACOA. Monitoring at the client level is distinct from the project level and provides an estimate of net employment gain (loss) company wide that is comparable with the net gain (loss) recorded by the economy in aggregate.

Data from the benefits monitoring module indicate that over the 1998-2001 period, clients achieved 65% of the expected employment creation. This factor was used to discount estimated jobs created from the BDP to arrive at actual jobs. This estimate is closely corroborated by analysis of Statistics Canada data on BDP client performance over the 1994-1998 period, which found that clients achieved on a company employment level basis 68% of their employment creation estimates<sup>35</sup>.

For the Community Futures (CF) Program, actual job creation has been estimated at 59% of expectations by means of an independent survey of recipient firms<sup>36</sup>.

For the BDP, successful clients are identified through Agency monitoring and only jobs associated with these clients are included in the count. For the CF program and the Seed Capital ConneXion Program for Young Entrepreneurs (SCCYE), which are administered by third-party partners, loan write-offs are used to estimate annual failure rates. Expected job creation counts are discounted by annual rates of 2-3% for these programs (i.e. by 10-15% for the five-year period).

## PART II MAIN RESULTS AND ACHIEVEMENTS

The second table identifies the key **Performance Indicators** used to measure results. These are the corporate indicators used across programs and Agency-wide to report on overall ACOA performance and achievements. All ACOA programs report on one or several of these key indicators, in addition to their program specific indicators.

The second column summarizes the main **Results and Achievements** included in the report.

A third column provides more details on **Approaches** used for each of the results reported. This section includes information on assumptions underpinning the economic impact estimates, definitions, factors or rates used in the calculations, limitations and other comments relevant to the measures used.

<sup>35</sup> Statistics Canada, Employment Dynamics.

<sup>36</sup> Goss Gilroy Inc., Evaluation of the CF Program (delivered through the Atlantic CBDs), May 2003.

## Part II - Main Results and Achievements

Performance Indicators	Results and Achievements	Approaches
Employment	Total employment was almost 20,000 higher in 2002 than it would have been without ACOA's direct support to business.	An estimate of actual jobs created is calculated from a project-by-project count of job impact for those projects in direct support of business. Estimated jobs are adjusted by a factor of 0.65 to arrive at actual net employment gains on a company basis. These factors are derived from the Agency's monitoring of client performance and corroborated by tracking of ACOA clients by Statistics Canada. For CF programming, the factor is based on an independent survey of clients. Actual jobs are adjusted for incrementality, 84% for the BDP and 53% for CF. The Conference Board model produces a multiplier of about one, meaning that each job created directly creates one other job through spin-off spending.
Impact on Atlantic GDP	<p>Total Atlantic GDP was estimated to be \$0.9 billion higher in 2002 than it would have been without ACOA direct support to business.</p> <p>For each dollar invested directly in businesses through ACOA programming (BDP, CF, Seed Capital ConneXion Program for Young Entrepreneurs and COOPERATION programs) there were well over \$5 gains in Atlantic GDP.</p>	<p>Seasonal and part-time employment is converted to full-time (1,600 hours/year) and long-term (five-year duration) equivalents.</p> <p>Using job numbers from above, the value-added per employee, as determined by the model, is entered into the Conference Board econometric model to estimate overall impact on GDP, total employment and taxes.</p> <p>Jobs include only jobs created. Job calculation is deliberately conservative:</p> <ul style="list-style-type: none"> <li>• Jobs maintained are excluded</li> <li>• Incrementality factor (84%)</li> <li>• OAG found that "there was evidence that most firms needed the BDP assistance to proceed"</li> <li>• Failure rate (excludes jobs for BDP projects which failed during the five years)</li> <li>• CF and Seed Capital ConneXion jobs are discounted by 2-3% annually to reflect estimated failures, based on loan write-offs</li> <li>• Double counting of jobs has been accounted for</li> </ul>

**Part II - Main Results and Achievements (Continued from previous page)**

Performance Indicators	Results and Achievements	Approaches
<p><b>Return to Taxpayers</b></p>	<p>From 1998 to 2002, ACOA direct support to business of \$350 million has produced tax revenues of over \$500 million.</p>	<p>The methodology is a refinement of the methodology used in ACOA's Five-Year Report to Parliament for 1993-1998.</p> <p>In reviewing the underlying assumptions of this earlier methodology, PriceWaterhouseCoopers concluded in 1998 that "ACOA's process and assumptions are reasonable...we even suggest that some argumentation could be developed that would imply that the process and assumptions are conservative."</p> <p>Includes personal income taxes on wages earned by employees and sales taxes on purchases made by the companies and their employees.</p> <p>Impact does not include corporate taxes or estimates of savings to government on employment insurance or welfare payments.</p>
<p><b>Increase in Wages and Salaries</b></p>	<p>From 1989 to 1999<sup>37</sup>, the payroll (a good measure of earned income) increased by 65% for ACOA clients, compared with 35% for all Atlantic firms.</p>	<p>Based on Statistics Canada Employment Dynamics data, which compare ACOA clients' performance with that of Canada and the Atlantic region. Statistics Canada independently gathers and compares data through a contract with ACOA.</p>

<sup>37</sup> Data limitations: There is a time gap because data are based on corporate tax returns. The most recent data available are from 1999.

**Part II - Main Results and Achievements (Continued from previous page)**

Performance Indicators	Results and Achievements	Approaches
<p><b>Business Survival Rates</b></p>	<p>New businesses supported by ACOA generally have a better chance of survival.</p> <p>The five-year survival rate of ACOA-assisted firms is two and one-half times the survival rate of non-assisted firms.</p>	<p>Based on Statistics Canada Business Entry and Exit Tabulations (1989-1999) comparing ACOA client performances with overall Atlantic Canada businesses.</p> <p>Companies that cease operations include mergers, changes of ownership, failures and those not reporting income or not filing corporate tax returns.</p>
<p><b>Tourism - Increase in Tourism Revenues</b></p>	<p>Since 1994, promotions through the ACTP are estimated to have brought in \$173 million in incremental tourism revenues.</p> <p>Value for money is evident as the ACTP campaigns have resulted in \$9 of tourist expenditures for each dollar of media purchases.</p>	<p>Data based on independently commissioned studies.</p>
<p><b>Trade - Increase Number of Exporters</b></p>	<p>During the period 1998-2003, about 400 companies received ACOA support to begin exporting. Of those that became new exporters with BDP support, almost 80% have continuously exported over three to four years – more than 60% above the national average.</p>	<p>Based on in-house follow-up of companies supported by the BDP, COOPERATION and IBDA.</p>

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## ACRONYMS AND ABBREVIATIONS USED IN THE REPORT

<b>ABSNS:</b>	Aboriginal Business Service Network	<b>SCCYE:</b>	Seed Capital Connexion Program for Young Entrepreneurs
<b>ACCED:</b>	Atlantic Colleges Committee for Entrepreneurial Development	<b>SCIF:</b>	Strategic Community Investment Fund
<b>ACOA:</b>	Atlantic Canada Opportunities Agency	<b>SMEs:</b>	Small and Medium-sized Enterprises
<b>ACTI:</b>	Atlantic Canada Technology Initiative	<b>SMRA:</b>	Sydney Mines Renewal Association
<b>ACTP:</b>	Atlantic Canada Tourism Partnership	<b>TCA:</b>	Team Canada Atlantic
<b>AIF:</b>	Atlantic Innovation Fund	<b>TDPC:</b>	Territorial Development Policy Committee
<b>AIP:</b>	Atlantic Investment Partnership	<b>TEA:</b>	The Exceptional Assistant
<b>APRI:</b>	Atlantic Policy Research Initiative	<b>TPC:</b>	Technology Partnerships Canada
<b>ATIP:</b>	Atlantic Trade and Investment Partnership	<b>UBDC:</b>	University Business Development Centre
<b>BDP:</b>	Business Development Program	<b>VMP:</b>	Virtual Media Productions
<b>CBDcs:</b>	Community Business Development Corporations	<b>WBI:</b>	Women in Business Initiative
<b>CBScs:</b>	Canada Business Service Centres	<b>YEDI:</b>	Young Entrepreneur Development Initiative
<b>CED:</b>	Community Economic Development		
<b>CEDAs:</b>	Community Economic Development Agencies		
<b>CED-Q:</b>	Canada Economic Development for Quebec Regions		
<b>CF:</b>	Community Futures Program		
<b>CFAR:</b>	Canadian Fisheries Adjustment and Restructuring Initiative		
<b>CFI:</b>	Canada Foundation for Innovation		
<b>CIDA:</b>	Canadian International Development Agency		
<b>CRIMS:</b>	Client Relationship Information Management System		
<b>CSBF:</b>	Canada Small Business Financing		
<b>EBSDP:</b>	Entrepreneurship and Business Skills Development Partnership		
<b>ECBC:</b>	Enterprise Cape Breton Corporation		
<b>GDP:</b>	Gross Domestic Product		
<b>GOL:</b>	Government On-Line		
<b>HRDC:</b>	Human Resources Development Canada		
<b>IBDA:</b>	International Business Development Agreement		
<b>IRBs:</b>	Industrial Regional Benefits		
<b>ISDI:</b>	Innovation Skills Development Initiative		
<b>JEDI:</b>	Joint Economic Development Initiative		
<b>MPHEC:</b>	Maritime Provinces Higher Education Commission		
<b>NBTGI:</b>	New Brunswick Training Group Incorporated		
<b>NRC:</b>	National Research Council		
<b>NSBA:</b>	Nova Scotia Boatbuilders Association		
<b>OECD:</b>	Organisation for Economic Cooperation and Development		
<b>OLA:</b>	<i>Official Languages Act</i>		
<b>PAICC:</b>	Pan-Atlantic Investment Co-ordination Committee		
<b>R&amp;D:</b>	Research and Development		
<b>REDCs:</b>	Regional Economic Development Commissions		
<b>REDOs:</b>	Regional Economic Development Organizations		