



# Five-Year Report to Parliament 2003–2008

*Building a Stronger Economy Together*



Atlantic Canada  
Opportunities  
Agency

Agence de  
promotion économique  
du Canada atlantique

Canada 

The Atlantic Canada Opportunities Agency works to create opportunities for economic growth in Atlantic Canada by helping businesses become more competitive, innovative and productive, by working with communities to develop and diversify local economies, and by championing the strengths of Atlantic Canada. Together, with Atlantic Canadians, we are building a stronger economy.

### **Commitment to Sustainable Development**

The Atlantic Canada Opportunities Agency is committed to protecting the environment by promoting sustainable businesses and communities in Atlantic Canada.

This report is also available on the ACOA website at [www.acoa-apeca.gc.ca](http://www.acoa-apeca.gc.ca)

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# Minister's Message

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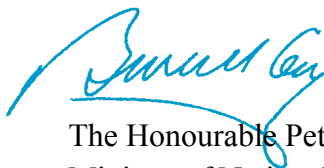
For more than two decades, the Atlantic Canada Opportunities Agency (ACOA) has been working with Atlantic Canadians to help build strong communities and a diversified regional economy. Twenty years after Prime Minister Brian Mulroney established ACOA, the Agency continues to play a key role in the future of the region.

ACOA's work to develop a more innovative, productive and competitive regional economy is directly linked to our government's goal of a prosperous and united Canada. The Agency is committed to encouraging innovation and assisting the strategic growth of industries such as aquaculture, the life sciences, and aerospace and defence.

It will continue its work to expand export trade in emerging markets and to advance the development of the Atlantic Gateway.

As a major regional economic development agency, ACOA remains connected and forward-looking in shaping policies and delivering programs that address the region's evolving economic challenges; that capture new development opportunities; and that support Atlantic Canada's drive to reach its full potential.

Therefore, it is with pleasure that I table the Atlantic Canada Opportunities Agency's Five-Year Report to Parliament 2003-2008.



The Honourable Peter G. MacKay  
Minister of National Defence and Minister for the Atlantic Gateway



# Minister of State's Message

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Atlantic Canada was a very different place in 1987, when ACOA took on an ambitious and challenging goal: to help build Atlantic Canada's economy by engaging the entrepreneurial spirit of Atlantic Canadians to help create well-paying and stable jobs.

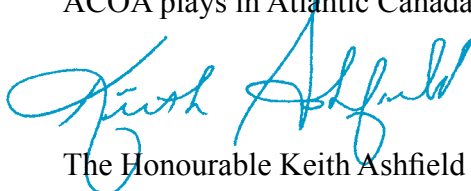
Twenty years later, ACOA is recognized as a driver of innovation, growth and development. The Agency is successfully working with its many partners to deliver on the federal economic strategy of regional and sector development.

This five-year report looks at ACOA's record for the period of 2003-2008. The results speak for themselves:

- Each dollar invested directly in businesses by the Agency has resulted in over \$7 in gains to the region's GDP.
- Atlantic Canada's GDP is estimated to be \$1.2 billion higher than it would have been without ACOA.
- Direct support from the Agency to business helped generate tax revenues of over \$865 million.
- Productivity in ACOA-assisted small and medium-sized enterprises (SMEs) increased by an average of 6.4 per cent a year.
- The Agency helped leverage more than \$1 billion in industrial regional benefits for Atlantic Canadian industries.

As ACOA moves forward in delivering on its mandate, it will continue to support the start-up and growth of SMEs; encourage the commercialization of home-grown R&D and increased investment in the region; and assist business export readiness, the promotion of sustainable communities, and the growth of new and existing industry sectors.

As Minister of State, I share, with the Agency's staff, pride in the role that ACOA plays in Atlantic Canada.



The Honourable Keith Ashfield  
Minister of State (Atlantic Canada Opportunities Agency)



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# Executive Summary

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In 2007, ACOA commemorated 20 years of service to Atlantic Canadians. Over these two decades, Atlantic Canada has undergone a transformation. The region has built a new entrepreneurial culture that is increasingly innovative and outward looking, and the Agency has played a crucial role in this transformation. By adapting rapidly to the changing social and economic forces facing the region, ACOA has helped businesses and communities in the Atlantic provinces to strengthen and compete globally.

Atlantic Canada's economy has performed well in recent years; however, new challenges have emerged. International competition from low-cost producers and a high exchange rate have challenged the region's limited manufacturing base and seasonal industries. While resource-based industries continue to underpin parts of the economy, there has been diversification into new value-added products and services, and knowledge-based sectors have become part of the region's landscape. ACOA has supported the development of several of these sectors as they sought growth and value-added opportunities.

During the last five years, ACOA has encouraged more innovation and more research and development, promoted export trade and foreign investment, and helped Atlantic Canadians to acquire the skills needed for business success in the 21<sup>st</sup> century. As a result, Atlantic Canadians are more innovative and export-oriented than ever before.

The Atlantic Canada Opportunities Agency (ACOA) works to create opportunities for economic growth in Atlantic Canada by helping businesses become more competitive, innovative and productive, by working with communities to develop and diversify local economies, and by championing the strengths of Atlantic Canada.

## Highlights 2003-2008

ACOA manages its operation within a framework of strategic priorities that reflect:

- the results of policy research and analysis;
- regular review and evaluation of the effectiveness of the Agency's programs;
- ongoing development with stakeholders in the region; and
- the priorities and direction of the Government of Canada.

ACOA's strategic focus in support of its mandate is addressed through activities in support of its three strategic outcomes: Competitive and sustainable Atlantic enterprises, with emphasis on those of small and medium size; Dynamic and sustainable communities for Atlantic Canada; and Policies and programs that strengthen the Atlantic economy.

Innovation and stronger innovative capacity through research and development and the deployment of technology are fundamental to the region's productivity and competitiveness.

The Agency has continued to foster R&D via the Atlantic Innovation Fund (AIF), which was renewed in 2005 with an additional \$300 million in funding. Over the five-year period 2003-2008, four competitive calls for proposals were held. More than 200 partnerships between private sector and university/research institutions were established to jointly pursue these R&D projects. A total of 144 projects were approved, resulting in \$357 million invested in projects valued at \$790 million.

Since 2003, the Agency has also funded over 230 R&D projects, involving more than \$70 million in conditionally repayable assistance. It has supported more than 85 technology adoption projects involving more than \$21 million in assistance. This assistance from ACOA has leveraged more than \$245 million in investments from other sources.

Strengthening innovation and the commercialization of science and technology is vital to achieving sustainable economic growth.

### Impact on Economic Growth

- Each dollar invested directly in businesses through ACOA programming resulted in more than \$7 in gains in Atlantic Canada's GDP.
- Total Atlantic GDP was estimated to be \$1.2 billion higher in 2007 than it would have been without ACOA's direct support to business.
- From 2003 to 2007, ACOA's direct support to business of \$622 million generated tax revenues of over \$865 million.
- Total gross employment was almost 25,000 higher in 2007 than it would have been without ACOA's direct support to business.



ACOA recognizes that the region's universities possess strong R&D capabilities and that a partnership with the private sector could lead to increased commercialization opportunities.

An example of this partnership is Springboard Atlantic Inc. Established in 2004 by the Association of Atlantic Universities, Springboard Atlantic encourages commercialization of university research and has already resulted in:

- triple the number of technology transfer professionals, industry liaison officers and others engaged in activities to support this effort;
- double the number of disclosures, patents, commercialization agreements and revenues; and
- the research budgets of Springboard members having increased from a total of \$225 million to \$280 million.

The Agency works to create opportunities leading to economic growth in Atlantic Canada by promoting export trade and by seeking foreign investment. ACOA's trade role in the global economy is designed to strengthen the export performance of the Atlantic region by enhancing the capabilities of small and medium-sized businesses to establish and expand activities. Exporting brings many concrete, bottom-line benefits to these businesses, such as increased sales, higher profits and less dependence on traditional markets. Atlantic Canada's comparatively small population limits the commercial opportunities that export markets can produce.

From 2003 to 2007, as part of its work in promoting and developing export capacity, the Agency led seven Team Canada Atlantic trade and investment missions, engaging more than 230 small and medium-sized enterprises (SMEs) throughout the region and generating in excess of \$10 million in immediate-export sales.

ACOA plays a key role in strengthening partnerships and mobilizing stakeholders to work on governmental priorities. The Agency is moving forward in partnership with Transport Canada and the four Atlantic Provinces to develop an Atlantic Gateway strategy. Gateways and trade corridors consist of transport infrastructure of national significance. The Atlantic Gateway has the potential to be a driver of new investments in the region, and presents Atlantic Canada with an opportunity to benefit from an increase in international trade.



Community development has emerged as an important means to foster economic diversification in Atlantic Canada. The Agency's approach to community development is based on the principle that the problems facing communities, such as unemployment and economic instability, can best be addressed through a holistic and participatory process. ACOA has invested over \$316 million in more than 900 community-based projects through the Innovative Communities Fund and its predecessor, the Strategic Community Investment Fund. These investments have leveraged an additional \$359 million from other sources. In addition, Community Business Development Corporations have issued over 9,000 loans, totalling \$257 million, to businesses in their respective communities, which have leveraged an additional \$262 million in private sector investment/financing.

The Agency advocates industrial regional benefits and the enhancement of opportunities for Atlantic Canadian businesses to participate in federal procurement. This focuses particularly on major Crown projects that offer the potential for regional benefits. In the last five years, Atlantic Canada's participation in major Crown projects represented industrial regional benefits in excess of \$1 billion.

### **A Leader in Management**

ACOA has been recognized for its solid management performance in the Agency's annual Management and Accountability Framework (MAF) assessment by the Treasury Board Portfolio. These MAF assessments study management structures and capabilities across federal departments. Over the last two years, ACOA has been ranked among the leaders in the Government of Canada, and has also been commended for bringing overall improvements to its management agenda.

### **Best Practices in Managing Grants and Contributions**

An independent Blue Ribbon Panel commissioned by the President of the Treasury Board of Canada in June 2006 to make recommendations regarding the efficiency and accountability of grants and contributions highlighted ACOA's best practices. The Agency continuously focuses on excellence with respect to client service and has been recognized by the Blue Ribbon Panel as a vanguard department in terms of enhancements moving from a project-based to a client-based approach, and for developing streamlined processes and automated tools to better serve its clients.



## Looking Forward

ACOA's priorities reflect the objectives and principles of *Advantage Canada*, the Government of Canada's overarching economic framework, which is based on five key advantages. The Agency's mandate is most closely tied to the entrepreneurial, knowledge and infrastructure advantages.

In spite of recent progress, Atlantic Canada continues to face challenges in the pursuit of a higher standard of living. Atlantic Canada remains one of Canada's most rural regions and is characterized by a stagnant population level, primarily due to a high level of out-migration. With unemployment levels at a 30-year low, ACOA is shifting focus from helping business to create employment to stimulating growth in productivity, competitiveness and earned income.

The Agency's emphasis is now on fostering research and development, technology adoption, business skills development, and trade and investment. In addition, ACOA will pursue balanced and strategic urban-rural development, and strengthened advocacy.

# Introduction

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ACOA's legislative status was authorized by the *Government Organization Act, Atlantic Canada 1987*, which received Royal Assent August 18, 1987, and came into force September 15, 1987. Part I of the Act established ACOA, while Part II established the Enterprise Cape Breton Corporation (ECBC), which is included in the Minister of ACOA's portfolio.

Pursuant to Section 21 (2) of the Act, the President of the Agency is required to submit to the Minister of ACOA, a five-year Report to Parliament on the Agency's activities. The Minister is required to table this report in Parliament.

This report covers the period April 1, 2003 to March 31, 2008. In some instances, the time frame of the performance information is determined by data availability from external sources and the information may cover the most current five-year period. For example, the latest Statistics Canada data used to provide a comparison of results for ACOA clients versus non-ACOA clients is available for the period ending 2005. This is the fourth such report to be submitted since the Agency was established.

The report is organized in two main sections.

**Section 1 – ACOA's Impact over Two Decades** provides an overview of ACOA's contribution to the transformation of Atlantic Canada's economy over the past 20 years. This section outlines how ACOA's role has changed since 1987 and how its enhanced role has influenced business and community development and innovation in each of the four Atlantic provinces.

**Section 2 – Organized for Results** describes the activities of the Agency in the strategic areas of Enterprise Development, Community Development, and Policy, Advocacy and Coordination. Enterprise Development is broad-based and includes the areas of innovation, trade and investment, entrepreneurship and business skills development as well as expansion of the enterprise base in the region. The section concludes with a look ahead at the challenges facing the region as ACOA continues its commitment to Atlantic Canada’s economic development.

**Supplemental Information** on the economic performance of Atlantic Canada over the five-year period, analysis of ACOA’s impact and ACOA’s Management Agenda are provided on ACOA’s website.

See: <http://www.acoa-apeco.gc.ca>. 



# Chapter 1

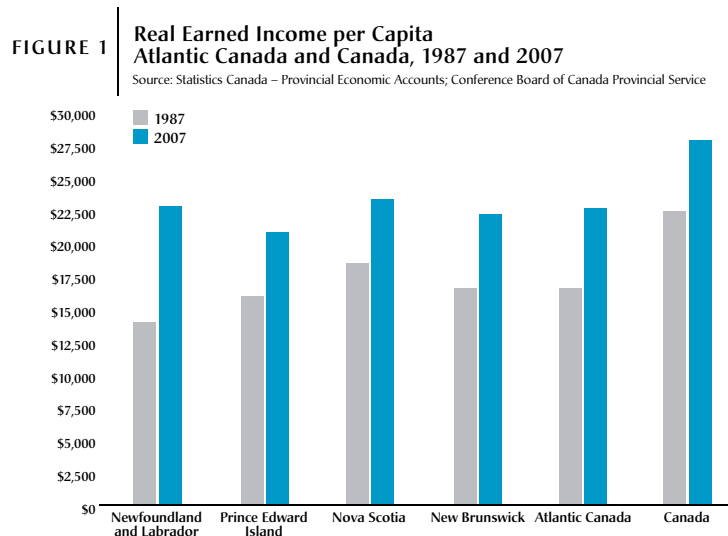
## Growing with Atlantic Canadians

In 2007, ACOA commemorated 20 years of service to Atlantic Canadians. As it enters its third decade, ACOA can reflect on an impressive record as the federal entity responsible for the government's economic development efforts in the provinces of New Brunswick, Prince Edward Island, Nova Scotia, and Newfoundland and Labrador.

### Transformation of the Atlantic Economy

In the past 20 years, Atlantic Canada has undergone a transformation. The region has built a new entrepreneurial culture that is increasingly innovative and outward looking. While ACOA cannot claim exclusive credit for this transformation, the Agency has played a very important role.

When ACOA was created, Atlantic Canada was facing an unemployment rate of 14% and declining resource industries. The economic performance of the region



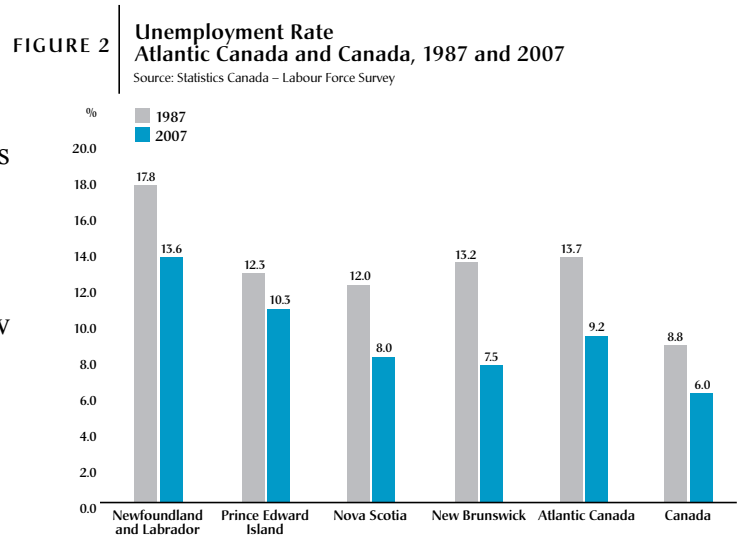
This year marks the Agency's 20<sup>th</sup> year of service. For more than two decades, ACOA has been making a difference in the lives of Atlantic Canadians by...  
 ...helping our entrepreneurs to start up and expand...  
 ...helping our businesses boost productivity and adopt new technologies...  
 ...strengthening the infrastructure of our communities...  
 ...and supporting our youth. Twenty years later, the Agency is recognized as a force for growth and development... it has a strong record of working with its partners.

The Honourable Peter MacKay  
 Minister of National Defence  
 and Minister of ACOA  
 October 2007

over the past 20 years, as illustrated in the charts shown, clearly demonstrates a marked improvement in the economic position of Atlantic Canadians.

Figure 1 shows that real earned income per person in the region, for example, was 36.2% higher in 2007 than in 1987, far exceeding the national rate of increase of 24.3%.

Figure 2 illustrates a marked reduction in the region's unemployment rate, representing significant improvements in the well-being and economic fortunes of Atlantic Canadians. In 2007, the unemployment rate in the region was 4.5 percentage points below the rate in 1987. The differential between the unemployment rate in Atlantic Canada and Canada as a whole fell from 4.9% to 3.2%.



### The Early Years: Entrepreneurship Development

ACOA's efforts in the very early years were clearly and almost exclusively directed to the development of the private sector. The Agency developed a comprehensive entrepreneurship development strategy to increase awareness of entrepreneurship as a viable career option and to put in place a series of support services for small businesses, including training, counselling and research. Indeed, the strategy was acknowledged as a successful model to be studied by other countries and, in 1996, the Organisation for Economic Co-operation and Development (OECD) and ACOA published *The Implementation of an Entrepreneurship Development Strategy: The Case of the Atlantic Region*.

In 1987, ACOA put in place a new program for Atlantic Canadian business. The ACOA Action Program focused specifically on entrepreneurship, with a special emphasis on the start up and expansion of small and medium-sized businesses. Billed as “simpler, more direct and more responsive,” the Action Program focused on providing assistance for the establishment, modernization and expansion of businesses. It provided support for new product development, innovation projects and business studies, as well as assistance to non-commercial organizations.

The COOPERATION Program, designed to work in a complementary fashion with the Action Program, was initiated by the Agency. It built on earlier investments in basic development infrastructure and targeted strategic investments and initiatives. As the name implies, the COOPERATION Program comprised collaborative agreements between the federal and provincial governments. This pooling of resources and combined focus of efforts facilitated investment strategies that contributed to common goals – creating the kind of economic climate in which business and industry could grow in Atlantic Canada.

### **Reaching out to Communities and Focusing on Innovation**

By the early 1990s, however, a number of social and economic forces gave the Agency an opportunity to revisit its approach to regional development. With the collapse of the Atlantic groundfish industry and the closure and reduction of several Canadian Forces bases, ACOA worked with communities and took on a new role by helping communities to mobilize in a focused way in order to adjust to new realities and respond to the sudden and often traumatic loss of local jobs and opportunities.

Through programs such as the Fisheries Alternatives Program and the Base Closure Fund, ACOA worked with the impacted communities to develop and invest in sustainable economic development initiatives based on the opportunities that existed within these communities. This collaboration allowed communities to take stock of what they had to offer, build on their strengths, and address some of their challenges; all in an effort to move forward in a positive direction. ACOA also undertook to deliver the Canada Infrastructure Works Program on behalf of the federal government, investing in core infrastructure cost-shared projects with provincial and municipal governments. During this time, ACOA assumed responsibility for the delivery of the Community Futures program in Atlantic Canada, supporting a network of 41 Community Business Development Corporations that provide lending capital and business counselling services to SMEs in rural Atlantic Canada.

It was becoming increasingly evident at this time that globalization and the rise of the knowledge-based economy were pushing Atlantic Canada toward what economist Michael Porter and others called the new “paradigm of competitiveness.” Prosperity in this new economy would be based on productivity, rather than on labour or natural resources.



In response to this new dynamic, ACOA adapted its business programs to focus less on support for the acquisition of capital assets and more on the assets associated with productivity – innovation, marketing, international trade and human resources development. In its policy leadership role, the Agency conducted extensive new research and mobilized its



partners, including provincial governments, business leaders and universities, to work on strategic options to advance the region's development capacity.

### **The Atlantic Investment Partnership: Enhancing Global Opportunities**

This change in policy emphasis led ultimately to the development of the Atlantic Investment Partnership (AIP),

a major five-year initiative launched in 2000 and renewed in 2005. The AIP has made major investments in innovation, community economic development, trade and investment, and entrepreneurship and business skills development.

In 2005, the federal government committed \$590 million for 2005-2010 for the renewal of the Atlantic Investment Partnership. This has enabled ACOA to continue investing in:

- public and private sector partnerships in innovation, trade and investment;
- entrepreneurship and business skills development; and
- community development.

These investments not only address economic challenges and opportunities facing Atlantic Canada in the global marketplace, but also enhance participation in national initiatives such as the Building Canada Program, Mobilizing Science and Technology to Canada's Advantage, and the Global Commerce Strategy.

# Chapter 2

## Building on Success

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During the last five years, ACOA has continued to build on the success of the original Atlantic Investment Partnership (AIP) by encouraging more innovation and research and development, promoting export trade and foreign direct investment, strengthening communities and helping Atlantic Canadians acquire the skills needed for business success in the 21<sup>st</sup> century. As a result, Atlantic Canadians are more innovative and export-oriented than ever before.

The commercialization potential of Atlantic Canada's R&D continues to grow. The Atlantic Innovation Fund (AIF) has been instrumental in helping to move R&D from the laboratory to the marketplace. In the five competitive rounds of the AIF program (four of which occurred within the five-year reporting period 2003-2008):

- 627 proposals were received, requesting \$1.96 billion in funding for projects valued at \$3.7 billion.
- 192 projects were approved, involving \$512 million in AIF investments for projects valued at \$1.16 billion.
- The percentage of institutional projects (universities and colleges) with a private sector partner has increased significantly, from 67% in Round I to 92% in Round V.

Since April 1, 2003, via its Innovation element, the Business Development Program has funded over 230 R&D projects, involving more than \$70 million in assistance. It has supported more than 85 technology adoption/adaptation projects involving more than \$21 million in assistance. This financial support from ACOA has leveraged more than \$245 million in investments from other sources.

At the community level, ACOA continues to recognize the importance of local engagement to facilitate effective community economic

development. ACOA works in collaboration with other economic development stakeholders to ensure that community development investments are based on strategic economic development plans that recognize the strengths and address the challenges of communities. Through a network of Regional Economic Development Organizations and Community Business Development Corporations, the Agency has facilitated a mobilization of Atlantic Canadian communities, where community development is based on a bottom-up approach.

ACOA's investments in community development have levered support from a variety of partners: communities, provinces, not-for-profit organizations and the private sector. Community support is the key element for success of Community Economic Development investments and, ultimately, long-term viability. As communities become engaged in project development and implementation, they not only reap the benefits of that project, but establish economic development capacity that assists them to take a leadership role in their own long-term economic development.

### **Impact on the Atlantic Provinces, 2003-2008**

The development of the Atlantic Canadian economy has been influenced by a number of factors over the past five years. International competition from emerging low-cost producers and a high exchange rate have challenged the region's manufacturing base and its seasonal industries. While resource-based industries continue to underpin parts of the economy, there has been diversification into new value-added products and services, and emerging knowledge-based sectors have become part of the region's economic landscape. ACOA has supported the development of several of these sectors as they sought growth opportunities and value-added activities.

Overall, Atlantic Canada's economy has performed well.

- Real gross domestic product (GDP) in Atlantic Canada expanded by an average of 2.0% annually between 2003 and 2007, highlighted by strong growth in both the mining and construction sectors.
- Employment in the region grew at an average of 1.1% annually over the past five years, as nearly 60,000 more people were employed in Atlantic Canada in 2007 compared with 2002. As a result, the unemployment rate fell steadily during this period, attaining 9.2% in 2007 – its lowest level in over 30 years.

- Commodity exports from Atlantic Canada rose by 47% between 2002 and 2007, driven by strong gains in exports of refined petroleum products, crude oil and minerals.
- Labour productivity growth in Atlantic Canada averaged 0.9% over the 2003 to 2007 period, keeping pace with national gains.
- While R&D levels in Atlantic Canada remain lower than the national average, they have improved over the past few years. According to the latest statistics, between 2000 and 2005, expenditures on R&D in Atlantic Canada rose by an annual average of 8.5%, ahead of the national increase of 6.2%.

ACOA has played a significant role in this success by adapting rapidly to the changing social and economic forces pressing on the region. Through its programming, ACOA has helped each of the Atlantic provinces to capitalize on opportunities related to its strengths.

- Newfoundland and Labrador's economy benefited from opportunities associated with its rich oil and mineral resources and expertise in ocean technologies.
- Prince Edward Island pursued further economic diversification through cluster development in the bio-resource, aerospace, information and communications technology, tourism and wind energy sectors.
- In Nova Scotia, the emergence of new industries, including the life sciences, information technology and financial sectors, bodes well for future job creation.
- In New Brunswick, several developments have positioned the province for sustained economic growth, relating to the energy, mining, aquaculture, and the business service sectors.

### **Newfoundland and Labrador**

The Newfoundland and Labrador economy performed well over the past five years, with real GDP increasing by an average of 3.1%. This strong performance was mainly due to significant developments in the mining and oil industries, and the development of expertise in areas such as ocean technologies. The development of the \$2.4-billion White Rose offshore oil project and the \$2.9-billion Voisey's Bay nickel, copper and cobalt deposit in northern Labrador fuelled construction activity in the province and, along with gains from iron ore, significantly boosted oil and mineral production during the 2003 to 2007 period.

The value of mineral production in the province has increased substantially in the past several years, due to increased world commodity prices and increased production. ACOA's support of the industry aims to enhance R&D and maximize business opportunities. For example, the Agency committed \$23.1 million to Memorial University of Newfoundland to establish an innovation centre in the mining sector with a focus on research related to geosciences and process engineering. The research has resulted in process improvements at Vale Inco's operations in the province, new contract awards related to ore characterization, and progress on commercializing research in areas related to geosciences.

Newfoundland and Labrador produced 134 million barrels of oil in 2007, 14% of total Canadian production. The oil industry provides direct employment for 3,000 people, supports a significant number of local services and supply companies, and is responsible for an estimated 15% of annual real GDP. ACOA works with stakeholders to identify new opportunities, to attract investment and to address challenges related to the exploration and development of Newfoundland and Labrador's oil and gas resources. Some examples of recent ACOA-led studies include: *An Assessment of Atlantic Canada's Offshore vis-à-vis Competing Jurisdictions*, completed in partnership with Natural Resources Canada and Industry Canada, and *Location, Environmental and Other Factors Influencing Exploration and Development of Labrador Gas*, completed in partnership with oil and gas companies with an interest in offshore Labrador.

Newfoundland and Labrador's developing offshore oil industry has also provided a number of research and innovation opportunities for ocean technology industries related to ice management, marine

communications and safety challenges. Growth of Newfoundland and Labrador's ocean technology industry has been substantial over the current decade. The number of private sector companies grew from 33



firms with \$117 million in sales in 2001, to more than 50 firms with \$230 million in sales in 2005. Private sector employment totalled 1,470 people in 2005 – up by more than 65% over 2001 employment numbers. The Agency has worked closely with the National Research Council's Institute of Ocean Technology (NRC-IOT), the Marine Institute of Memorial University of Newfoundland, the Government of Newfoundland and Labrador and industry players to encourage collaboration and to build a sustainable ocean technology cluster in the province.

### **Ocean Technology Cluster Development Newfoundland and Labrador**

The development of an ocean technology industry cluster in Newfoundland and Labrador was a priority of ACOA during the reporting period. The Agency has worked collaboratively with ocean technology stakeholders, including Memorial University of Newfoundland, ocean technology companies, the National Research Council of Canada, the City of St. John's and the provincial government to advance the sector.

A distinguishing feature of ACOA's strategy in this area is its close collaboration with oceans-mandated federal government departments to encourage made-in-Canada technology solutions to Canada's ocean management challenges.

Through the Agency's BDP and AIF programming, and through the federal Ocean Action Plan (2005-2007), ACOA has contributed significantly to growth within the sector. As of 2006, there were 52 companies in the ocean technology industry in Newfoundland and Labrador, representing an increase of 58% since 2001. Sixteen of these companies were newly formed. Employment in the industry increased by more than 62%, and the total revenues of companies in the industry nearly doubled from \$117 million to over \$225 million. The goal for the ocean technology cluster in the province is to grow into an industry worth \$1 billion annually within 10 years.

The ocean technologies cluster is catalyzing companies in Newfoundland and Labrador to build individual strengths into powerful collective efforts. More and more, the industry is assuming strategic leadership for the sector. The province sees this sector as a major element of its new economy.

L.G. O'Reilly  
Executive Director  
Oceans Advance

### **Prince Edward Island**

Economic growth in Prince Edward Island averaged 2.3% between 2003 and 2007. The services-producing sectors performed well during this period, with the addition of information technology firms, call centres and financial services companies. The province continued to build on its

reputation as a leader in the development of renewable energy sources, as significant investments were undertaken to increase wind generating capacity through the addition of new wind farms. ACOA, in collaboration with Natural Resources Canada and Transport Canada, established the Wind Energy Institute of Canada in Prince Edward Island.

ACOA has also played an integral role in creating a bioscience cluster within the province. The Agency's investments have been the key to enabling private and public sector R&D institutions to develop the expertise and experience needed to promote this cluster. Development of new pharmaceutical products, sustainable production methods for marine biocompounds, development of erosion-resistant protective coatings for the aerospace industry, development of vaccines, the creation of new food and skin-care products using nutriscience, and health research for human neurodegenerative diseases are a few examples of the dynamic growth in this emerging sector.

The aerospace industry in Prince Edward Island has evolved in large part due to the creation of Slemon Park Corporation. Since its evolution in the early 1990s, this industry has become the province's second-largest producer of total exports, representing close to \$200 million in annual sales. Local companies like MDS-Prad and Atlantic Turbines International Inc. have been industry leaders in the knowledge-based economy. Leading-edge R&D has positioned MDS-Prad as one of the world's premier sources of protective coating products. With its development of world-class engine repair techniques, Atlantic Turbines International has become an industry leader in the areas of gas turbine engine maintenance and restoration.

Prince Edward Island's information technology cluster continues to strengthen thanks to the sum of its parts. Today's savvy entrepreneurs realize that innovative technology has proven to be the equalizer when it comes to delivering products and services worldwide. Business location has become irrelevant. ACOA's Atlantic Innovation Fund has enabled entrepreneurs to develop commercially viable software that can assist local governments and utilities in running their operations more efficiently; to create user-friendly and reliable e-health software for health providers in Canada and around the world; and to design multi-functional software applications for radiological information and imagery.



### The Wind Energy Institute of Canada North Cape, Prince Edward Island

Together with the PEI Energy Corporation and Natural Resources Canada, ACOA has partnered with Resources West, the regional

economic development organization for western PEI, and the Wind Energy Institute (WEICan), a leading testing and research institute for wind energy systems, in pursuit of opportunities in the wind energy sector.



This partnership has resulted in a new 7,860-square-foot building equipped with laboratories and workshop areas designed to

meet the needs of both large- and small-scale projects relating to wind power generation. In addition, WEICan has signed a co-operation agreement with the German Wind Energy Institute to provide measurement services to the wind energy sector in North America.

This investment in the North Cape community represents an important contribution to the development of renewable energy sources and provides for economic diversification and greater economic stability in the local area.

Atlantic Canada has enormous wind energy potential and WEICan, as Canada's oldest and leading wind energy test site, has a central role to play in realizing that potential.

Scott Harper  
WEICan Chief Executive Officer

### Nova Scotia

The Nova Scotia economy experienced moderate growth during the 2003 to 2007 period, averaging 1.4%. This growth was mainly driven by a growing service sector and strengthening retail sales. Within the services-producing sector, for example, significant expansion occurred in the financial services sector, as several offshore financial companies expanded or established operations in Halifax. ACOA contributed to this development through the Trade and Investment component of the Atlantic Investment Partnership. The Agency invested in promoting Nova Scotia as a location for international banks and IT companies. This resulted in the direct creation of jobs in the province.

Nova Scotia's manufacturing sector has been impacted significantly by the rising dollar, resulting in a loss of competitive position in the global market. However, the development of emerging sectors illustrates the progress being made in the region. These sectors include: information and communications technologies; biotechnology, life sciences and bioresources; aerospace and defence; advanced manufacturing; and marine technologies. Aerospace, in particular, is a bright spot in Nova Scotia, as firms are expanding and new projects are being developed.

Traditional resource-based industries are undergoing significant changes. For example, new value-added products in both the wood and food processing industries have allowed them to become much more export intensive.

The transformation of Nova Scotia's traditionally resource-based economy to an innovative and globally competitive, knowledge-based economy is ongoing, but poses many major social and economic challenges. For example, many of Nova Scotia's foundational industries (fisheries, forestry, agriculture and tourism) are struggling to adjust to rapidly increasing competition from other exporting countries. Success in these areas will depend largely on their ability to innovate and to increase productivity.

Rural areas, in particular, will be impacted by the effects of slow population growth and an aging population. These will combine to constrain the capacity for rural communities to maintain and increase economic expansion. More effort will be needed to ensure an adequate supply of labour.

ACOA has made significant investments in the research and development sectors of the Nova Scotia economy. Through investments under the Atlantic Innovation Fund, ACOA has facilitated public-private partnerships to develop technology that has high commercialization potential. In addition, ACOA has invested funds from the Business Development Program to help companies acquire new technology and adopt more productive methodologies. This will continue to be the focus for ACOA going forward.

ACOA is a partner to companies and researchers in the life sciences sector and has supported several projects in this area. The Nova Scotia Life Sciences Asset Map estimates that in 2005, there were approximately 50 core life sciences companies in Nova Scotia with close to 500 products competing in the global marketplace. Collectively, these products generated more than \$181 million in sales, most of these in the sub-sectors of functional foods and nutraceuticals, pharmaceuticals and agriculture. Virtually all of the province's products in the life sciences are exported, with four major companies responsible for more than 85% of total sales.

### **ImmunoVaccine Technologies Inc. Halifax, Nova Scotia**

ImmunoVaccine Technologies Inc. (IVT) is a biotechnology company that grew out of research originally developed in a university laboratory. The company was incorporated in 2000 to commercialize vaccine research development at Dalhousie University in Halifax.

What is great about ACOA's support is that it has helped our company leverage further investment in ImmunoVaccine. ACOA recognizes that we have developed a major breakthrough technology that will have a very positive impact on the biotechnology sector in Atlantic Canada.

**Brian Lowe**  
Vice-President  
ImmunoVaccine Technologies Inc.

IVT is collaborating with partners such as Dalhousie University, the Atlantic Veterinary College and the Nova Scotia Agricultural College to develop a biological technology that works to stimulate the immune system by enabling the body to create more effective antibodies. This technology, now trademarked as VacciMax<sup>®</sup>, has both human and animal applications. For example, IVT's first line of marketable products from its proprietary platform is SpayVac – a single dose contraceptive vaccine for controlling domestic pet and wildlife fertility. IVT is also working with international experts and partners to develop a vaccine delivery platform capable of 100% tumour elimination in pre-clinical cancer models.

Under the AIF, ACOA is investing over \$3 million toward a \$10-million innovation project of IVT to further develop the company's vaccine platform. It is expected that specific vaccine products resulting from the project will include products for the prevention of human infectious diseases and human therapeutic vaccines for the treatment of diseases.

## New Brunswick

The New Brunswick economy was confronted with various challenges between 2003 and 2007, particularly those faced by the forest and non-energy manufacturing sectors due to the appreciation of the Canadian dollar and the slowdown in the U.S. economy. Despite these challenges, New Brunswick's economy performed well, reflecting its growing diversity.

Between 2003 and 2007, the New Brunswick economy grew by an average 2.0% per year. Investment has been the principal driver of growth during the past five years, with two megaprojects dominating investment in non-residential construction: the refurbishment of the Point Lepreau nuclear generating station and the construction of the Canaport liquefied natural gas terminal in Saint John. In 2007, overall, capital investment reached \$6.0 billion, a 5.4% increase over 2006 and the highest level on record.

With strong gains in the information technology, finance and insurance, and the retail and wholesale trade sectors, the province's services-producing industries played a major part in economic growth.

While the economy has performed well overall, economic growth and expansion is unequally distributed throughout the province. New Brunswick's rural communities continue to face significant challenges including exposure to serious disruptions due to trade disputes, resource rationalization, a higher Canadian dollar, and higher commodity prices.

ACOA has made strategic investments in New Brunswick's key economic sectors to facilitate full participation in the province's current economic expansion. For example, ACOA has made critical investments in New Brunswick's aquaculture industry, which focus on innovation and technology, productivity and business skills development, and capacity building and marketing. These investments have led to employment creation and diversification of the region's rural and coastal communities.

ACOA also created the Chaleur-Restigouche Initiative, a three-year effort to assist SMEs in the northeast region of New Brunswick to adjust to the closure of the Brunswick Mine and Smelter, as well as the downturn in the forestry sector. Among its notable accomplishments, ACOA undertook extensive assessments of 149 potential SME clients, which led

to projects with 40 SMEs to develop new products, find new national and international markets, and improve their management skills – particularly in the areas of trade and innovation.

In New Brunswick, ACOA will continue to facilitate full participation in the economy by making investments that build and capitalize on local capacity, foster economic diversification, and help communities transition beyond traditional economic activity.

### **Huntsman Marine Science Centre St. Andrews, New Brunswick**

The Huntsman Marine Science Centre (HMSC) in St. Andrews, New Brunswick, highlights the benefits of ACOA's efforts and programming in rural areas.

The HMSC plays an important role in conducting research vital to the local economy and to coastal resource use and management in Atlantic Canada. Within the context of the development of the fisheries and

ACOA has helped us enhance our facility, research new processes, develop new strategic alliances and advance our research into commercial uses. Their support has been invaluable to our work.

**Bill Robertson**  
Executive Director  
Huntsman Marine Science Centre

aquaculture sector in Atlantic Canada, HMSC's large-scale fish holding and breeding facilities for marine and freshwater fish enable research and development by commercial companies and scientists.

ACOA's investment through the Innovative Communities Fund (ICF) and the Atlantic Innovation Fund (AIF) have assisted in the creation of a research partnership involving the HMSC, the University of New Brunswick, Acadia University, Genome Atlantic, the Atlantic Salmon Federation, and Fisheries and Oceans Canada. This partnership represents a strategic investment in community development in Charlotte County, where the cluster of aquaculture-related activities has brought vital economic diversification to the area.

## Section 2

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### Organized for Results

ACOA was created in 1987 as a new model for economic development in which decision-making resided in the region. Programs were to be designed for and by Atlantic Canadians. As Donald Savoie stated in his 1987 report, *Establishing the Atlantic Canada Opportunity Agency*, a dedicated agency within the region “hold[s] the most promise for concrete results.” This model necessitated a decentralized approach. The ACOA headquarters is in Moncton, New Brunswick, with offices in each of the four Atlantic provinces and one in Ottawa.

ACOA is a regional leader in conducting economic policy research. It acts as a champion for Atlantic Canada, bringing intelligence about the region’s strengths, interests and concerns to the centre, while ensuring that the federal government’s priorities reflect the needs of Atlantic Canada. Through its Ottawa office, ACOA advocates the interests of Atlantic Canadians in the development of national policies and programs, and procurement opportunities.

Within its broad mandate under the *Government Organization Act, Atlantic Canada, 1987*, the Agency works to create opportunities for economic growth in Atlantic Canada by helping businesses become more competitive, innovative and productive; by working with communities to develop and diversify local economies; and by championing the strengths of Atlantic Canada.

While ACOA continues to support the start-up and growth of SMEs, it also encourages the commercialization of homegrown research and development, the growth of existing and new industry sectors, increased exports and investment, and sustainable communities. ACOA works with communities by providing resources that enable them to implement their

own investment and infrastructure strategies. The Agency also works to address the current demographic challenges by working with partners on strategies to enhance the opportunities for the skills of existing residents while attracting new skilled workers to the region.

### Linking ACOA's and the Government of Canada's Economic Priorities

Over the last five years, ACOA's strategies have been driven by key national and regional priorities, the continuing impact of globalization of markets, and the need to strengthen Canada's economy through improved productivity, competitiveness and innovation.

The Government of Canada has pursued a strategy that invests in skilled knowledge workers and cutting-edge research and innovation to help regions exploit opportunities in the global economy. ACOA has supported this strategy through the Atlantic Investment Partnership, aligning its programs to support the Government's priority to help create an environment in which Canadians can prosper.

Our goal is to ensure that every part of the country has the chance to benefit from the enormous economic opportunities that lie before Canada.

The Right Honourable  
Stephen Harper  
Fredericton, New Brunswick  
June 25, 2007

With *Advantage Canada*, our Government has laid out a sensible economic plan to secure better-paying jobs and solid growth for Canadians.

Speech from the Throne,  
October 16, 2007

In 2006, the Government of Canada announced a long-term economic plan to build a strong Canadian economy and make Canada's quality of life second to none. *Advantage Canada* focused on creating a tax advantage, a fiscal advantage, a knowledge advantage, an entrepreneurial advantage, and an infrastructure advantage for Canadians.

The Agency's activities support the knowledge, entrepreneurial and infrastructure elements of Canada's long-term economic plan. In the period 2003 to 2008, the Agency's activities focused on:

- promoting commercialization of leading-edge research;
- supporting private sector and university innovation partnerships;
- assisting projects involving business expansion, modernization and productivity and business skills enhancements;
- supporting and promoting essential infrastructure and trade initiatives such as the Atlantic Gateway;



- assuming a leadership role in the development of regional strategies such as a population strategy that focuses on attraction, retention, labour integration and developing skills to meet the needs of the new economy; and
- engaging communities in local economic development planning and initiatives that support local business and industry development and invest in key economic development infrastructure.

# Chapter 3

## How ACOA pursues Its Mandate

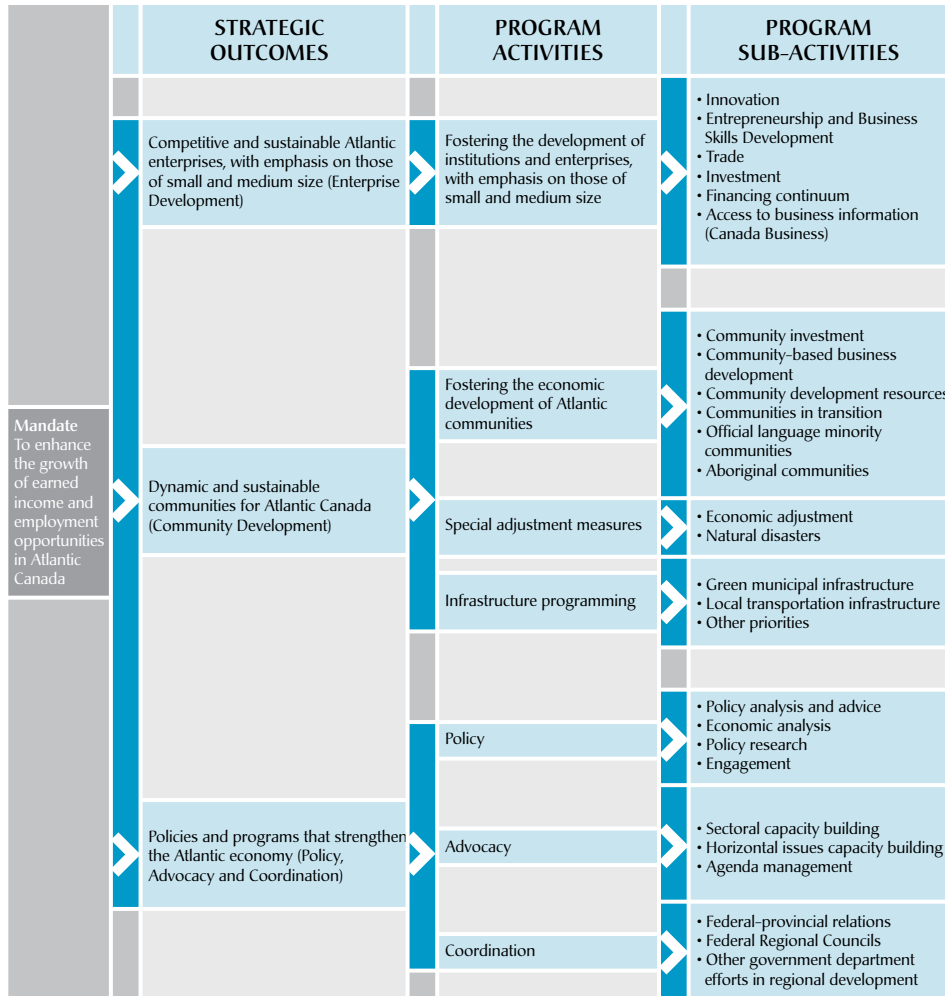
ACOA has identified three strategic areas of activity that reflect its mission and the benefits it strives to provide to Atlantic Canadians.

These are:

- **Enterprise Development** – improved growth and competitiveness of Atlantic enterprises with emphasis on those of small and medium size; and fostering the development of infrastructure leading to increased productivity, earned incomes and job creation.
- **Community Development** – improved community economic infrastructure and strategic planning capacity, leading to improved employment opportunities and economic growth in Atlantic Canada.
- **Policy, Advocacy and Coordination** – strategic, researched policy positions that reflect the region’s potential, ensuring regional influence on national policies and programs that affect Atlantic Canadian development and interests, and facilitating the coordination of other federal policies and programs within the region to form more effective, integrated approaches to the region’s economic development.

These three strategic outcomes are outlined in ACOA’s Program Activity Architecture as illustrated in Figure 3. It reflects the results of policy research and analysis; periodic review of program effectiveness; ongoing dialogue with other stakeholders in the region; and the priorities and directions of the Government of Canada.

Figure 3



The program activities and sub-activities supporting these outcomes are described in detail in the chapters that follow.

### Partners

The Agency is committed to helping the region become its own engine of economic growth. To that end, ACOA works in partnership with a variety of government, business, academic and community stakeholders toward the long-term development of the region. Partners include:

- the business sector;
- community-based economic development organizations and voluntary groups;
- universities and colleges;
- research institutes;
- other federal government departments;
- provincial governments;

- First Nation communities; and
- municipalities.

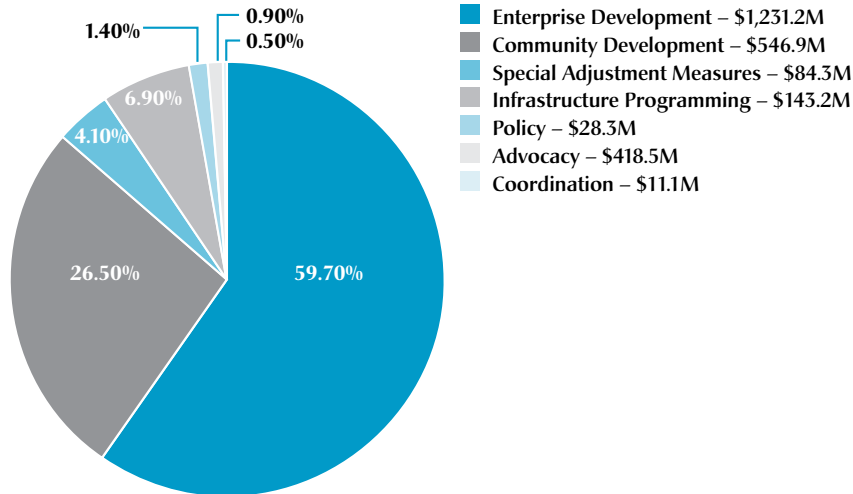
ACOA's work with these partners involves a variety of activities, including the following.

- Working with provincial and municipal levels of government to advance the priorities of the Government of Canada while advocating regional interests and priorities in Ottawa.
- Engaging the private sector in research initiatives and as partners in commercialization initiatives.
- Working with universities and research institutes to advance the region's innovation agenda, enhance the region's participation in Canada's innovation strategy and to ensure the region's 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.
- Collaborating with a variety of locally based organizations such as Community Business Development Corporations, Regional Economic Development Organizations (REDOs), other levels of government, and not-for-profit organizations, in order to advance community economic development.
- Engaging in broad-based initiatives with the tourism industry through the Atlantic Canada Tourism Partnership, best practices missions, and the Atlantic Canada Technology Initiative.
- Collaborating as the lead federal partner with Atlantic provincial governments on export trade development initiatives, notably through Team Canada Atlantic trade missions and the Canada-Atlantic Provinces Agreement on International Business Development.
- Collaborating with Transport Canada, Foreign Affairs and International Trade Canada, Atlantic provincial governments and industry stakeholders to promote the Atlantic Gateway.

## Resources

Agency spending over the five-year period of this report was \$2.1 billion, which includes \$143.2 million from Infrastructure Canada programming and statutory transfer payments<sup>1</sup> of \$5.9 million.

### 2003-2008 Agency Spending by Program Activity



<sup>1</sup> Statutory transfer payments include liabilities in 2003-2004 under the *Small Business Loans Act* and the *Canada Small Business Financing Act*. Since that time, these liabilities in Atlantic Canada have been reported by Industry Canada.

# Chapter 4

## Enterprise Development

### 4.1 Overview

Central to ACOA's mandate is the development of enterprises in Atlantic Canada – particularly small and medium-sized enterprises (SMEs). SMEs comprise over 90% of Atlantic Canadian businesses. The Agency's role, therefore, is critical to the region's growth of earned incomes, employment and a higher standard of living.

Productivity and competitiveness  
– a major focus for enterprise  
development.

The Agency recognizes that enterprise development must focus on productivity and competitiveness to ensure success in domestic and export markets. A number of factors that contribute to lower levels of productivity in Atlantic Canada (relative to the national economy) are being addressed by ACOA's programming. These include the need to increase firms' ability to innovate, to increase R&D spending, to improve levels of business skills, to participate in international trade and to adopt new technologies including investments in machinery and equipment.

ACOA has implemented a comprehensive approach that addresses:

- **Innovation** in product development and productivity improvements, which are major building blocks for enterprise competitiveness.
- **Trade/Investment** in the international marketplace, because export development is essential for business growth, while foreign direct investment expands the region's economic base and growth potential.
- **Entrepreneurship and business skills development**, which is essential for long-term business success.

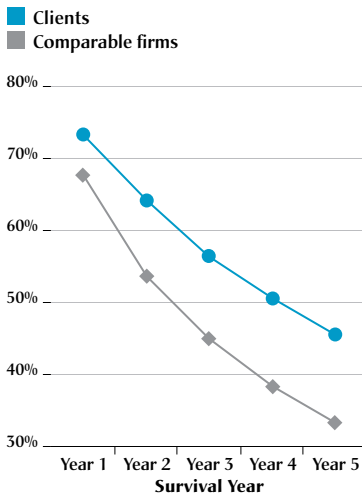
- **Financing continuum** to correct gaps in the financial offering to SMEs, either by providing direct financing or by working with other financial providers to better address the capital needs of SMEs at various stages of their business life cycle.
- **Access to business information (Canada Business)** for Atlantic Canadians interested in starting or growing a business.

ACOA offers a broad range of programs and services to improve the climate for business growth – from ensuring that business development tools and resources are available to Atlantic Canadian entrepreneurs throughout all stages of the business life cycle, to working with educational institutions, business support organizations and other

government departments in the development and delivery of policies and programs.

#### Business Survival Rate: Small Firms (fewer than 20 workers)

Source: Statistics Canada



#### ACOA's Impact on Business Survival of SMEs

A company's survival depends on many factors including the age of the business, location and size. In Atlantic Canada, 87% of firms are in the small size category (fewer than 20 workers); 80% of ACOA's start-up clients fall into this category. The impact of ACOA programming is evident. The business survival rate for ACOA clients in the small category is 46% after the crucial fifth year following start-up. In the absence of ACOA support, the business survival rate would have been 13 percentage points lower.

#### ACOA's Impact on Gross Domestic Product

It is estimated that real GDP is \$1.2 billion higher (in constant 1997 dollars) in 2007 than it would have been in the absence of ACOA's direct support of businesses. (Real GDP is the inflation-adjusted value-added of products and services produced in a given year in an economy.)

The sector most affected by the Agency's support is the manufacturing sector. In fact, about 50% of commercial projects supported by ACOA were in the manufacturing sector. Consequently, manufacturing output is \$312 million higher in 2007 in Atlantic Canada than it would have been without ACOA's support.



ACOA's approach has helped create a business environment that allows SMEs to become competitive and sustainable. As evidenced by the following examples, the Agency's programs and initiatives have a direct impact on the success of SMEs.

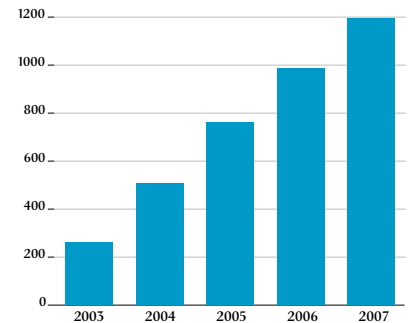
### **C-Vision Ltd.**

#### **Amherst, Nova Scotia**

C-Vision is an innovative, rural-based electronics and manufacturing company that demonstrates how an innovative company does not necessarily have to be located in a large urban centre to be successful. The company also demonstrates that innovation and productivity are the keys to remaining competitive. C-Vision is headquartered in Amherst, Nova Scotia, and employs a local workforce of approximately 95 people. It provides Original Equipment Manufacturers (OEMs) with printed circuit-board assembly, box build, system integration, prototyping and mock-ups, materials management, logistics and fulfillment.

#### **Total Impact on GDP** (\$ millions 1997)

Sources: Simulations by the Atlantic Canada Opportunities Agency; The Conference Board of Canada economic models.



*Charles Cartmill, founder and president of C-Vision Ltd.*

The company exports almost 90% of its products to markets around the world and competes successfully against suppliers in Asia and elsewhere. It is also a leader in environmental manufacturing – the second company in Canada to produce lead-free circuit boards.

ACOA has worked with C-Vision to develop its products, markets, skills capacity and innovative capacity. Through projects under ACOA's Innovation Skills Development Program, C-Vision has upgraded its R&D and technical project management capacity. C-Vision's participation in ACOA-led trade missions – one to Paris and the other to Boston – have enabled the company to expand its market base and exposure.

Electronics is one of the most competitive industries in the world. However, with the right people, systems and equipment, Atlantic Canada can compete. We're living proof of that.

Chuck Cartmill  
Owner and Founder  
C-Vision Ltd

In 2007, C-Vision began a \$2-million R&D project, supported by ACOA's Atlantic Innovation Fund, to produce Light Emitting Diode (LED) roadway lighting. LED lighting is energy efficient and has a longer life span than conventional lighting. Cost savings of comparable systems can be as much as 85%.

### **The Lean Manufacturing Initiative New Brunswick**

In this reporting period, ACOA developed and implemented the Lean Manufacturing Initiative in New Brunswick.

The objective was to help companies improve operational efficiency and address productivity challenges in order to improve their overall competitiveness. Results of a 2006 impact assessment indicated that the firms participating in this initiative showed significant growth, with an increase in the number of full-time employees, an increase in gross revenues, and an increase in gross revenues per full-time employee of more than \$20,000.

### **The Atlantic Canada Tourism Partnership**

In many instances, the Agency plays an important coordination role that results in effective partnerships in a specific sector of the Atlantic Canadian economy. An example of such a partnership is the Atlantic Canada Tourism Partnership (ACTP).

The \$20-million ACTP brings a regional, co-operative approach to promoting Atlantic Canada as a premier tourism destination in key international markets. The group is a nine-member, pan-Atlantic partnership consisting of ACOA; the provincial departments responsible for tourism in New Brunswick, Nova Scotia, Prince Edward Island, and Newfoundland and Labrador; and the four provincial tourism industry associations.

Since its inception, this multi-member partnership has executed successful research-driven consumer advertising campaigns in key international markets such as New England, the Mid-Atlantic States, the United Kingdom, France, Japan, Germany, Austria and Switzerland.

Tourism marketing efforts undertaken by the ACTP have achieved significant results for Atlantic Canada. This partnership model works and the ACTP's track record proves it. Its 2003-2006 international marketing investments generated \$16.83 in tourism-related spending for every \$1 spent on marketing. In 2007, the ACTP generated \$87 million in tourism revenue for Atlantic Canada, or \$17 for every dollar invested in international marketing campaigns.

#### 4.2 Innovation

Innovation and stronger innovative capacity through research and development and the deployment of technology are fundamental to the region's productivity and competitiveness. Atlantic Canada's labour productivity, which is critical to increasing incomes and creating wealth, has historically been below the national level. This is partly due to industrial structure and partly to lower levels of investment in research and development, technology, educational attainment and worker training.

One of ACOA's key priorities is helping SMEs to increase productivity and improve their competitive position. Whether it is for a new business or the expansion or modernization of an existing one, the Agency invests in companies, thereby enabling them to make process improvements, reduce waste generation, acquire new technology, train their workers and develop managerial skills. Stronger businesses result in new investments in the region and contribute to employment creation and increased earned income.

Labour productivity, which is estimated using the inflation-adjusted sales per worker, experienced stalwart growth from 2001 to 2005. More specifically, productivity increased by 6.4% per year for ACOA clients, while comparable firms experienced a decline of 0.5% based on Statistics Canada data. Moreover, sales of small and medium-sized ACOA clients have increased at a solid rate from 2001 to 2005, rising by an average of 4.7% per year. Comparable firms have averaged sales growth of only 2.1% during the same time period.

ACOA executes its innovation strategy through two programming tools: the Atlantic Innovation Fund (AIF) and the Business Development Program (BDP). Together, these programs support ACOA's objective

of increasing innovative capacity, ultimately leading to productivity improvement. The five key areas of ACOA's Innovation Strategy are:

- Strengthening Innovation Systems;
- Supporting Strategic Sectors;
- Building Innovation Capacity;
- Addressing Skills Gaps; and
- Policy Development and Coordination.

### **Strengthening Innovation Systems and Strategic Sector Support**

ACOA focuses on accelerating the development of knowledge-based industries and facilitating transition within traditional industries by increasing the region's capacity to carry out leading-edge research and development. First established in July 2000, the AIF was designed for this purpose. An additional \$300 million was committed to the fund in July 2005. An independent AIF Advisory Board, composed of regional leaders in business and academia, reviews all AIF proposals and provides recommendations to ACOA.

The AIF invests in research and development and related initiatives, primarily in the natural and applied sciences. These initiatives must be directly linked to the development of technology-based products, processes or services that can be successfully introduced into the marketplace.

In order to maximize the return on investment to Atlantic Canada, ACOA supports projects that offer the best opportunity for future growth. These projects are typically found in sectors where Atlantic Canada has a demonstrated competitive advantage and in emerging clusters of knowledge-based firms. These include information technology (notably geomatics and communications), ocean technologies, aquaculture, bio-technology, health and medical technologies, and environmental technologies.

AIF investments also aim to strengthen the region's ability to develop technologies that enable resource-based industries such as oil and gas, aquaculture and agri-food, fisheries, forestry and mining to upgrade and enhance their competitiveness.

An evaluation of the AIF program – intended to assess the progress to date, build on what was working well and identify areas for improvement – was completed in 2004.

Among key findings, the AIF is:

- leveraging additional investment in R&D for every dollar invested;
- increasing R&D capacity in the region;
- strengthening linkages within Atlantic Canada’s innovation system; and
- promoting collaborative research and technology commercialization.

Since April 1, 2003, via its Innovation element, the BDP has funded over 230 R&D projects, involving more than \$70 million in assistance. It has supported more than 85 technology adoption/adaptation projects involving more than \$21 million in assistance. This financial support from ACOA has leveraged more than \$245 million in investments from other sources.

The commercialization potential of R&D in Atlantic Canada continues to grow. The AIF has been instrumental in helping to move R&D from the laboratory to the marketplace. In the five competitive rounds of the AIF program:

- 627 proposals were received, requesting \$1.96 billion in funding for projects valued at \$3.7 billion.
- 192 projects were approved, involving \$521 million in AIF investments for projects valued at \$1.2 billion.
- The percentage of institutional projects (universities and colleges) with a private sector partner has increased significantly, from 67% in Round I to 92% in Round V.

Clearly, the private sector plays the leading role in the commercialization of technology. Under the AIF, the proportion of commercially led innovation projects has, for the most part, increased markedly with successive rounds (*it should also be noted that Round I occurred previous to the five-year reporting period 2003-2008*):

- 36% of Round I in 2002;
- 46% in Round II in 2003;
- 52% in Round III in 2006;
- 66% in Round IV in 2007; and
- 55% in Round V in 2008.



The AIF investments in these commercially led projects are also leveraging significant financing from private sector partners and investors for the commercialization of technology, a key objective of the AIF.

A complete listing of AIF projects approved to date can be found on ACOA's website at <http://www.acoa.ca/e/financial/aif/index.shtml>. ©

### Building Capacity and Innovation Partnerships

To encourage SMEs to build innovative capacity, the benefits of undertaking innovation activities must be effectively communicated. Key components must be well-linked and promote interaction among all players. Taken together, the region's innovation system is strengthened, leading to increased R&D and the delivery of products to the market. ACOA recognized that the region's universities possess strong R&D capabilities and that a partnership with the private sector could lead to increased commercialization opportunities. The AIF program was designed to accelerate R&D within the universities, to encourage collaboration among them, and to facilitate partnerships between academic research and business development. By raising awareness of the benefits of undertaking innovation activities and by promoting improved interaction among the innovation players, ACOA has helped strengthen the region's innovation system, resulting in partnerships between academic research and business development, increased R&D and commercialization of research.

One such partnership is Springboard Atlantic. To assist regional universities in identifying and capitalizing on commercial activities, ACOA collaborated with 14 universities and other stakeholders to create and sustain a technology transfer network that supports the commercialization of university research in Atlantic Canada. ACOA was acknowledged by the OECD in its 2007 report, *Higher Education and the Regions* where

Research and development is growing in Atlantic Canada and ACOA is a significant contributor. From 2000 to 2004, spending on industrial R&D in Atlantic Canada grew from \$132 million to \$204 million. In 2004, spending on industrial R&D by ACOA clients represented a significant share of total R&D spending in Atlantic Canada, equalling 38%.

(Source: Science, Innovation and Electronic Information Division, Statistics Canada)

"Springboard members are finding that this way of working opens doors to allow large-scale collaborations and partnerships with industry, the venture capital community and public organizations such as the National Research Council," said Dr. Axel Meisen, [former] President of Memorial University of Newfoundland and [former] Chair of the Association of Atlantic Universities. "Springboard also gives us a seat at the table to develop national policy regarding innovation and technology commercialization. By uniting the resources of the universities in Atlantic Canada, we achieve the critical mass essential to success."



the Springboard Atlantic initiative was underlined as a unique network for promoting research and its commercialization. The OECD noted that, through Springboard, knowledge “is mobilized for the benefit of economic development and to embrace the smaller universities that are unable to support a commercialization function.” According to the report, the AIF has “proven to be a catalyst in encouraging partnerships among businesses and the research community, including higher education institutions.”

Following are several examples of ACOA clients that are successfully contributing to strengthening innovation systems in Atlantic Canada. Many of these firms have benefited from more than one of ACOA’s programs in the diverse aspects of innovation.

### **Cathexis Innovations Inc.**

#### **St. John’s, Newfoundland and Labrador**

Cathexis is a privately held firm that has made the challenging transition from a primary focus on research and development to a successful market-oriented operation. It is an excellent example of how ACOA can help with this transition.

The company offers ID Blue, the world’s first mobile, Bluetooth-enabled Radio Frequency Identification (RFID) reader. RFIDs enable more efficient data collection and analysis, with applications ranging from inventory management to security control.

ACOA first provided support for management and marketing development under the BDP. In January 2008, Cathexis was awarded \$2.69 million under the AIF to further develop the ID Blue product. The \$5.69-million project will involve R&D to introduce miniaturization, power management and advanced communications as well as RFID software opportunities. Notably, the project will involve global partners including Microsoft Corporation and the Centre of Excellence for Applied Research and Training in the United Arab Emirates. The company has also secured a major private equity placement of \$2.5 million to assist in the financing of its growth and commercialization strategies.

We’re one of only six companies worldwide to have an RFID hardware partnership with the company (Microsoft), and we’re the only one that has a wireless RFID reader. We are very proud of that and it gives us a lot of visibility in the marketplace.

Steve Taylor  
CEO, Cathexis Innovation Inc.

**IT Interactive Services Inc.****Halifax, Nova Scotia**

IT Interactive Services Inc. (ITIS) is an example of an innovative, Internet-based company. It grew from a three-person, owner-operated enterprise employing 20 people with sales of \$6 million to a company employing 33 people with forecasted sales of \$27 million. ITIS is a leading developer and provider of performance-based marketing services for the Internet. The company's brands – including GenieKnows.com, GenieKnows.co.uk, and GenieKnowsGames.com – have become widely known and respected, offering users focused, category-based search results.

ITIS is built on innovative technologies and has invested heavily in R&D. It has partnered with Dalhousie University to conduct R&D, and in 2007, it began a research project valued at more than \$2 million and supported under the AIF to develop enhancements to one of its current technologies, GenieKnows.com. The enhancements will improve the user interface, providing more personal customization options. ACOA has also supported ITIS to enhance its productivity and marketing capacity through projects under the Business Development Program and Innovation Skills Development Initiative.

"The time is right for this food inspection technology," says Paul Hearn, Managing Director of Baader-Canpolar Inc. "The key is in the software. With help from the Atlantic Innovation Fund, we've been able to automate to a high level of quality and safety in food products."

**Baader-Canpolar Inc.****St. John's, Newfoundland and Labrador**

Baader-Canpolar Inc. (BCI) was incorporated in 1999 as a joint venture between Canpolar East and Baader Canada Inc., specializing in food inspection systems. The company's vision inspection system, which incorporates a patented technology, detects a range of defects in fish fillets and poultry.

To meet emerging industry demands for higher levels of food defect detection, BCI made technical advancements in its core inspection technology through a combination of improved imaging techniques, software analysis and the addition of X-ray capabilities. In 2004 the company was successful in securing AIF support (\$2.5 million) for the development and assembly of advanced food inspection systems. BCI works in partnership with Intelligent System Solutions, an independent Newfoundland and Labrador company specializing in intelligent system research.



With help from ACOA, BCI has been successful in bringing its research and development to commercialization. The company officially launched its poultry inspection technology at the international poultry show in the United States, in February 2007.

**BioVectra Inc.** (formerly known as Diagnostic Chemicals Limited)  
**Charlottetown, Prince Edward Island**

BioVectra Inc., initially a home-based business that manufactured small amounts of a specialty chemical known as INT dye, has grown considerably in size and product development since it first began operations in 1970. The company that Dr. Regis Duffy founded became one of the world's leading developers and manufacturers of high-value chemical reagents and analytical kits for doctors, laboratories and hospitals across North America, employing over 200 people and producing no fewer than 200 products. Sales for the year ending August 31, 2007, exceeded \$36 million.

BioVectra has been a role-model ACOA client and has benefited from a number of ACOA programs. ACOA's overall investment in BioVectra amounts to almost \$8 million against total project costs of over \$26 million, and BioVectra has fulfilled its obligations on payback of the ACOA investment and employment creation.

In December 2007, all assets of BioVectra's diagnostic division were sold to Genzyme Corporation and Genzyme Diagnostics PEI Inc. The large biotechnology company has a keen interest in expanding its presence in PEI's growing bioscience cluster.

BioVectra Inc. continues to build its capacity and move into novel, strategic areas of business development. For example, one of its AIF projects, PEGylation of Biomolecules, is approximately 90% complete and BioVectra has already successfully developed and manufactured products having considerable sales potential.

*"Thanks to ACOA investments, BioVectra Inc. is in a greater position to more fully service the biopharmaceutical industry worldwide," said the company's founder and chairman Regis Duffy. "With enhanced manufacturing capabilities and support to develop new pharmaceutical products, the company has been able to meet increased demand from both new and existing customers."*

### Addressing Innovation Skills Gaps

To address skills gaps, ACOA provides support for managerial and technical skills development required for SMEs to implement

From 2003 to 2006, ACOA funded nearly \$30 million in 450 ISDI projects to:

- enhance SMEs' innovation and technology management capabilities;
- increase the region's pool of experienced technology managers and technical expertise; and
- retain more qualified science and technology graduates, linking them with SMEs in the region.

productivity improvement measures and manage innovation projects. The Innovation Skills Development Initiative (ISDI), introduced in 2000, was designed for this purpose. A 2005 evaluation of the ISDI concluded that the program helped to augment business skill levels among the region's SMEs.

Building on this success, and given the strong demand for assistance for innovation, the Agency launched the Productivity and Business Skills Initiative (PBSI) in 2006. This initiative broadens the scope of the ISDI by investing in the development and recruitment of better business skills, in addition to technical skills. In the first year, over 165 projects were funded involving more than \$6 million in assistance.

### Green Imaging Technologies Inc. Fredericton, New Brunswick

ACOA's productivity and business skills investments have allowed companies such as Green Imaging Technologies Inc. (GIT) of Fredericton, New Brunswick, to become investor-ready and raise the commercialization capital required to launch state-of-the-art Magnetic Resonance Imaging (MRI) technology for the petroleum industry.

This technology will offer the petroleum industry a faster, less expensive technology with which to perform reservoir core testing measurements. The result will be increased and better information that will reduce uncertainty for drilling plans.

Since the product launch in September 2007 at the International Symposium of the Society of Core Analysts, GIT has received a number of requests for proposals from oil companies worldwide. In addition, the company is in discussion with the largest core testing equipment manufacturer in the world for possible inclusion of the GIT technology in its equipment.

### 4.3 Trade/Investment

#### Trade

ACOA's trade objective is to increase export capacity and sales of SMEs in Atlantic Canada. The Agency helps to prepare new exporters to access international markets and provides current exporters with the support required to maintain and increase their exporting capabilities. ACOA utilizes a variety of programs, activities and partnerships, which covers the length of the export continuum, beginning with export-readiness.

ACOA's strategy for strengthening the export performance of SMEs in the region is based on four main elements. The first element, awareness, promotes exporting as a growth strategy for SMEs. It enhances their knowledge of trade issues and opportunities, and ensures that customers in export markets are aware of the capability of Atlantic Canadian SMEs. The Agency works with Foreign Affairs and International Trade Canada, the four Atlantic provincial governments and key industry stakeholders to promote export awareness and support regional initiatives such as the Team Canada Atlantic market awareness sessions.

The second element of ACOA's trade development strategy is trade education and business skills development within SMEs. The Agency supports training and mentoring activities tailored to the specific requirements of existing and potential exporters. These activities also help to develop a network of capable trade consultants in the private sector who work with SMEs in the region.

Between 2003 and 2008, the Agency funded over 660 export development projects for SMEs through initiatives such as the Export Partnering Program in New Brunswick. This program provided mentoring, training and in-market experience for more than 50 New Brunswick firms.

The third element of the strategy, capacity building, assists companies in undertaking international market expansion and product development. The Agency undertakes trade analysis and research in collaboration with federal stakeholders, including Canadian missions abroad, and has been active in the organization of trade missions to select U.S., European and Asian markets. Sectors of focus have included aquaculture and seafood

for Europe and China; aerospace and defence opportunities in Europe; and technology and venture capital partnerships in the United States.

The fourth element of ACOA's trade development strategy concerns the policy, advocacy and coordination activities. Through its advocacy activities, ACOA works to ensure that Atlantic Canada's economic interests are reflected in Canada's trade policies and programs.

LuminUltra Technologies Ltd. is a New Brunswick business whose development has benefited from access to ACOA's trade and investment programming.

### **LuminUltra Technologies Ltd. Fredericton, New Brunswick**

LuminUltra's participation in the Export Partnering Program in 2006 enabled the company to make significant inroads into the U.S. market. The company specializes in biological monitoring technologies that detect and measure micro-organisms in water. Biological monitoring of water is fundamental to protecting public health and the environment. The Export Partnering Program, an initiative of the Atlantic Investment Partnership, is designed to help SMEs acquire the skills required to become export savvy and enter strategic international markets.

The company received an order in July 2007 from one of the largest water and wastewater utilities in the U.S. – a direct result of a meeting that was facilitated during an ACOA trade mission in May 2007.

The opportunity to participate in the Export Partnering Program, and especially the experience we gained from the EP [Export Partnering] trade mission to Boston, has been invaluable in the development of market opportunities for LuminUltra in New England. I must say that the federal government's resources, which were made available to us through the Canadian Consul and ACOA, were nothing short of fantastic!

Phil Whalen  
Owner, LuminUltra

### **Major Accomplishments over the 2003-2008 period**

The Atlantic Trade and Investment Partnership, which was announced in May 2002, has provided support for Team Canada Atlantic

missions, sector export strategies, trade and education skills development, export internships and tourism development.

Team Canada Atlantic trade and investment missions (TCA) have enabled an estimated 531 companies to meet more than 3,665 buyers, agents and business owners in

25 sector export strategies have been developed since the beginning of the Atlantic Trade and Investment Partnership in 2002.

the United States. As a result these companies have generated in excess of \$45 million in immediate sales. The missions place particular emphasis on markets on the eastern seaboard of the United States. Typically, up to 40 exporting businesses, drawn from a variety of sectors, take part in these events. In the 2003-2008 (April 1, 2003 to March 31, 2008) period, ACOA led seven trade missions that resulted in over \$14.32 million in immediate-export sales.

The International Business Development Agreement is a partnership between the federal government (ACOA, Industry Canada, and Foreign Affairs and International Trade Canada) and the four Atlantic provincial governments. The Agreement supports a variety of trade development activities. Between 2003 and 2008, over \$4.6 million was invested in approximately 500 companies. A recent client survey reported:

- 27% started exporting to new markets;
- 40% increased their volume of exports to existing markets; and
- 18% identified new markets for export growth.

The Business Development Program (BDP) provides support to SMEs including support for marketing plans and activities. Between 2003 and 2008, over \$99 million was invested in SMEs to help them meet export market opportunities; this has helped 53 firms to become first-time exporters.

Since 2003, more than 4,000 firms have increased their export readiness. Export readiness represents the first step in the export continuum leading to export sales. Once companies become export ready, they are positioned to expand through sales to export markets. The Agency's work in promoting and developing export readiness has enabled Team Canada Atlantic missions to engage over 230 Atlantic SMEs in the period 2003-2007. These missions, implemented in 1999, have enabled approximately 490 firms from Atlantic Canada to generate more than \$41 million in immediate sales.

According to Statistics Canada data, exports by small and medium-sized ACOA clients increased from \$537 million in 2000 to \$959 million in 2005. This represents an average growth in exports of 12.3% per year. Exports for comparable firms declined from \$1.1 billion to \$811 million during the same time period, falling by an average of 5.9% annually. ACOA plays an important role in terms of exports by SMEs, as ACOA

clients accounted for 54% of exports by all of Atlantic Canada's SMEs in 2005.

**Atlantic Turbines International Inc.  
Summerside, Prince Edward Island**

Atlantic Turbines International Inc. performs maintenance, repair and overhaul services to turboprop and turbofan engines and engine components for the aviation and aerospace industries. Established in 1992, the company has expanded from its initial focus on the Pratt & Whitney PW100 series turboprop engines to acquiring its first repair and overhaul licence for a jet engine, with the Pratt & Whitney JT15D, a 3,000-pound thrust engine.

In 2002, the company received AIF support to undertake the research and development initiative known as Centre of Repair Excellence, which is designed to position the business as an international leader in gas turbine engine maintenance and repair. Atlantic Turbines has continued to develop its export business and participated in the ACOA-sponsored trade and technology mission to the United Kingdom in 2004 and the Paris Air Show in 2005 and 2007.

With assistance from ACOA's AIF, the company has successfully met growing customer demand. It now employs more than 300 people and derives 80% of its revenues from exports.



*Brian Thompson, president of Atlantic Turbines International Inc.*

#### 4.4 Foreign Investment in Atlantic Canada

Foreign direct investment (FDI) is a competitive area that offers important economic benefits for Atlantic Canada. FDI plays a significant role in strengthening economic development, the development of business clusters and the industrial critical mass required to compete in the global economy. Between 2004 and 2006, foreign investment firms accounted for 33.6% of all investment in capital and equipment in Atlantic Canada, representing an investment of \$27 billion.

ACOA's investment strategy is designed to increase international awareness of the region as a profitable business location for investment and to provide opportunities for foreign investment in Atlantic Canada. The strategy focuses on four areas.

- 1. Investment research** – identification and analysis of key factors influencing investment location decisions by foreign corporations, and the analysis of major trends and developments in the international investment community. The Agency also participates in national studies on foreign investment.
- 2. Market intelligence and information dissemination** – tracking trends and developments in foreign investment, and making this information available through investment bulletins and training sessions.
- 3. Awareness and promotion** – tools such as marketing campaigns and outreach events.
- 4. Investment partnerships** – coordination of federal/provincial initiatives.

Activities designed to respond to the investment strategy include the following.

- Supporting research to address the limited data available on foreign investment and its impact on Atlantic Canada. An example is the research completed by the Atlantic Provinces Economic Council (APEC), *Attracting the Big Bucks: Foreign Investment in Atlantic Canada (2005)*.
- Raising the profile of Atlantic Canada in the U.S. and European investment communities by investing nearly \$2 million in the last five years in awareness and promotion activities. Furthermore, the establishment of the Pan-Atlantic Investment Coordination Committee created a vehicle for pooling resources with federal and provincial partners to create critical mass in investment marketing and development activities.



Between 2003 and 2006, Canada experienced an increase of 10% in FDI projects, with the service sector overtaking manufacturing. In addition to the United States, which continues to be a major source of FDI in Canada, Europe and Asia have become important sources of investment. Atlantic Canada has begun to see gains in strategic areas such as business process outsourcing, IT and financial services.

Atlantic Canada remains the most cost-competitive region for investment based on KPMG's in-depth international study. The Agency has worked to ensure that Atlantic Canada is included in the report.

#### 4.5 Entrepreneurship and Business Skills Development

To help foster business growth within Atlantic Canada, ACOA invests in activities that help to create an entrepreneurial climate where self-employment is considered a viable career option and business skills development is part of the business culture. This strategy helps to ensure that there are more entrepreneurs and, equally importantly, that owners of SMEs are better positioned to have their businesses survive and grow.

\$44.2 million was invested in entrepreneurship and business skills development projects through the Business Development Program (April 2002 to October 2007).

"I sought out the services of Entrepreneurs' Forum because I was dealing with several challenges within my small business," said Steve Howatt, President and founder of Atlantic AgriTech Inc., a successful agriculture research company based in New Glasgow, Prince Edward Island. "I feel my session was one of the most beneficial and rewarding activities I have taken part in relating to the management and running of my business. I received a tremendous amount of information and advice, and fully intend to implement many of the suggestions into my business over the coming weeks and months."

Since the Agency's creation, ACOA aims to increase the number of Atlantic Canadian entrepreneurs. To achieve this, investments are made primarily through contributions to non-commercial organizations, such as business associations, economic development associations and educational institutions, which in turn, undertake activities that foster entrepreneurship and business skills development. The primary initiatives supporting these investments are the Young Entrepreneur Development Initiative (YEDI) and the Women in Business Initiative (WBI).

The Entrepreneurs' Forum helps entrepreneurs to enhance their management skills. ACOA, along with the National Research Council of Canada and the provinces of Nova Scotia, Newfoundland and Labrador, and Prince Edward Island, provides financial support to this initiative, which helps knowledge-based companies access business advice from a large network of volunteer business professionals.



Since 2003, over 900 volunteer advisers have spent more than 6,200 hours assisting over 650 individuals involved in starting and growing companies. Further, the latest client survey reported that 92% of clients feel that they could not have received this quality of advice elsewhere, and 88% of clients found the advisory sessions useful or very useful.

### Increasing the Competitiveness of Women Business Owners



*Maria Matthews, founder and president of Vision, The Atlantic Canada Co.*

The Agency invests in customized programming to increase the competitiveness of women business owners in Atlantic Canada. ACOA's Women in Business Initiative (WBI), established in 2002, provides funding to business support organizations that help women to grow their businesses. Financing, training and encouragement to explore international markets, and developing innovative ways to do business are some of the services provided through this initiative.

Since 2002, ACOA has contributed more than \$16 million to not-for-profit organizations in support of women entrepreneurs.

An evaluation of the WBI in 2004 found strong support among women entrepreneurs for the projects and services funded by the initiative. In fact, 89% of the respondents placed high value on the business counselling services offered. Overall satisfaction with the WBI was 84%. Among the positive program features identified by WBI clients are: the professionalism of staff, accuracy of information, scope of geographic coverage and access to detailed needs assessment.

ACOA's work to support women in business is captured in a range of

"These women business owners participating in a women exporters initiative organized by the Canadian Manufacturers & Exporters [CME] represent the best of Atlantic Canada's emerging new entrepreneurs," said Ann Janega, Vice-President of the CME Nova Scotia Division. "Their companies have tremendous growth potential and the CME is committed to helping them take their place among Canada's leading manufacturers and exporters."

- activities the Agency has pursued in the last five years:
- Assistance to five Atlantic Canadian business support organizations to provide women entrepreneurs throughout Atlantic Canada with business planning, counselling and mentoring support. In 2006-2007 alone, these organizations conducted approximately 4,200 business counselling sessions with more than 1,800 women.
  - Various business skills development activities targeting women entrepreneurs, such as workshops, conferences and networking events. Collectively, participation levels exceeded 3,700 in 2006-2007.
  - Since 2003, more than 550 women entrepreneurs have accessed financing they would normally not have qualified for due to lack of equity and/or collateral.

### **New Brunswick Association of CBDCs – Women in Business Initiative**

With financial assistance from ACOA's WBI, five development officers located throughout the province work with women business owners to help them access expert business advice, information, mentorship and support; acquire information on financing; identify ways to enhance their innovation and export capacity; and participate in training, professional development and networking opportunities.

The success of this ACOA-supported network is demonstrated by the local women business owners who have been recognized as exceptional entrepreneurs. In 2005, Andrea Fuenekes, President of Remsoft in Fredericton, New Brunswick, was named RBC Canadian Woman Entrepreneur of the Year for Innovation. Lily Durepos and her partner at Alliance-Assurance, in Grand Falls, New Brunswick, were named Atlantic Entrepreneur of the Year in the Services category at an Ernst and Young awards ceremony in 2006.

### **Encouraging Young Atlantic Canadian Entrepreneurs**

To enable more young Atlantic Canadians to start and grow businesses, ACOA focuses on activities that provide them with hands-on learning, such as entrepreneurship courses and workshops, business planning competitions, summer business venture programs, and youth business camps.

From October 2002 to June 2007, ACOA invested approximately \$15 million in more than 200 projects to support YEDI's goals and objectives.

ACOA's Young Entrepreneur Development Initiative (YEDI) is designed to expand and enhance the entrepreneurship training, information and support services available to Atlantic Canadians under the age of 35. ACOA provides financial support to not-for-profit and non-commercial organizations to develop projects and programs that help young people to start and build these businesses.

Survey results obtained in a 2004 evaluation were positive. Many youths started businesses after attending a YEDI-funded activity. Respondents reported:

- high satisfaction with the project's activities;
- improved financial management of their businesses;
- increased ability to sustain their businesses; and
- increased growth in their businesses.

The following examples illustrate ACOA's contribution to the development of youth entrepreneurs.

### **Young Millionaires Program Prince Edward Island**

The Young Millionaires Program, which has a successful track record dating back to 1992, provides an opportunity for Prince Edward Island's youth between the ages of eight and 16 to start their own businesses by supplying them with seed funding. The program aims to spark the entrepreneurial spirit of PEI's youth, and give them a first-hand experience of business opportunities that could exist within their own communities. Aspiring entrepreneurs attend various workshops to learn about the fundamentals of owning and operating a business.

"This program gives our youth a chance to see first-hand the business opportunities that exist here on the Island," said Norman Gallant, Chairman of the Central Development Corporation. "What an exciting way for them to learn about what their futures can hold."

The program receives financing from ACOA, the provincial government, and the Central Development Corporation (CDC). The CDC administers the Young Millionaires Program in conjunction with Active Communities Inc., Resources West Inc., La Société de développement de la Baie Acadienne, and the PEI Business Development Corporation. More than 500 creative youth businesses have been set up since 2003.

## **Students in Business**

### **Nova Scotia**

The Students in Business (SIB) initiative was started in 2004 with financial support from ACOA, Enterprise Cape Breton Corporation (ECBC) and the Nova Scotia Department of Economic Development. SIB's objective is to develop entrepreneurial skills and interest among younger people throughout Nova Scotia. The program offers a maximum of \$5,000 in loan assistance for each business set up by students between the ages of 15 and 35 who are currently attending or planning to return to a recognized educational institution.

Since 2004, the program has provided 256 loans to students, resulting in the creation of 342 full-time equivalent jobs province-wide. Of the \$1.03 million in loans invested in businesses established under this initiative to date, approximately \$42,000 or 4.1% has been written off, which is a very low failure rate given the level of risk.

The SIB initiative is delivered by the Community Business Development Corporations (CBDCs) and the Centre for Entrepreneurship Education and Development (CEED), with financial support from ACOA, ECBC and Service Canada.

### **ACE Memorial**

#### **St. John's, Newfoundland and Labrador**

Advancing Canadian Entrepreneurship (ACE) Inc., a national organization for entrepreneurship training and education, supports Canadian entrepreneurship by organizing and motivating teams of university and college students to practice and teach the principles and values of entrepreneurship.

In Newfoundland and Labrador, ACE Memorial was established in 1992 and involves more than 70 students from Memorial University of Newfoundland's Faculty of Business Administration. ACE Memorial has become one of the strongest ACE teams in the country, earning an impressive second-place finish in 2007 at the Students in Free Enterprise (SIFE) World Cup in New York City. This competition included 43 countries with more than 1,500 teams worldwide.

ACOA's 2007 investment in ACE Memorial is helping to finance various activities including Launch Pad, a business incubation centre to help students build successful businesses and community events. More recently, ACE Memorial received additional financial support to provide training sessions in the areas of accounting, marketing and human resources to a local community development organization in Port Hope Simpson, Labrador.

ACOA's strategy for increasing business skills development has met with excellent results in the tourism sector.

### Tourism Best Practices Missions

Since 2000, ACOA, in co-operation with the Tourism Industry Association of New Brunswick, has led 68 Best Practices missions involving more than 557 industry representatives. The missions focused on educational seminars and tours of successful operations outside of Atlantic Canada that offer high-quality tourism experiences. The missions are designed to provide Atlantic Canada's tourism businesses, along with government officials at the federal, provincial and municipal levels, with an opportunity to learn from leading-edge operators offering products, destinations and experiences similar to their own. Participants have reported that the missions have helped them by providing valuable opportunities to share ideas, strategies and concerns with other groups and people at various stages of tourism development.

### 4.6 Financing Continuum

In Atlantic Canada, enterprises do not have access to the diversity of financing options that exist in larger centres. SMEs often experience difficulties in obtaining financing due to a variety of factors including under-capitalization, assessment of risk by lenders, as well as financing gaps that are often associated with business financing in rural areas.

In association with public and private sector partners, ACOA works with the financial community to overcome these impediments to business growth and to help fill the financing gaps. The Agency helps to ensure the availability of a continuum of financing so that companies can access the financing they require at all stages of their life cycle. ACOA works to

"We've worked very hard on our community outreach projects and are very proud of what we've achieved," said ACE Memorial President Heather Comerford. "The Students in Free Enterprise World Cup allowed ACE Memorial to showcase our work on an international stage and we're absolutely thrilled with our performance. This is the highest any Canadian team has ever placed in this competition."

complement the role of angel investors, venture capital firms and public offerings in equity financing; it intervenes by fostering the development of adequate debt financing from commercial banks, credit unions and other lending institutions.

#### **Business Development Program – 2003-2008 Activity**

Project Type	Number of Projects	Approved ACOA Funding (\$ millions)	Total Project Costs (\$ millions)
Start-ups	238	65.8	392.4
Expansions/Modernizations	915	147.3	439.3
<b>Total</b>	<b>1,153</b>	<b>213.1</b>	<b>831.7</b>

ACOA continues to complement private funding through the Business Development Program (BDP), which provides direct assistance to SMEs for a variety of purposes – start-ups, expansions, marketing, training, productivity and quality improvement – where funding cannot be obtained through conventional financing.

In 2004, ACOA approved a \$10-million contribution toward the establishment of the GrowthWorks Atlantic Venture Fund to re-energize the venture market in Atlantic Canada. The fund is a labour-sponsored venture capital corporation that raises money through offering shares to local investors, who benefit from tax savings offered under federal and provincial tax regimes. The fund invests this capital in promising business ventures based in Atlantic Canada, thereby maximizing their innovation and growth capabilities.

ACOA has also partnered with the First Angel Network Association, a not-for-profit organization created in 2005 to help bridge the gap in Atlantic Canada between entrepreneur and capital through communication, education and networking. The network represents a new source of equity capital for qualified entrepreneurs whereby wealthy individuals can invest in interesting local business opportunities. By funding strategic projects such as a GrowthWorks Atlantic, angel networks and microcredit initiatives, ACOA is fostering the development of the financial markets in Atlantic Canada.

The most recent evaluation of the BDP found that for every dollar invested, the GDP impact is \$7.50. Net benefits to the taxpayers also showed positive results. For every dollar invested, the net returns to the taxpayer are more than two dollars.

These investments have led to numerous successful business expansions and modernization, such as BWS Manufacturing Ltd. (BWS).

**BWS Manufacturing Ltd.  
Centreville, New Brunswick**

BWS manufactures a wide variety of trailer and truck bodies for use in the forestry, mining and construction industries. In 2003, ACOA supported the company to conduct a diagnostic review of its operations, which at that time were producing significant losses. This situation was creating difficulties for the business in terms of the financing required to make necessary improvements.

Since 2003, the Agency has invested over \$200,000 in BWS, enabling the company to finance expansion and modernization, and to undertake lean manufacturing and training initiatives.

As a result of these investment initiatives, BWS has seen an 85% increase in revenues since 2003, leading to a profitable position in 2007. ACOA's role in business financing for BWS has enabled the company to continue as an important rural business with over 80 employees.

#### **4.7 Access to Business Information**

Atlantic Canadians interested in starting or growing a business need convenient access to information on government regulations, programs and resources. Typical questions relate to business start up, business planning, securing financing, market research, human resource management, international trade, and protecting intellectual property. ACOA is a partner in Canada Business, a government information service providing a single point of entry for businesses and start-up entrepreneurs in Canada. In Atlantic Canada, service centres are managed by ACOA and are located in each provincial capital. They are complemented by satellite network sites located in rural communities.

The service centres offer free services including access to market research databases, sample business plans and guides to information sources. The services provided by Canada Business have been instrumental in helping SMEs such as Wellness Forever Natural Products and Grondin Ventilation.



## Wellness Forever Natural Products

### Halifax, Nova Scotia

Jack Pelley is a great example of an entrepreneur helped by Canada Business. Mr. Pelley had an idea for a business. He had discovered the health benefits of hemp seed oil, especially for treating Type-2 diabetes. After having the hemp seed oil tested at a federal research station, he had it encapsulated and administered to a control group. When this research and development achieved consistently positive results, Mr. Pelley decided to explore his entrepreneurial options. This led him to his local Canada Business Centre to collect information on how to start a business. The Centre's staff pointed him toward relevant resources in the on-site library and helped him to acquire the information and contacts he needed to get his business underway.

Mr. Pelley now owns and operates Wellness Forever Natural Products, the company that distributes Rx.Healthtyme. Besides its benefits for Type-2 diabetics, the product offers other health benefits, such as improving blood pressure and cholesterol levels, and increasing metabolism. Since 2003, the company's sales have tripled.

## Grondin Ventilation Inc.

### Saint-Jacques, New Brunswick

Grondin Ventilation Inc. designs, manufactures and installs customized ventilation solutions. When standard equipment no longer met the company's requirements, the owners decided to design and build their own equipment. The company was able to obtain market research assistance from Canada Business to prepare its product for commercialization. The result is a Computerized Numerical Control plasma cutting table, which is fully competitive in the marketplace.

We're also using the market research as part of our business case to attract investors. It's been a big help to us along the way.

Jeammy and Bruno Grondin  
Grondin Ventilation Inc.

## Canada Business: Exemplary Client Service

Canada Business was recognized in 2004 with the United Nations Public Service Award in the category of "Improvement of Public Service

Results." Its success is further acknowledged by a national client survey completed in 2006-2007. Survey results showed that 85% of those using the services were satisfied with the quality of the information received, and 87% of respondents reported that the staff at the centres "went the extra mile." Significantly, 55% of respondents indicated that the service helped them in the process of starting a business.

2004 United Nations Public Service Award presented to Canada Business.



# Chapter 5

## Community Development

### 5.1 Overview

Strong communities are the foundation of Atlantic Canada's social and economic fabric.

The Agency supports Atlantic Canadian communities in their efforts to develop the resources they need to take full responsibility for their own economic development. This approach to community development is based on the principle that the problems facing communities, such as unemployment and economic instability, can best be addressed through a bottom-up process.

To this end, ACOA has developed effective partnerships with local communities and a network of locally based organizations to ensure their participation in planning and decision-making. ACOA's collaborative approach not only engages local communities, but also enlists the co-operation of all levels of government. Drawing on local strengths, creativity and resources, all stakeholders address the economic opportunities and challenges facing these communities together.

Community development has emerged as an important means of fostering economic diversification in Atlantic Canada. The Agency invests in initiatives that provide the best value for investment while addressing community priorities.

### 5.2 Community Development Resources

Local economic development strategies identify specific sectors as foundations for sustainable growth. Accordingly, the Agency works with community partners to develop local plans for key sectors, to promote capacity building in support of these sectors, and to invest in strategic projects within the sectors.

To support community development effectively, ACOA has created a network of local and district offices, providing 36 points of contact with community development partners across Atlantic Canada. To fill the gaps in the community development model, ACOA also supports other key community economic development organizations such as the Regional Economic Development Organizations (REDOs), which are located throughout the region and directed by the communities themselves.

Atlantic Canada's 52 REDOs are mandated to promote local economic development through community development and strategic planning.

ACOA, in partnership with the provinces and local government, provides the underpinning of operational resources to REDOs across Atlantic Canada. The primary objective of REDOs is to mobilize economic development at the local level and to foster citizen input to the creation of a local development strategy. The strategy can be as varied as skills and learning initiatives, regional promotion, investment and tourism development. There are 52 REDOs involved in economic development planning and coordination in Atlantic Canadian communities. Each is governed by a volunteer board of directors and managed by professional staff.

### 5.3 Community-Based Business Development

ACOA's role in community-based business development is undertaken in collaboration with 41 Canada Business Development Corporations (CBDCs) located throughout Atlantic Canada. The CBDCs represent a vibrant network of local business and are accountable to ACOA through funding agreements.

The Community Futures Program is one such funding arrangement. The program provides operational and capital funding to 41 CBDCs, located in rural communities and run by volunteer boards of directors. This model is based on the principle that local decision-making by community members empowers communities to take charge of their own economic development. The CBDCs support rural Atlantic Canada in the creation, expansion and modernization of SMEs by providing financial assistance in the form of loans, loan guarantees and equity financing to entrepreneurs or those persons wishing to start an enterprise. ACOA administers over \$12 million annually to finance the operating costs of the CBDCs through the national Community Futures Program.

Seed Capital Program lending over five years – \$34.4 million invested in nearly 3,000 loans.

The CBDCs have invested \$257 million in 9,000 loans, with an additional \$262 million leveraged over the last five years. These contributions permit the CBDCs to provide an essential source of investment capital that focuses on rural small business development, as well as business counselling and skills development. ACOA also works with the CBDCs to assist Atlantic Canadians through the Seed Capital Program. Under the program, young entrepreneurs may seek an unsecured personal loan with flexible interest and repayment terms to start or expand their businesses, and they may receive business training and counselling. An evaluation of the Seed Capital Program in March 2004 confirmed the need for the program, noting that it combines key elements of financial, training and mentoring support needed by young entrepreneurs.

CBDCs: Autonomous, volunteer-led organizations providing investment capital, micro-credit loans, business counselling and business skills development in rural areas, focusing on small and medium-sized enterprises.

ACOA has created new ways to provide an ongoing source of investment capital for local business owners. In May 2000, the Atlantic Canada Community Business Investment Fund (ACCBIF) was created as a regional credit facility. The CBDCs borrow from the ACCBIF and re-lend to small business clients. To date, ACOA has contributed \$15.6 million to the fund. As a result of this contribution, combined with capital investments from the CBDCs, the value of the fund now exceeds \$25 million.

In March 2004, a fund was created to support the development and use of technology for small business in rural Atlantic Canada. The Technology Development Fund, a community-based, \$7-million revolving fund, provides unsecured loans to small and medium-sized businesses for a period of up to five years.

ACOA's strategic alliance with the CBDCs has helped to establish an effective community-based infrastructure while making government services more accessible. The following two examples demonstrate how this partnership helps Atlantic Canadian entrepreneurs and communities.

### **Fibre-Isle International Mont Carmel, Prince Edward Island**

The need for more Island-made products provided two Island entrepreneurs with the inspiration to start their own business. In May 2007, after many years of planning and research, Sylvie Toupin and Jacques Arsenault opened Prince Edward Island's first yarn-manufacturing facility. They

specialize in taking high-quality yarn made from bison hair and turning it into customized products, such as scarves, shawls, mittens and socks.

The partners approached CBDC Central PEI for financial support in December 2006 and received investment support from the Small Business Loan and Seed Capital programs. The funding helped Fibre-Isle International purchase high-tech equipment used to convert the bison hair to yarn.

CBDC Central PEI has also supported a training program to help the company develop accounting and bookkeeping skills. As a result of local enterprise and initiative, a unique business has been launched, adding to the economic diversification and stability of Mont Carmel.

### **Genoa Design**

#### **Conception Bay, Newfoundland and Labrador**

Genoa Design exemplifies how ACOA's alliance with Atlantic Canadian CBDCs has benefited local business development. The company was developed by Leonard Pecore, a naval architect who, in 1995, began working as a consultant from his home in Conception Bay South.

Within a few years, Genoa Design was landing long-distance contracts and began taking a more international direction. Darren Letto, a former classmate and old boot camp buddy of Leonard's joined the team, providing needed investment and front-line shipyard experience. The new partners, with funding support from federal and provincial agencies, including CBDC Cabot, aggressively made their way into the U.S. market.

Genoa Design International Ltd. steadily gained a foothold with shipbuilding firms across the U.S. and Canada as a supplier of quality production design and drafting detail, as well as 3D modelling. Recently, Genoa expanded into the European market.

Several employees are expatriate Newfoundlanders who came home from Canada's western oil patch to work for Genoa.

### **5.4 Community Investment**

ACOA partners with communities in strategic investments that focus on infrastructure, capacity building at the community level, and business sector development. Strategic investments reflect economic development

plans and priorities that are developed and implemented by communities. It is one more step in ACOA's Community Development model. Once a strategy is developed, the Agency, along with its partners, invests in the opportunities identified by the community. Often that first step in the implementation of a development plan for a community or sector leads to a larger capacity for the community to pursue its objectives.

Since 2003, the Strategic Community Investment Fund has invested \$161 million in 539 projects, leveraging more than \$137 million in other funding by ACOA's partners.

In the period 2003-2008, the Agency operated two programs to support community investment – the Strategic Community Investment Fund and, since 2005, the Innovative Communities Fund. These funds have provided non-repayable investments to non-commercial/not-for-profit organizations such as local development associations, municipalities and their agencies, business and technology institutes, industry sector associations, economic development associations, local co-operatives, universities and other educational institutions.

ACOA's Strategic Community Investment Fund (SCIF) operated as a five-year program under the Government of Canada's Atlantic Investment Partnership, which was announced in June 2000. A summative evaluation of the program, conducted in March 2008, concluded that SCIF was an effective program that contributed to the economic development of the Atlantic region. Furthermore, the evaluation indicated that the program received positive reviews from the communities it served. More specifically, the evaluation found that the program:

- was relevant to the needs of communities across Atlantic Canada;
- was linked to government-wide priorities;
- was relevant to ACOA's mandate;
- addressed the needs of communities and enhanced their capacity for economic development initiatives;
- produced the intended projects results in terms of infrastructure;
- benefited businesses and residents in those communities from an economic and social perspective; and
- was complementary to other ACOA programs and to other federal and provincial programs.

The Innovative Communities Fund, a five-year, \$175-million program introduced in July 2005 as part of Phase II of the Atlantic Investment Partnership, focuses primarily on rural areas, helping to strengthen and

diversify their economies. The ICF capitalizes on the opportunities and strengths that exist in these communities to develop competitive industry sectors, to strengthen community infrastructure, and to enhance the capacity of communities to overcome economic development challenges.

Since 2005, the Innovative Communities Fund has invested \$155 million in 379 projects, leveraging \$222 million in funding from other sources.

An example of community investment in Atlantic Canada is the deployment of broadband infrastructure. Broadband access to the Internet is vital for communities to achieve competitiveness and growth in the global economy. To this end, the Agency has been involved in numerous projects, investing over \$47 million in all four provinces to assist communities lacking broadband access.

The following profiles illustrate the importance of ACOA investment to the economic growth and social sustainability of Atlantic Canada's rural communities.

### **Truro Investment Cooperative Limited – Marigold Cultural Centre Truro, Nova Scotia**

The Marigold Cultural Centre is an example of an initiative identified and led by the community, which was supported by ACOA and other partners supported. In 2003, the Colchester Regional Development Agency (CoRDA) commissioned a sector strategy. This strategy recommended the cultural sector as one of four sectors to grow the economic base of the Colchester/Cumberland County region. CoRDA and business leaders in Truro recognized that a vibrant cultural community could be an economic engine while helping to attract and retain skilled workers and their families looking for a high quality of life.

A renovated downtown property, the Marigold Cultural Centre is a 10,000-square-foot, multi-use building housing visual and performing arts facilities, a centre for arts education, an art gallery, the Truro Sports Hall of Fame, and commercial offices. A community-led partnership involving the downtown business community, the Town of Truro, the Cobequid Arts Council, CoRDA, the Nova Scotia Department of Economic Development and ACOA was formed – to raise funds for the renovations. The community raised almost \$1 million of the total \$1.48 million investment. ACOA contributed \$210,000.

The activity generated by the Marigold Cultural Centre will have spin-offs for existing businesses such as restaurants and entertainment venues, and will help to attract businesses that want to share in the success of this venture. It will support the heritage and artistic integrity of the multi-cultural community through performances, exhibits and the sale of art to visitors and residents. The project has created a lasting impression on the residents of Truro, showing that they can make things happen in their community. By coming together with local business and municipal government, the community has created a centre for social gatherings, community expression and entertainment, which may be the catalyst for the emergence of what renowned economist Richard Florida calls the “creative class” in the Truro community.

### **Celtic Colours International Festival Cape Breton, Nova Scotia**

Since 1997, the Celtic Colours International Festival has been a key promoter of Cape Breton culture, its music industry and its autumn beauty. The annual festival features hundreds of musicians from Cape Breton and around the globe, attracts 7,000 visitors from more than 20 countries, and runs on the energy of nearly 1,500 Island community volunteers. The Celtic Colours International Festival has firmly established an annual fall shoulder season and, with support from ACOA, resulted in annual economic spin-offs of more than \$5.1 million.

Beginning in 2005, ACOA entered a five-year funding partnership with the Celtic Colours International Festival, contributing \$800,000 to the festival under the Innovative Communities Fund to support infrastructure and product development. Recognized as a world-class event, the festival is often seen as a pillar of the Atlantic Canada tourism calendar, showing long-term viability and achieving growing success over the last 11 years.

Acknowledgements through a number of awards prove that the Celtic Colours International Festival is a premier tourist attraction. These include: the Tourism Industry Association of Canada’s Event of the Year award in 2007; the East Coast Music Association’s Event of the Year in 2005, 2006 and 2007; Attractions Canada Top Cultural Event in 2001; and the American Bus Association Top Event in 2001. This festival stimulates economic activity and honours Cape Breton’s culture, music and beauty.



## **Marine Institute – Safety, Emergency Response Training Centre (SERT)**

### **Stephenville, Newfoundland and Labrador**

Stephenville's airport includes a unique training field that is now being used by the Marine Institute to deliver certified safety and emergency response training for the oil and gas, fish harvesting, marine transportation and aviation sectors. ACOA has contributed \$1.36 million to this \$3.05-million project, which is estimated to have an annual economic impact in excess of \$1 million.

The SERT serves an immediate market of 3,400 students and has a projected three-year enrolment of just over 10,000. ACOA's partnership with the Marine Institute in developing the infrastructure of the Centre has strengthened the diversification of the economic base of the Stephenville community, building on existing assets and expertise.

## **5.5 Official Language Minority Communities**

Atlantic Canada accounts for one-third of Canada's Francophone population living in official language minority communities. Approximately 275,000 of the individuals who self-identify as Francophone live in rural areas. The challenges facing these communities include a higher than average unemployment rate, an aging population, declining demographics, and a lack of sustainable economic development opportunities.

By partnering with representative community groups and federal, provincial and municipal departments, ACOA collaborates on economic opportunities that address the needs of these communities. Furthermore, enhancing the vitality of official language minority communities is a requirement of Canada's *Official Languages Act*, and ACOA plays an active role in its implementation.

**\$10 million is invested annually in the economic development of OLMCs in Atlantic Canada.**

An example of such collaboration is the Atlantic Canada Cultural and Economic Partnership (ACCEP). Created in 2002, the ACCEP was a three-year, pan-Atlantic initiative funded jointly by Canadian Heritage and ACOA to stimulate economic development through cultural initiatives and to celebrate the history and cultural diversity of Atlantic Canada. Through this \$10-million program, 76 projects were funded, including support for the organization of the third Acadian World



Congress held in Nova Scotia in 2004. An evaluation of the ACCEP concluded that the partnership was a success and that it succeeded in highlighting the contribution of culture to economic growth in Atlantic Canada.

The PERCÉ Project, a \$310,000 initiative in Prince Edward Island, is another successful partnership aimed at encouraging Acadian and Francophone youth studying outside the province to return home and explore career opportunities. This initiative is a partnership between ACOA, La Société de développement de la Baie Acadienne and the Evangeline region in West Prince County. Through a mentorship arrangement, participants develop new skills and knowledge and a network of contacts in their field of interest. ACOA provided funding of \$224,820 toward the overall cost of the project.

ACOA has a long-standing commitment to supporting tourism projects that contribute to the region's economic growth. ACOA investment continues, with support for infrastructure improvement and cultural promotion designed to showcase the unique cultures of Atlantic Canada's Acadian and Aboriginal populations.

### ***Le Pays de la Sagouine*** **Bouctouche, New Brunswick**

The Agency's support for *Le Pays de la Sagouine* began over 10 years ago and investments have now surpassed \$2.5 million.

The town of Bouctouche, New Brunswick, which has a population of 2,500 residents greets some 65,000 tourists during the summer thanks to *Le Pays de la Sagouine*, a reproduction of an Acadian village inspired by the town's renowned novelist, Antonine Maillet, and her most celebrated character, *La Sagouine*. Throughout an extended tourist season, the town comes alive with theatre, music, comedy and dance – immersing visitors in Acadian culture. The town of Bouctouche is a small community doing big things. The success of *Le Pays de la Sagouine* illustrates the value and importance of enhancing the vitality of official language minority communities.

This investment is essential to the continued growth of *Le Pays de la Sagouine*. With the proposed renovations, we were able to expand our season and calendar of activities, and accommodate further future growth.

Paul LeBlanc  
Executive Director,  
*Le Pays de la Sagouine*

ACOA's investments in *Le Pays de la Sagouine* have helped to develop critical economic development infrastructure in rural New Brunswick – capitalizing on the capacity, strengths and opportunities in the town of Bouctouche. ACOA's long-standing support for this initiative is a testament to the Agency's commitment to ensuring the sustained growth of official language minority communities throughout Canada.

### 5.6 Aboriginal Economic Development

Aboriginal peoples in Atlantic Canada represent the Mi'kmaq, Maliseet, Innu, Inuit and Métis nations and account for approximately six percent of the Aboriginal population in Canada.

The responsibility for assisting Aboriginal communities in addressing the complex social and economic challenges they face is shared among federal government departments. While ACOA does not have specific programming for Aboriginal communities, it does partner with many Aboriginal organizations and federal and provincial departments to assist in building the economic capacity of these communities.

For example, in September 2007, ACOA joined with Indian and Northern Affairs Canada, Fisheries and Oceans Canada and the Province of Nova Scotia to announce a four-year research program aimed at fostering Aboriginal economic development in Atlantic Canada. The research project, led by the Atlantic Policy Congress of First Nation Chiefs Secretariat Inc. in partnership with a consortium of 11 Atlantic Canadian universities, supports workshops aimed at improving strategic decision making; research linked to the needs of Aboriginal communities; and the development of a repository of information and analysis pertaining to Aboriginal economic development.

#### The Aboriginal Business Development Fund Project

New economic and employment opportunities are being realized for Aboriginal entrepreneurs through a funding partnership between ACOA and the Ulnooweg Development Group (UDG). The UDG, an Aboriginal Capital Corporation that offers business advice and delivers loans to Aboriginal entrepreneurs, administers the Aboriginal Business Development Fund (ABDF), which was established in 2004 to create a partnership with ACOA. This \$6-million fund provides low-interest financing for the establishment, modernization and expansion of

businesses. The ABDF has significantly improved access to capital for Aboriginal entrepreneurs. Its success is evident in the consistent number of loans issued in the last three years.

### 5.7 Infrastructure Programming

The provision and maintenance of quality public infrastructure is a prerequisite for sustainable development and economic prosperity. Potable water and waste treatment facilities, highways, municipal roads, bridges and transit systems all impact the potential for economic growth and have important environmental implications. This requires programming designed to renew and build infrastructure through investments that protect the environment and support long-term economic growth.

We are very pleased to work with ACOA on this important initiative. While Aboriginal businesses are operating in all sectors of the economy, there is considerable potential for growth. The Aboriginal Business Development Fund will go a long way in helping us to achieve our goals.

Chief Terry Paul  
Chairman, Board of Directors,  
Ulnooweg Development  
Group Inc.

ACOA works collaboratively with Infrastructure Canada and the four Atlantic Provinces to deliver federal infrastructure programs such as the Municipal Rural Infrastructure Fund and the Canada Strategic Infrastructure Fund (CSIF). Established in 2003, the CSIF is scheduled to be in effect until 2013.

CSIF funding supports major infrastructure initiatives of strategic importance to the region. For example, the Harbour Solutions Project in Halifax, Nova Scotia, represents a major investment in this area. It is

Harbour Solutions –  
\$60 million toward the  
\$333 million total project costs.

the largest infrastructure project in Halifax's history and involves essentially re-plumbing the city with hundreds of kilometres of underground pipes. Three new sewage treatment plants, a bio-solids process facility and several new pumping stations are either being rebuilt or constructed. As a result, approximately 150 million litres of untreated wastewater that previously flowed daily into Halifax Harbour will now be diverted for treatment.

ACOA's investment in infrastructure includes projects that build high-capacity Internet access. The New Brunswick Broadband project resulted in 90% of residences and 95% of businesses having high-capacity access to the Internet. In addition, 100% of regional health care centres, business parks and First Nations' communities gained access.

<b>The New Brunswick Broadband Project</b>	
Government of Canada	\$16.5 million
Province of New Brunswick	\$12.5 million
Private sector	\$15.6 million
<b>Total</b>	<b>\$44.6 million</b>

ACOA's infrastructure partnership activities include the delivery of the \$8.8-billion Building Canada Fund (BCF), which forms part of the \$33-billion federal funding for the Building Canada Plan announced in the federal budget of March 2007. This seven-year plan, 2007-2014, uses a competitive, merit-based application process to support projects in small communities. The program is governed through a contribution agreement with the provinces and is managed in Atlantic Canada by ACOA, on behalf of Infrastructure Canada. Eligible investments under the BCF include: public transit, transportation, wastewater treatment, green energy, solid waste management, clean drinking water, broadband and connectivity, cultural, sport and tourism.

### 5.8 Special Adjustment Measures

Changes in the economic circumstances of industries or firms may have a major negative impact on local communities, particularly in the case of single-industry communities in rural areas.

As a region still highly dependent on the resource sectors, Atlantic Canada faces significant challenges in terms of economic adjustment. On behalf of the Government of Canada, ACOA has been called upon to mobilize its programs and resources in support of special adjustment measures and to partner with other stakeholders in mounting an effective and timely response at the local level. Examples of such economic challenges include the closure of military bases and the decline of the North Atlantic cod fishery.

Adjustment measures are designed to mitigate short-term impacts on communities and workers, and to facilitate economic adjustment through diversification of the economic base. Short-term adjustment assistance has led to the creation of new business opportunities and economic diversification for communities affected by industry closure, as evidenced by the Saint John Shipyard Adjustment Initiative (SJS AI). The SJS AI is a \$55-million program that was designed for redevelopment opportunities to offset the closure of the Saint John Shipyard, to help create new

industrial opportunities in New Brunswick. Under this initiative, ACOA, on behalf of the Government of Canada, provided funding for feasibility studies, site preparation, and a \$35-million contribution toward construction of a gypsum wallboard manufacturing facility located on the former shipyard site. Irving Shipbuilding Inc. has committed to matching the Government of Canada's investment with \$55 million of its own funds, representing a potential total investment of \$110 million in new industrial opportunities for New Brunswickers.

In April 2003, ACOA's Strategic Community Investment Fund (SCIF) was revised to add the Short Term Adjustment Initiative (STAI), aimed at mitigating the short-term impacts of the cod stock closures in the Atlantic Ocean and Gulf of St. Lawrence. Through the STAI initiative, 192 projects were approved with a total contribution of \$31.6 million.

# Chapter 6

## Policy, Advocacy and Coordination

### 6.1 Overview

ACOA plays an important role in alerting and informing the federal government of the economic challenges and opportunities facing Atlantic Canada. The Agency's policy work provides a foundation for the development of strategic priorities and initiatives, program design, and input to national policy development and federal-provincial relations. In addition to conducting research internally, the Agency also engages public and private sector partners and research bodies for in-depth research and analysis of key issues affecting the region.

Advocacy activities aim to advance the region's interests in national policies and programs and to maximize regional industrial benefits from public sector procurement.

On behalf of the Government of Canada, ACOA plays an important coordination role in the development and implementation of national policies and program initiatives as they relate to Atlantic Canada. The Agency does so by engaging other federal departments, provincial governments, the business sector, and universities and colleges to build a coordinated approach to strategic priorities.

The Atlantic Gateway provides an example of how ACOA uses its policy, advocacy and coordination activities to benefit the Atlantic region and Canada.

### The Atlantic Gateway

The role of gateways and corridors as key infrastructure links in Canada's national and international supply chains has been recognized by the Government of Canada as offering important economic development opportunities. In Budget 2007, the federal government announced a

\$2.1-billion National Gateway and Border Crossing Fund, and the development of a National Policy Framework for Strategic Gateways and Trade Corridors. The 2007 Speech from the Throne highlighted the Atlantic Gateway as an east coast point of international entry to North American markets.

Quickly changing and growing global trade and transportation patterns are being driven primarily by increasingly efficient and complex global supply chains. Components manufactured in different parts of the world must be carried as rapidly as possible to points of final assembly of a product. In this integrated system, the efficient transfer of goods between transportation modes, especially from land to sea and sea to land, is critical. The onward movement of final assembled products to market is equally important. The movement of goods between the emerging Asian economies and North America is a particularly important part of the growth in global trade.

This network of transportation modes – sea, rail, road and air – continues to be extensively studied in research commissioned by ACOA and its partners. The research is intended to identify opportunities and challenges in the development of the Atlantic Gateway, to provide a base for partners to develop suitable policies and programs. The Atlantic Gateway Business Case Study, made public in October 2007, concluded that there is a compelling case for the gateway, with an initial focus on expanding container trade through Atlantic Canada. The gateway has a strong “value proposition” based on consideration of competitive transit times, reliability and cost competitiveness. All of Canada would benefit from development of the Atlantic Gateway as part of a national integrated transportation supply chain.

Also in October 2007, the Government of Canada, represented by the Minister of Transport, Infrastructure and Communities and the Minister of ACOA, signed a Memorandum of Understanding with the four Atlantic Provinces that provides a framework for collaboration on the development of the Atlantic Gateway. This agreement underlines the desire of governments to work together on this opportunity, developing a comprehensive and collaborative strategy. As part of this agreement, a federal-provincial officials committee, with representation from the four Provinces and from ACOA and Transport Canada on the federal side, was deemed the primary forum for collaboration. ACOA co-chairs the committee with the Province of New Brunswick.



## 6.2 Policy

ACOA's policy function provides a broad-based network of information, research and analysis to support corporate decision-making and to advise the Minister on development approaches tailored to Atlantic Canadian circumstances. This function is supported by internal and external research, in part delivered by the Atlantic Policy Research Initiative (APRI), which funds region-wide research projects, and is designed to build public policy research capacity in Atlantic Canada. The APRI exemplifies ACOA's approach to pursuing its mandate, by partnering with other research bodies to study key issues affecting the region. Partners include universities, independent public policy research institutes, business associations, other government departments and agencies, and private sector experts.

In the period 2003-2008, APRI targeted priority areas including innovation, trade and investment, entrepreneurship and business skills development,

community economic development and the analysis of key economic sectors. Research was also done on immigration, productivity and competitiveness, urban growth, and the role of universities and colleges. A list of research projects funded by the Agency, including APRI projects, can be found at:

<http://www.acoa-apeca.gc.ca/e/library/policy.shtml>. 

ACOA's policy agenda has also included analysis to ensure that the Agency's activities are well-informed by current economic trends and issues. This has focused largely on the overall performance of the region's economy, productivity and competitiveness issues, and more detailed examination of specific industries and sectors in Atlantic Canada.

Between 2003 and 2008, ACOA was active in a number of policy-related initiatives, including the Atlantic Population Strategy (with Citizenship and Immigration Canada, Industry Canada, Human Resources and Social Development Canada, and the four provincial governments); the Atlantica concept (with the Atlantic Provinces Chamber of Commerce), and the Atlantic Gateway strategy.

Conferences, workshops, roundtables and other outreach activities supported by the APRI in the period 2003-2008 include:

- Atlantic BIOEnergy Conference
- Aboriginal Roundtable in Atlantic Canada
- Atlantica 2007; Business Without Boundaries
- Task Force on Fostering a Sustainable Salmon Farming Industry for Atlantic Canada
- Growing Technology Business in Atlantic Canada: The First Atlantic Regional Research Money Conference
- Forum on the Future of the Atlantic Economy

An independent evaluation of APRI in 2005 noted that roundtables and conferences represent effective tools for networking and dissemination of research. They provide a successful means for the exchange of ideas and building of linkages between public and private stakeholders.

In New Brunswick, ACOA's policy work supported the creation of the Chaleur-Restigouche Initiative, a three-year effort to assist companies in the northeast region of New Brunswick to adjust to the closure of the Brunswick Mine and Smelter, as well as the downturn in the forestry sector. Among its notable accomplishments, ACOA has assessed over 149 potential clients, which led to projects with 40 SMEs to develop new products, find new national and international markets and improve their management skills, particularly in the areas of trade and innovation.

### 6.3 Advocacy

Through its advocacy work, ACOA keeps both the Minister and ACOA executives apprised of implications and impacts of government-wide priorities and activities. The Agency helps to ensure that they have the information and analysis needed to participate in the development of national policies and programs on behalf of Atlantic Canada.

In a 2007 report, *Higher Education and Regions: Globally Competitive, Locally Engaged*, the international Organisation for Economic Co-operation and Development (OECD) highlighted ACOA's role in engaging regional stakeholders, noting in particular that ACOA's longevity has allowed it to experiment and to establish its credibility as an essential partner across the region – encouraging partnerships among businesses, the research community, and higher education institutions.

ACOA's advocacy activities are also directed to industrial regional benefits and the enhancement of opportunities for Atlantic businesses to participate in federal procurement. This focuses particularly on major Crown projects that offer the potential for regional benefits.

During the period 2003-2008, ACOA increasingly directed its advocacy efforts toward strategic priorities. For instance, renewal of the Atlantic Investment Partnership in 2005 expanded the Agency's overall capacity to help SMEs compete more effectively. As trade and investment activities were redefined under the government's Global Commerce Strategy and other initiatives such as the re-engagement in the Americas, ACOA ensured coordination and cohesion between these new strategies and its activities. Other strategic priorities include aerospace and defence, aquaculture, science and technology/commercialization, energy, environmental technologies, resource industries, population and immigration, bioscience, and more recently, the Atlantic Gateway.

### Science and Technology/Commercialization

ACOA works closely with other federal partners in its advocacy role. For example, ACOA has collaborated with Industry Canada in the

development of the federal government's Science and Technology Strategy and the building of innovative capacity in Atlantic Canada. The Agency has worked closely with the National Research Council on Canada's cluster initiative, with the Life Sciences Research Institute and with the Canada Foundation for Innovation, in support of Atlantic Canada's participation in these major national initiatives.

### **Energy and Environmental Technologies**

The energy sector and resource industries are clearly significant contributors to Atlantic Canada's economy. ACOA has worked to ensure that federal policy and program decisions in these sectors offer economic benefits to Atlantic Canada. Advocacy work has focused on identifying regional opportunities and developing effective relationships with the key federal departments. To this end, ACOA facilitated the Atlantic Energy Roundtable, which focused on streamlining the regulatory environment for investment in exploration for offshore oil and gas in Atlantic Canada. ACOA has also collaborated with Natural Resources Canada and Transport Canada to establish the Wind Energy Institute of Canada, in Prince Edward Island, and the Centre for Marine Compressed Natural Gas, in Newfoundland and Labrador.

### **Resource Industries**

ACOA formed a committee of federal resource-related departments in the region to facilitate co-operation that supports the sustainable transformation of Atlantic Canada's forest, fish and agricultural sectors. ACOA brought an Atlantic Canadian perspective to federal forestry initiatives and to the analysis of the impact of the U.S. softwood lumber trade decision. It also helped to develop the government's Ocean Action Plan, which resulted in the Smart Bay Technology Demonstration Project in Newfoundland and Labrador. This project raised the profile of Newfoundland and Labrador's ocean technology industry and strengthened the province's ocean technology cluster.

### **Population and Immigration**

ACOA spearheaded the creation of the Atlantic Population Table, a federal-provincial working group comprising representatives of the four provincial governments and federal organizations. The Agency was also a key player in the establishment and renewal of the Atlantic Canada Metropolis Centre of Excellence for Research on Immigration, Integration and Cultural Diversity.

### Aquaculture

Aquaculture is of strategic importance to ACOA as it represents opportunities for wealth generation, employment creation and diversification of Atlantic Canada's rural and coastal communities. ACOA assisted Fisheries and Oceans Canada in



Source: Fisheries and Oceans Canada

securing federal funding for the aquaculture industry to help address the sector's challenges and create conditions for growth in an economic and environmentally sustainable manner. Investments are targeted at improving regulatory certainty, environmental standards, certification measures, and research and innovation activities.

### Aerospace and Defence

For more than two decades, ACOA has developed a strong capacity to support the efforts of Atlantic Canadian firms to successfully compete for business within the federal procurement process. The Atlantic region produces some of the world's most innovative products and services for the aerospace and defence industry. The region is recognized worldwide as Atlantic Canadian companies work with some of the industry's most influential companies, including Lockheed Martin, General Dynamics, Honeywell, Pratt and Whitney, and Boeing. Regional industrial benefits were mainly attributable to the Maritime Helicopter, Strategic Airlift Aircraft, and Tactical Airlift projects and to smaller, but significant, aerospace repair and overhaul contracts.

ACOA also supported Atlantic Canadian business in accessing non-defence public sector opportunities, notably those related to the Canadian Coast Guard and the Canadian Space Agency. In addition to activities relating to project-specific opportunities, ACOA's advocacy efforts supported a sustainable regional Aerospace and Defence Industries Association, and promoted the industry internationally through trade missions.

In the last five years, Atlantic Canada's participation in major Crown projects represented industrial regional benefits in excess of \$1 billion.

The government's industrial regional benefits policy allows Atlantic Canadian firms to leverage an initial involvement into a continuing presence in a winning bidders' global supply chain. Building on relationships established during production of Canada's LAV III fleet, General Dynamics Land Systems continues to source parts in Canada for new vehicle production in both the U.S. and Canada.

LAV III and Stryker vehicles are equipped with: add-on armour from DEW Engineering in Miramichi, New Brunswick; tires from Michelin in Wolfville, Nova Scotia; wiring harnesses from IMP in Halifax, Nova Scotia; components from Advanced Precision in Dartmouth, Nova Scotia; and driver panels and other components from Rutter Manufacturing in St. John's, Newfoundland and Labrador.

Canada's regional benefits policy opened the door to business development opportunities for regional aerospace and defence firms, and, supported by ACOA's advocacy role, Atlantic Canadian suppliers have kept it open.

#### **6.4 Coordination**

ACOA is mandated by its legislation to "coordinate the policies and programs of the Government of Canada in relation to opportunities for economic development in Atlantic Canada." To pursue its mandate, the Agency works with Federal Regional Councils, comprising senior officials of federal departments, operating in each province. The Councils help maintain coherence in the federal government's management of programs and service delivery, provide a regional perspective on federal initiatives, and help the federal government to achieve a more integrated approach to relations with the Provinces.

From 2003 to 2008, the Councils were active in a number of areas that cross departmental boundaries, such as official languages policy, promoting dialogue with the Aboriginal community, and the coordination of government efforts in support of economic development.

While the Councils represent a formal, structured approach to coordinating the federal presence in the region, the Agency also works with other federal departments on specific initiatives and areas, such as coordination and information sharing among the federal regional development agencies across Canada, delivery of specific national

initiatives on behalf of the Government of Canada (e.g. helping to coordinate approaches to the various infrastructure programs), and helping to align regional development priorities with the national policy agenda.

Coordination also takes place through working closely with the four provincial governments to explore areas of joint action between the two levels of government and strengthen the delivery of services to the public. To this end, a federal-provincial Senior Officials Committee, co-chaired by the President of ACOA and a provincial deputy minister, has been established to provide a senior level forum for discussion of strategic issues affecting the development of Atlantic Canada. For example, the Atlantic Population Strategy aims to develop a more coordinated federal/provincial approach to population challenges facing the region and address issues of recruitment and retention.

### **Umbrella Governance Framework – Infrastructure Prince Edward Island**

In April 2005, a five-year agreement called the Umbrella Governance Framework was signed by Infrastructure Canada and ACOA, on behalf of the Government of Canada, and by the Department of Intergovernmental Affairs and the Department of Community and Cultural Affairs, on behalf of the Government of Prince Edward Island.

These programs [i.e. CSIF, MRIF] are an excellent example of all three levels of government co-operating for the betterment of our cities, towns and communities.

Stan Campbell, President of the Federation of Prince Edward Island Municipalities

Under this agreement, federal, provincial and municipal leaders are mandated to plan and implement infrastructure projects delivered through four programs: the Canada Strategic Infrastructure Fund (CSIF I and II), worth \$60 million and representing equal investments by the Government of Canada and the Government of Prince Edward Island; the Canada-PEI Municipal Rural Infrastructure Fund (CPEI-MRIF), worth \$65 million and representing equal investments by federal, provincial and municipal governments; the transfer of the Federal

Gas Tax under the New Deal for Cities and Communities (GTF/NDCC), worth \$37.5 million; and the Transit Fund, worth \$5.5 million. The latter two programs are funded 100% by the Government of Canada.



Budget 2007 introduced new infrastructure programming to replace the sunsetting Canada Strategic Infrastructure Fund and the Municipal Rural Infrastructure Fund, and to extend the Federal Gas Tax funding. This program – the Building Canada Plan – will provide long-term, stable and predictable funding to meet infrastructure needs across Canada and will operate within the existing collaborative framework in Prince Edward Island.





# Chapter 7

## Looking Forward

### Environmental Scan

Over the course of the next five years, ACOA's strategic directions will be driven by a combination of forces, including key national priorities, global economic trends, macroeconomic outlook, regional dynamics and the industrial structure in Atlantic Canada.

### Key National Priorities

Looking forward, ACOA's priorities will reflect the objectives and principles of *Advantage Canada*, the Government of Canada's overarching economic framework, which is based on five key advantages.

- *Tax Advantage*: Reducing taxes for all Canadians and establishing the lowest tax rate on new business investment among the G7 countries.
- *Fiscal Advantage*: Eliminating Canada's total government net debt in less than a generation.
- *Entrepreneurial Advantage*: Reducing unnecessary regulation and red tape and increasing competition in the Canadian marketplace.
- *Knowledge Advantage*: Creating the best educated, most skilled and most flexible workforce in the world.
- *Infrastructure Advantage*: Building the modern infrastructure the country needs.

ACOA's mandate is most closely tied to the entrepreneurial, knowledge and infrastructure advantages and their related principles.

### Global Economic Trends

Atlantic Canada has the potential to better integrate and capitalize on global supply chains, and enter new niche markets. It can also enhance existing supply chains to respond to rapid shifts in global trade, the growth in Asian markets, potential opportunities with Latin America

and the continued importance of the United States as Atlantic Canada's primary trading partner. The Americas will play an increasingly important role in Canada's trade priorities and have been identified as a priority for the Global Commerce Strategy. This is of interest to Atlantic Canada, since the region is actively pursuing trade and investment opportunities with Mexico, the Caribbean, Chile, Peru and Brazil, in areas such as energy (petroleum, wind) and pharmaceuticals. There is also a growing potential for IT sectors.

Tied closely to these concepts is the growing importance of global value chains, whereby the activity required to complete a good or service and bring it to market is becoming more fragmented across geographic boundaries and across different firms. At a very basic level, if Atlantic Canadian SMEs are to compete and integrate with global value chains, they will have to be aware of, and have access to, the skills required to manage logistics and supply chain processes within their organizations.

### **Macroeconomic Outlook**

Macroeconomic conditions will also influence the future direction of Atlantic Canada's economy. The higher value of the Canadian dollar will continue to present a challenge to the region's export-intensive sectors, particularly the manufacturing and forestry sectors, which are also facing rising energy prices and increased competition from low-cost producers in developing countries. The higher dollar also presents a challenge to domestic producers that compete with foreign producers in the Canadian market.

There is a related risk that the turbulence in global financial markets could persist over the medium term, leading to higher business and consumer borrowing costs, reduced credit availability and weaker consumer and business confidence globally. Slower-than-expected global economic growth would put downward pressure on commodity prices, which would lead to weaker terms of trade and income growth for Atlantic Canada.

### **Regional Dynamics**

Atlantic Canada remains one of Canada's most rural regions, with 46% (versus 20% in Canada) of the population living in rural areas (38% in remote regions compared with 15% nationally). From 2001 to 2006, while the total number of people living in Atlantic Canada remained virtually unchanged at approximately 2.3 million people, there was

considerable fluidity in terms of migration within the region and between Atlantic Canada and other regions of the country. Over the 2001 to 2006 period, the population in the seven major urban areas in Atlantic Canada increased by 3.1%, while it fell by 2.6% in the rest of the region. These realities speak to both the importance of focusing on rural challenges in Atlantic Canada, and the importance of building on the region's urban strengths. A key economic implication of these demographic and migration trends is the emergence of labour shortages in some segments of the region's economy.



### **Business and Industrial Structure in Atlantic Canada**

Commercial activity in Atlantic Canada is concentrated in energy, information technologies, specialized manufacturing, mining, agri-food, professional services, tourism, telecommunications, forestry and seafood processing. In 2007, Statistics Canada reported that there were approximately 81,000 SMEs in Atlantic Canada, representing about 7% of the national total. In Atlantic Canada, SMEs account for 98% of all businesses. The SMEs have been important drivers of job creation and economic growth.

Atlantic Canada's industrial structure continues to be characterized by a large proportion of resource-based industries. Resource-based industries will continue to be important for regional development, but need to be repositioned to encompass more knowledge content so they can remain globally competitive, can deliver more value-added production, better jobs, higher value exports, and more resilient rural communities.

Current initiatives in the region's resource-based industries are focusing on a number of key areas including:

- a more competitive forest products industry that generates more value-added products in a more efficient way;
- more diverse uses of potatoes and other agricultural products, such as the production of ethanol;
- a more sustainable fishery, with emphasis on aquaculture and marketing; and
- advances in mining and energy technologies.

The development of biofuels is expected to drive expansion in several resource sectors, while responding to climate change will involve both agriculture and forestry. Eco-labelling and environmental certification will affect all resource products.

### **Policy and Programs' Plans and Priorities**

Implicit in the Agency's work over much of its first 20 years has been a focus on helping businesses to create employment. Although high-quality jobs will continue to be important to the economic security of individuals and families going forward, the focus of ACOA's work will need to shift to meet the growing challenges of a relatively slow population growth and the aging demographic profile of the labour force in the region. In 2007, the unemployment rate in Atlantic Canada fell to 9.2%, attaining its lowest level in over 30 years. Further, labour shortages are anticipated in future years for some areas in Atlantic Canada. Thus, the Agency will give increasing emphasis to growth in productivity, competitiveness and earned incomes.

Recognizing that Atlantic Canada's economy must have a number of conditions in place for that to succeed, ACOA will continue to take a proactive approach to identifying opportunities and overcoming regional barriers to growth. ACOA's emphasis will be on fostering research and development with an emphasis on commercialization, technology adoption, business skills development, access to capital, balanced urban-rural development, and strengthened advocacy and coordination.

While the Agency's ongoing work will continue to be focused on results as outlined in the Program Activity Architecture, the following priorities have been identified as considerations in planning for the strategic outcome and internal services areas.

### **Enterprise Development**

A major focus of Enterprise Development will be increasing the productivity and competitiveness of Atlantic Canada. ACOA will work to maximize the impact of its investment, particularly in sectors that are strategically important to the long-term success of Atlantic Canada. This will assist in the transformation to a knowledge-based economy with the emergence of more knowledge-intensive, resource-based industries and new sectors/clusters in information technology, bioscience and aerospace. Increased focus will be placed on identifying and pursuing commercialization opportunities within the existing portfolio of innovation projects. As well, the Agency will promote Atlantic Canada's capacity to carry out leading-edge R&D in specialized areas or specific sectors at the regional, national and international levels.

### **Community Development**

ACOA has a history of working closely with communities and community-based organizations to help them respond to their economic challenges and embrace the opportunities for development. The Agency will work with these communities to strike the right balance between capitalizing on the growing opportunities of the region's urban and rural areas, and continued recognition of and ability to respond to the various economic development challenges. This means taking a strategic, regional approach to development, where communities work together to extend the benefits of emerging opportunities to the widest extent feasible and mitigating economic challenges where possible.

### **Policy, Advocacy and Coordination**

ACOA's well-developed policy, advocacy and coordination roles are important complements to its direct support for economic development. ACOA will continue to carry out specific research in Atlantic Canada and will play a lead advocacy and coordination role developing a strategic approach with other federal line departments, provincial governments, communities and key players to create an enabling environment for industry development. Over the course of the next five years, ACOA's policy activities, including strategic analysis, economic analysis and research, will be concentrated in the strategic priorities areas as identified above.

### Internal Services

ACOA's ongoing commitment to build and maintain management excellence and strong governance is focused on achieving an appropriate balance between what is achieved and how it is achieved. Consistent with the Management Accountability Framework, and with the federal thrust toward Public Service Renewal, the priority areas upon which the Agency intends to focus include:

- implementation and coordination of a strong governance and accountability framework to ensure that ACOA remains focused on results, that its programs and policies remain relevant, and that the right decisions are being made to enable the Agency to fulfill its mandate;
- enhanced capacity to collect and use performance information for informed decision-making at all levels;
- improved understanding of the risks ACOA faces, and how to best mitigate them; and
- having the right people with the right skills to support attaining business goals through comprehensive employee learning plans, training and learning opportunities, succession planning, and focused recruitment.